

Committee Name:

Senate Select Committee – Job Creation (SSC–JC)

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08-25-2003

Good morning, I'm Peter Waldron – Vice President of Energy Supply Operations for Madison Gas and Electric. I appreciate the opportunity to provide some comments regarding how a strong electric and natural gas infrastructure are necessary for a vibrant economy.

I will briefly describe MGE's infrastructure that supports the delivery of energy and the areas where there is room for improvement. I will also outline several important steps already taken that show why Wisconsin remains a good place to do business.

As you have seen in the National news, and from individuals here today, a couple of weeks ago there was a "disturbance" on the electric system. However you want to measure it, customers, megawatts, states or square miles, it was by far and away the largest "disturbance" in our history. While we here in Wisconsin were not directly impacted, the electric utility industry will be changed forever. This event reminded us of the importance of electricity at home and in the work place. A perspective that I can bring is how the need for energy reliability is being addressed specifically by Madison Gas and Electric.

There have been many changes in our industry, an invention of acronyms one might say (ATC, MISO, RTOs). In fact, I recently gave a presentation where an acronym list was needed in order to follow along. I will avoid that here. Instead, today I want to clearly identify MGE's role in the industry and what we are doing. And, most importantly, what we see needs to be done to keep moving forward.

MGE owns and operates the electric and natural gas distribution systems that connects to our customers throughout most of Dane County, MGE also owns and operates power plants in Dane County and other counties within Wisconsin. We want our service area to remain strong. Last year in Dane County we had \$460 million of commercial and industrial construction. This was an increase of \$60 million from the previous year. MGE supports business growth. MGE established an Innovation Center to provide a head start for a variety of high-tech companies in the area. Forty-five businesses that started out at MGE's Innovation Center pay taxes and provide good paying jobs in our community.

These businesses require affordable, reliable and high quality energy. Everyday, my job provides me the opportunity to watch our system meet these three

fundamental elements.

To deliver affordable, reliable and high quality energy, MGE has emphasized the advantages of local electric generation and a solid distribution system.

Local generation has been accomplished with the Blount Generating station in Madison, and approximately 50 individual distributed generators at local business locations. These distributed generators provide power to the customer in the unlikely event of an outage or these units can be called upon to provide power to all MGE customers. This local generation provides a high level of reliability and reduces the dependency on the often-burdened transmission system. MGE has also proposed building the West Campus Cogeneration Facility on Madison's westside, providing an additional source of local generation. However, even with the WCCF, Madison will still import about 70% of its electricity.

In 1997, Wisconsin survived a 'near miss' and avoided a potential statewide power outage. Much of the problem was blamed on having 2 major power generating stations out of service during very hot weather. However, the lack of transmission facilities in the state was a big factor, as well. This was a wake up call for businesses in Wisconsin. MGE went to work the following year helping companies and governments develop power reliability plans along with corporate disaster recovery programs. Businesses upgraded their electrical services and some purchased power back up equipment. Today, they are better prepared to handle a large-scale problem. But power interruptions of any duration still cost money and have a direct effect on profits.

Reliability of the electric system is not only measured when the lights stay off, but also includes avoiding momentary outages. Computer controls in businesses are sensitive to these momentary interruptions, some of them lasting only fractions of a second. No one here needs to be reminded of what 12:00 flashing on a clock radio or VCR means. There are a variety of causes for these interruptions ranging from a tree contacting a power line to a lightning strike. Installing underground electric distribution systems helps reduce some of these momentary outages. When the lights do go off, having a distribution system that is flexible; one with redundancies is another way to maintain system reliability.

Local generation and a solid local distribution system are two components of

electric reliability. But, we also have to plan for a growing demand for power. The appetite for electricity in Dane County, and throughout the state of Wisconsin is increasing by 2 to 3% per year. This is happening in spite of continued efficiency improvements and a strong conservation ethic here. MGE is planning for an additional 300 megawatts of electricity generation in the next 10 years to meet this expected growth. This additional generation will come from a variety of sources to keep electric rates competitive. It is prudent to include a diversity of fuel sources in a generation expansion plan. Fuel sources such as wind, natural gas, coal, biomass, and other forms of renewable energy must all be considered. One rather unique fuel that MGE currently uses is pre-consumer waste. Pre-consumer wastes can be food wrappers that don't meet specifications or diapers that have imperfections. This fuel source is mixed with either coal or natural gas for burning. This fuel is closely monitored and controlled and meets stringent air permitting requirements. These are items that otherwise would be landfilled.

Earlier I mentioned the natural gas infrastructure as an important element. Although the majority of the attention is presently on the electric system, the interdependency of the gas and electric infrastructures increases every day. This interdependency is created in two ways.

The first, and most discussed, is the increasing amount of electric generation fueled by natural gas. According to the North American Electric Reliability Council, known as NERC, over 90 percent of all proposed new electric generation in the United States for the next ten years will use natural gas as a primary fuel. If you looked at the natural gas transmission system you would find a system that is connected in a far different way than the electric system. A goal in the electric industry is for an interconnected system that provides benefits and support to all regions. Although in Wisconsin the electrical interconnections are weak. Interconnections do exist among the gas pipelines, however, the pipelines are generally operated independently, and according to NERC, this places long-term fuel supplies in jeopardy due to a single component failure in the gas delivery infrastructure. The electric transmission system is designed to withstand any single element failing. The gas industry is not planned to a similar standard.

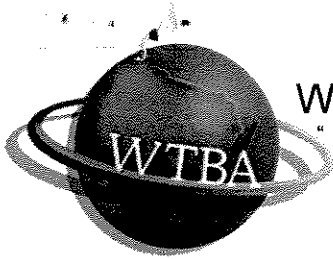
The second interdependency is relatively new. To move natural gas throughout the system, gas compressor stations are installed. They are much like electrical transformers, which moves electricity throughout the grid. Typically these

compressor stations have been fueled by natural gas. However, there is a trend toward converting these compressor stations to run on electricity due to air permitting requirements and economics. What does this mean? You now are potentially moving to a natural gas system that is dependent on electricity. If there are "disturbances" on the electric system, we could have an interruption of gas to power plants, home furnaces and the gas used for business.

It is not my goal to leave you here today with more worries about the electric grid or natural gas system. Instead, there actually is a silver lining in all this....., the fact that we are talking about the issues critical to Wisconsin's economic future. Today it is more important than ever to understand how our energy systems work. When I give presentations about the industry, I'm able to begin much further into the discussion than I was just a few years ago. People have heard the words, they know some of the acronyms, and they are ready to solve the problems. This is how we will give Wisconsin's businesses the opportunity to expand, survive, and thrive in the economy.

Thank you for your time.

8/25/03



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Remarks by

Tom Walker
Executive Director
Wisconsin Transportation Builders Association.

for

Senate Select Committee on Job Creation

hearing on

***"Securing & Enhancing
Wisconsin's Vital Infrastructure
In the 21st Century"***

August 26, 2003
10:00 AM
Room 411 South
State Capitol

Testimony of Thomas Walker
Executive Director, Wisconsin Transportation Builders Assn.

Senate Select Committee on Job Creation
Tuesday, August 26, 2003

Thank you for this opportunity to talk about the role of transportation in creating jobs and growing Wisconsin's economy.

I am Tom Walker, Executive Director of the Wisconsin Transportation Builders Association. Our members design, build, repair and maintain all components of our state's transportation system. In my 25-year career, I've seen the economic benefits of transportation from various viewpoints – a statewide non-profit advocacy group representing all modes, the Secretary's office of the state D-O-T, and now as the head of an industry trade association.

There is another issue currently being debated in Wisconsin that closely parallels how I believe the Legislature should view the future of transportation. That is long-term planning for the state's energy needs. By now, we've all heard about the Power the Future plan that aims to provide ready, reliable and affordable electricity in the state. The recent blackout that pulled the plug on 50 million people in the U.S. and Canada certainly highlighted the issue of energy reliability.

In the same vein, transportation reliability can enhance job creation in Wisconsin. For example:

- Will businesses have reliable access to raw materials in a Just-in-Time economy, and can they efficiently move finished products to market?
- Will Wisconsin citizens have access to a range of jobs that allows them to pursue a better life for themselves and their families?
- In short, will Wisconsin have an integrated and functional transportation system that safely and reliably keeps people and products moving 10 to 20 years from now?

Here are just 2 examples of how access to dependable transportation leads to job creation:

- Area Development Magazine surveys business executives about factors that influence facility location decisions. Highway accessibility is **the top** consideration in this year's survey, where it has been at or near for the 17 years of the survey's existence. (*Site selection factors attached*).
- The director of site selection for a global business relocation firm (Grubb & Ellis Company) addressed the June 12th meeting of Forward Wisconsin about business trends and the state's competitiveness. He concluded that one of the steps Wisconsin could take to boost its standing is to create a 10-year plan linking non-metro employment centers with 4-lane highways.

Planning for power capacity involves a long-term strategy ... and meeting transportation capacity is no different. By its nature, the Legislature tends to deal with issues in terms of 2-year time frames

because of the state's budget and election cycles. Or in the case of the State Senate, a 4-year time frame.

However, looking out 20 years, the state D-O-T projects overall traffic levels will increase by one-third and commercial truck traffic will nearly double. This is not growth due to a surging population ... or sprawl ... or people taking frivolous trips. Economic growth creates transportation demand – as people get jobs, use their disposable incomes to purchase goods and services, and travel for work, family or pleasure.

The easiest way to stop travel growth is to stop economic growth ... and that's not why we're here today. We're here because transportation can help ignite and accommodate that growth.

But what do these kinds of projected travel increases mean for a system in which 46% of state highways in urban areas are already congested ... 30% of pavements statewide are considered deficient ... and 40% of the system is rated as having potential safety problems? These statistics, by the way, are from D-O-T's State Highway Plan. (*Relevant sections attached*).

It means the system will become less reliable if Wisconsin fails to keep pace with growing demand. It's the transportation industry's equivalent of "brown-outs and black-outs" – only they're called back-ups and accidents.

And if businesses don't have reliable transportation access to ship products and attract workers, they'll look elsewhere. That's a key reason why Boeing is leaving Seattle, why Master Lock moved its headquarters from Milwaukee to Oak Creek, and why Ford Motor Company is building a new parts distribution center near I-94 in the Menomonie Industrial Park.

Just as there are many sources of power to meet energy needs, Wisconsin is exploring various transportation modes to meet its mobility needs. Commuter rail can serve an important travel function in metropolitan areas like Southeastern Wisconsin and Dane County ... and my association is supportive of those efforts. Public transit links workers to jobs in urban areas ... and we should be looking at other ways to create an integrated, multimodal system because highways won't be able to handle all of the future travel demands.

For example, high-speed passenger rail service has the potential to link the "high-tech" engines of Wisconsin's "New Economy" – Milwaukee and Madison – to the Chicago and Twin Cities markets with trips offering business-class services, fast travel times, and 100% reliability. That is a recipe for the creation of good jobs in Wisconsin.

But, for all practical purposes, highways and local roads will continue to carry the vast majority of people and goods in Wisconsin. Even with additional travel modes, we will still need new road capacity, largely in existing corridors, and modernization efforts to turn roads built in the middle of the 20th Century into functional, dependable arteries of commerce.

And if we're going to expand our system to incorporate other modes, the state must also expand how it's going to pay for transportation.

Wisconsin is virtually the only state in the country trying to develop a 21st Century multimodal transportation system on the 100-year-old concept of using strictly highway user fee revenues – the gas tax and vehicle registration fees. Politically, these fees could never be raised high enough to meet existing and emerging highway needs ... as well as the non-highway travel options that citizens and businesses are calling for.

I would be happy to meet with committee members individually to discuss how other states are using non-traditional funding sources for transportation improvements.

Now that I've made the case for long-term investment in a multimodal system, let me touch on the short-term budget reality for transportation. It appears the Transportation Fund will enter the next budget with a shortfall of about \$100 million just to maintain the current level of investment – before we can even factor in inflation, program expansion, or new initiatives. One way to deal with that would be another heavy dose of bonding, as was done in this budget, to free up cash to address the shortfall and pay for escalating debt service.

Here is why that is not in the state's long-term interest: By 2012, Transportation Fund debt service is expected to reach almost \$300 million annually, compared to \$115 million last year. \$300 million is more than we currently pay for highway capacity projects statewide. And the debt service will be even higher if more bonding is used in the next budget. Wisconsin will simply not be able to deal with those interest payments AND expect to meet the transportation demands of a growing economy.

What it comes down to is this: Are we willing to accept a less reliable transportation system ... and risk the economic consequences of reduced mobility?

In the aftermath of this month's historic power failure, the experts pointed to what they called the "soft underbelly" of the system: An outdated grid of power lines built in the '50s and '60s could no longer handle the surging demands of today's economy. Well, Wisconsin's core transportation system was also built during that era. It, too, must be upgraded to handle future economic demands.

In the end, the cost of congestion and an unreliable system is not just the extra 3 minutes – or even 45 minutes – it takes a person to get home:

- For citizens, it's the decline in the number of jobs they can reach within a half-hour commute ... as well as the decline in the number of affordable homes near their work.
- For businesses, it's a decline in the available pool of workers, fewer suppliers and customers within an easy trip to your store, and the uncertainty of receiving timely truck shipments.

Ensuring continued safe and reliable mobility is an important way Wisconsin can use transportation investment to create jobs and grow our economy.

Thank you ... and I would be happy to provide any additional information that would be helpful to the committee.

Business executives surveyed by Area Development were asked about plans to open new facilities. Their responses in 2000 and 2002 were as follows —

	2000	2002
Within 1 year	26%	18%
Within 2 years	17%	16%
Within 3 years	12%	13%
Within 4 years	7%	5%
No plans	38%	48%

Asked what type of facilities they planned to open, they said —

Manufacturing	37%
Distribution	22%
Office	12%
Headquarters	10%
R&D	6%
Call centers	5%

Asked where new domestic facilities would be located, those respondents planning new facilities said —

West (CA, NV, OR, WA)	15%
Midwest (IL, IN, MI, OH, WI)	13%
South (AL, FL, GA, LA, MS)	11%
Southwest (AZ, NM, OK, TX)	11%
Mid South (AR, KY, MO, TN)	10%
Mid Atlantic (DE, MD, NJ, NY, PA)	10%
New England (CT, MA, ME, NH, RI, VT)	8%
Plains (IA, KS, MN, NE, ND, SD)	6%
Mountain (CO, ID, MT, UT, WY)	6%
Offshore (AK, HI, PR, VI)	5%
South Atlantic (NC, SC, VA, WV)	4%

Area Development Magazine published findings from its 17th annual corporate survey in its December 2002 issue. Instead of ranking places, it analyzes factors that influence business location decisions and examines company plans for new investment in the future. In 2002, three-quarters of its survey respondents represent manufacturing companies — 44% operating at least five domestic facilities and 41% with foreign operations. More than a third have at least a thousand workers and 44% employ between 100 and 499 persons. More than half had no change in their number of facilities last year, 29% added facilities, and 15% shut down facilities to consolidate operations. The following table examines the factors that influence site selection decisions in these companies.

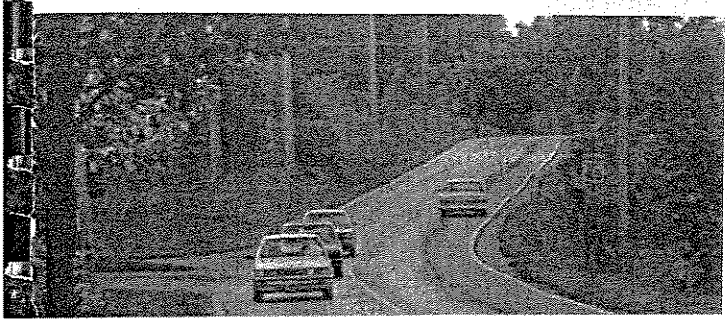
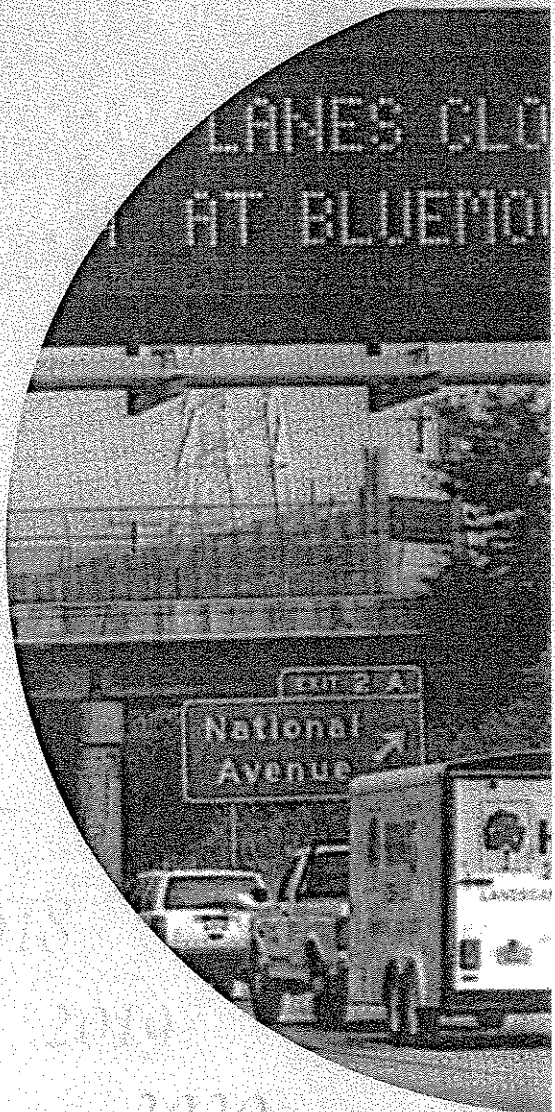
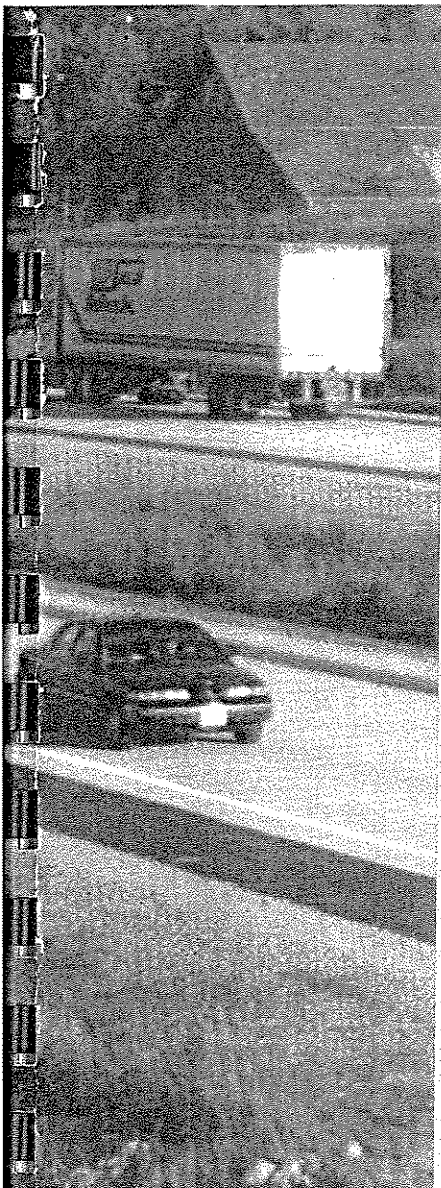
Site Selection Factor	Very Important	Minor Consideration or Not Important
1. Highway accessibility	50.0%	13.5%
2. State and local incentives	50.0%	12.0%
3. Availability of skilled labor	49.5%	9.0%
4. Tax exemptions	49.1%	11.8%
5. Labor costs	48.6%	10.1%
6. Corporate tax rate	47.3%	15.4%
7. Proximity to major markets	43.2%	16.2%
8. Low union profile	40.7%	30.5%
9. Energy availability and costs	39.1%	19.0%
10. Availability of telecommunications services	33.0%	23.9%
11. Environmental regulations	31.8%	23.4%
12. Occupancy or construction costs	31.5%	17.6%
13. Availability of long-term financing	28.6%	40.0%
14. Availability of land	27.5%	24.8%
15. Right-to-work state	26.2%	42.2%
16. Low crime rate	25.0%	24.1%
17. Availability of broadband telecommunications services	25.0%	33.3%
18. Cost of land	23.1%	25.9%
19. Raw materials availability	20.2%	44.0%
20. Availability of unskilled labor	18.7%	44.9%
21. Proximity to suppliers	18.2%	38.2%
22. Accessibility to major airport	18.0%	45.9%
23. Colleges and universities in the area	13.2%	51.9%
24. Ratings of public schools	12.0%	34.3%
25. Training programs	11.4%	54.4%
26. Housing availability	11.0%	35.8%
27. Health facilities	9.3%	32.7%
28. Housing costs	9.3%	37.0%
29. Railroad service	7.5%	77.4%
30. Climate	7.4%	56.5%
31. Proximity to technical university	5.6%	66.7%
32. Recreational opportunities	4.6%	54.1%
33. Cultural opportunities	4.6%	53.7%
34. Waterway or ocean port accessibility	3.7%	80.7%

TRANSPORTATION FOR THE 21ST CENTURY



WISCONSIN STATE HIGHWAY PLAN 2020

TECHNICAL REPORT

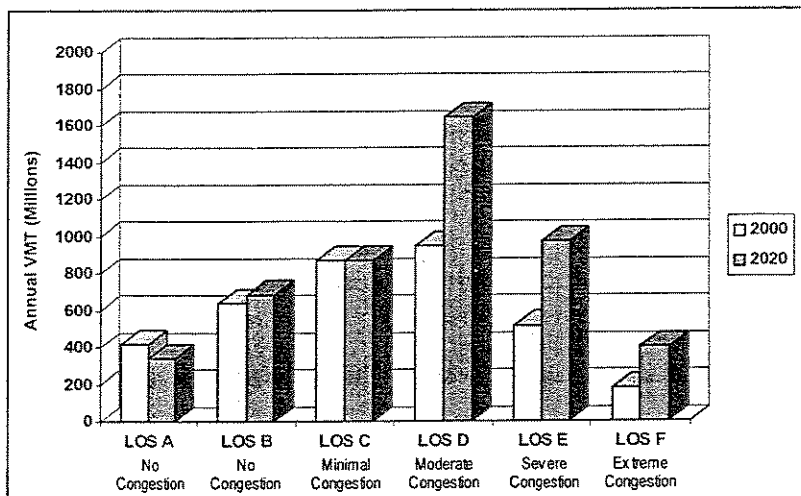


The conditions discussed below assume that no improvements will be made to the traffic-carrying capacity of the State Trunk Highway system between 2000 and 2020. Looking at the amount of annual travel between 6:00 a.m. and 6:00 p.m. (measured in vehicle miles of travel, or VMT) projected to occur in 2000 and 2020, we see that:

- In 2000, about 15% of the annual VMT occurring between 6:00 a.m. and 6:00 p.m. on the Backbone sub-system is occurring under congested conditions (i.e., moderate, severe or extreme congestion). Congested VMT would increase to about 22% of Backbone sub-system travel by 2020. Between 2000 and 2020, VMT operating in “extreme” congestion (LOS F) would increase from 9% of Backbone VMT to about 16%. These levels of congestion could have serious impacts on safe reliable statewide travel and the state’s economy.
- A more dramatic picture can be seen in urban areas. As shown in Figure 9.2, congested conditions (i.e., moderate, severe or extreme congestion) on Corridors 2020 routes in urban areas are projected to increase significantly between 2000 and 2020. In 2000, about 46% of all travel on urban segments of the Corridors 2020 sub-systems is under congested conditions. This proportion would increase to 62% by 2020.

Figure 9.2

Annual VMT by Level of Service (6 a.m. - 6 p.m.)
Corridors 2020 Sub-Systems (Urban)



Source: WisDOT Records

loads during the spring thaw period. In addition, pavements on 654 miles of Minor Arterials and 859 miles of Collectors are sufficient to allow legal weight limits, but are deficient for carrying *overweight* loads during the spring thaw period.

The evaluation determined that the most cost-effective approach for treating these highways is to focus resources on providing legal load limits on Minor Arterial highways. Minor Arterials are specifically targeted for these improvements because they have relatively higher volumes and provide more critical connections between communities than Collector highways. Since the improvements necessary to correct the deficiencies are relatively high cost (typically requiring total replacement or reconstruction of the roadway), the comparatively low volumes on Collector highways do not warrant such expenditure. The evaluation also concluded that the improvements necessary to allow overweight vehicles on Minor Arterials are not cost-effective, and hence recommended a highway improvement to allow only legal loads.

SHP 2020 recommends that seasonal weight limit deficiencies be addressed to allow legal loads year-round on 108 miles of Minor Arterial highways. This would cost just over \$114 million.

High volume industrial waste

Wisconsin has numerous producers of industrial by-products such as fly-ash, foundry sand, glass, and slag. These materials can be used in highway construction in an environmentally safe manner, usually at less cost than land-filling. The benefits are that WisDOT's costs are minimized and these materials are being diverted from landfills. WisDOT will allow the use of high-volume industrial waste in highway construction provided that it can do so at no additional cost and that the materials are suited for their intended use.

Pavement Performance Under Plan Implementation

The preservation of existing pavements is given high priority in SHP 2020. As highlighted in this section, the improvement in performance results under plan implementation reflects this priority – especially when one considers that *both backlog and emerging needs* are addressed over the planning period. As shown in Figure 8.2, about 30% of the State Trunk Highway system is deficient in 2000 using the performance thresholds for roughness, structural deficiencies and rutting. The plan recommends that this backlog of pavement needs be significantly reduced across the entire State Trunk Highway system. This means that the backlog plus nearly all pavement deficiencies emerging during the 21-year planning period are addressed under the recommended pavement improvements.

Consistent with the preservation emphasis area of SHP 2020, statewide pavement deficiencies will be reduced to 6% by the year 2020 if the plan is fully funded. (See Figure 8.2.) The few deficiencies remaining at the end of year 2020 are primarily a mixture of deficiencies emerging during the final year of the 21-year planning period and highway segments that are too short to develop into viable projects.

Table 10.3

Highway-Rail Crossing Improvements

	Number	Cost*
Warning Devices & Safety Gates	186	\$ 17 million
Grade Separations	33	\$139 million
TOTAL	219	\$156 million

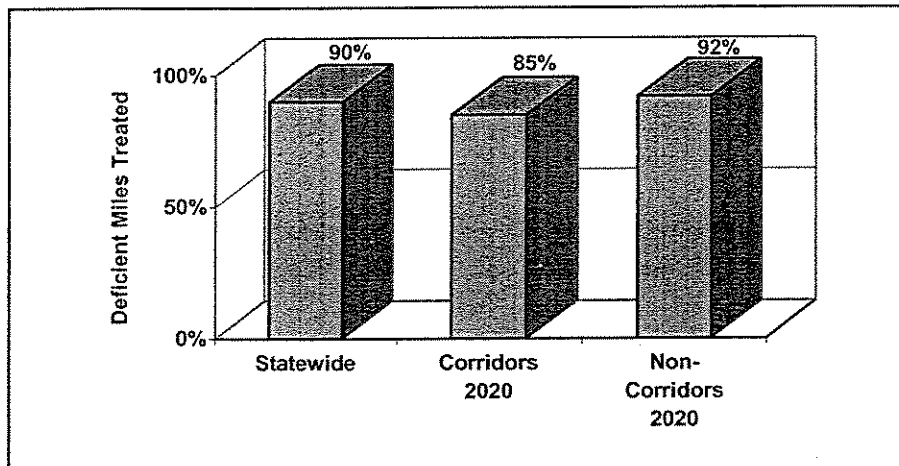
* 1999 dollars

Safety Performance Results Under Plan Implementation

Based on crash rate data, 21% of the total State Trunk Highway system mileage is currently deficient. As shown in Figure 10.4, under SHP 2020, 90% of the STH locations identified as having existing crash problems will be provided with geometric improvements along with pavement treatments. In addition, spot safety improvements (such as guard rails, reflective markings, lighting, signage, etc.) will be provided as necessary on remaining highway segments.

Figure 10.4

Percent of Current Safety-Deficient Miles Treated Under Plan Implementation



Source: SHP Model

Geometric performance is shown in Figure 10.5 below. Based upon engineering criteria established by the department, 40% of the total mileage on the STH system is currently deficient in its geometric characteristics and, thus, can be said to have potential safety deficiencies.¹ Under the plan, STH mileage with geometric deficiencies falls to 31% statewide, and to 2% on the Corridors 2020 sub-systems. This reduction in deficient mileage results from several strategies. These include safety improvements triggered by crash data and geometric improvements triggered by engineering criteria. Traffic movement improvements, triggered when

¹ These criteria defined all segments that did not meet current WisDOT design standards as 'deficient' in their geometrics. Design standards relate to physical characteristics of a roadway such as lane width, shoulder width, passing opportunities, hills, curves, etc.

**Testimony of
Larry L. Lueck
Manager of Government Relations
Nsight Telservices/Cellcom**

Before the

**State of Wisconsin Senate Select Committee on Job Creation
Securing and Enhancing Wisconsin's Vital
Infrastructure in the 21st Century
Tuesday, August 26, 2003**

Chairperson Kanavas, Chairperson Stepp, and members of the Committee:

Thank you for the opportunity to appear before you today to discuss Wisconsin's vital infrastructure as it relates to the wireless industry and how the legislature can help GROW Wisconsin's economy.

My name is Larry Lueck and I am the Manager of Government Relations for Nsight Telservices. Nsight Telservices is the holding company for a variety of telecommunications companies – including a local phone company, a competitive local phone company, a cable television company, and an Internet service provider. Nsight currently employs 392 people with 226 of those people working for our wireless company.

The Nsight company that I am here to talk about today is Cellcom, which is the largest wireless company headquartered in Wisconsin. However, the issues that we face in our wireless business are the same issues we face in our other companies – *especially regulatory reform*.

Regulatory Reform – Wireless Example

This hearing, and the GROW initiative of regulatory reform, is very timely in light of a battle that Cellcom is currently involved in with the Public Service Commission (PSC), and this battle involves infrastructure.

Currently there is a federal program called Universal Service that helps companies invest in their network and infrastructure. While this fund was originally created for wireline companies, the Federal Communications Commission (FCC) passed rules and issued guidance to allow wireless carriers to receive those subsidies also. One of the requirements to receive those funds is that a wireless carrier be designated as an Eligible Telecommunications Carrier, or ETC, by the appropriate state regulatory body. There are cases where the state will defer to the FCC, however, Wisconsin is not one of those states.

The process for approving ETC applications is very clear and one that has played out in numerous states. The first wireless ETC applicant to apply to the state regulatory body usually receives strong opposition from the wireline telephone companies in that state. That debate is then carried out through written comments filed with the state regulatory body and in meetings with the state regulators. After all comments and discussions have been reviewed, the state regulatory body approves the wireless carrier's ETC application. I know of no state that has denied a wireless carrier's ETC application after going through this process. Wireless carriers who file after the initial carrier has been approved usually receive no opposition because there are little or no material differences between each carrier's applications.

In Wisconsin, Cellcom was the second wireless company to file for ETC designation with the Public Service Commission. We filed our applications on November 25, 2002. US Cellular was the first wireless company to file an ETC application in Wisconsin and received PSC approval on December 19, 2002. This approval allowed them to *immediately* begin receiving Universal Service support. In approving US Cellular's application, the PSC did nothing out of the ordinary. They went through the process that I described above and that has happened in numerous other states. However, what the PSC has done since then is unprecedented and unbelievable. More importantly, their actions, or I should say lack thereof, is resulting in serious economic harm to Cellcom, a **Wisconsin** company, and to the economy of Wisconsin as a whole.

After the PSC approval of US Cellular's ETC application, TDS, which is *US Cellular's sister company*, filed a lawsuit against the PSC. The PSC is fighting the lawsuit because they believe they made the correct decision in approving US Cellular's ETC application. In addition, the PSC has filed a motion to dismiss TDS' lawsuit based on procedural grounds and has a great chance to succeed with that motion. The most disturbing, and unbelievable, part of this is that the PSC has also adopted a policy of not approving any more ETC applications until the lawsuit is resolved. This means that Cellcom, and any other wireless company that has filed for ETC designation, will not be able to receive Universal Service support until the lawsuit is resolved, while at the same time US Cellular is receiving monthly support.

This is one of the most egregious cases of anti-competitive behavior I have ever seen a regulatory body engage in. The PSC has shut out all competitors and allowed **one company, and one company only**, to benefit from their ruling while they hide behind the guise of waiting for judicial review. We all know that resolution of lawsuits is not measured in days, but rather months and years. This means that the PSC is going to allow their anti-competitive behavior to continue unabated for months and quite possibly years. In addition, if the PSC is successful in dismissing the lawsuit, they will not have received the judicial review they are supposedly waiting for. Their policy of withholding approval of other ETC designations will then be for naught. Finally, the Circuit Court of Dane County cannot change FCC policy and guidelines. That is outside of their jurisdiction. This means that the lawsuit will have no substantive effect on the approval of ETC applications.

In the wireless industry, one of the greatest competitive differentiators is the network and the infrastructure. Almost all wireless companies offer customers plans with buckets of minutes and calling areas that are, for all practical purposes, competitively similar. One of the best ways for us to distinguish Cellcom from our competitors is to offer better coverage than our competitors. The decision by the PSC to deny Cellcom access to funds that could help us improve our network and infrastructure, while **at the same time** allowing our competitor access to those funds results in significant economic harm to our company, and in turn to Wisconsin, that is compounded every month we are forced to wait for our approval. Even more obvious is the anti-competitive problem inherent in the PSC's position. They are allowing one company to control access to vitally needed funds. Funds that could help a **Wisconsin company like Cellcom**. Funds that, by rule, **would have to be used in Wisconsin**. Finally, I want to make it abundantly clear that we are talking about real dollars. Based upon projections by the Universal Service Administrative Company, US Cellular is projected to receive **\$1.5M per month** in Universal Service support. I hope you can see why the PSC policy of waiting for judicial review puts us at a competitive disadvantage and causes economic harm to not only wireless carriers but also Wisconsin.

First off, I have highlighted this specific example in the hopes that you become as outraged as I am that a state agency is allowed to implement a policy that is as anti-competitive and anti-Wisconsin as any I have ever seen. The PSC is basically refusing to allow federal funds to flow into Wisconsin and help build up Wisconsin's wireless infrastructure. I also wanted to raise this problem because I believe it is an excellent example of where regulatory reform is needed. As I mentioned above, I find it unbelievable that a state regulatory agency is allowed to engage in anti-competitive behavior. It is obvious that the PSC is an agency that has not been able to adapt to a changing telecommunications environment. Telecommunications is an environment that is now fiercely competitive and in need of less regulation, not more, and does not need implementation of anti-competitive policies.

Regulatory Reform – Wireline Example

I would also like to present an example of how the PSC is “addressing” issues that do not exist and, as I mentioned above, are moving towards increased regulation when less regulation is necessary.

Currently the PSC has out for comments a revision of PSC Chapter 165. These rules deal with Consumer Protection issues and provide rules for how telephone companies should handle various situations. The complete rewrite of this code started back in 2000 and the first revision was issued in the summer of 2002. Those revised rules were punitive, imposed unnecessary regulation, and would have been extremely costly to implement, especially for a small telephone company like Northeast Telephone Company. (Northeast Telephone Company is the independent local phone company in the Nsight family and services the communities of Pulaski, Mill Center, and Oneida. Northeast currently has just under 10,000 lines in service.)

The revision that highlights the problem the best is the PSC’s new definition of a “complaint.” Previously, the only complaints that were recorded were complaints that reached the PSC. This usually only happened when we could not resolve an issue to the customer’s satisfaction, which is extremely rare. In 2001, the PSC received **only 2 complaints** against Northeast Telephone Company and in the first half of 2002 (the most recent data available) the PSC had received **only 1 complaint**. For comparison, in the first half of 2002, **87.5% of all complaints were for 7 companies**. Instead of dealing with that issue individually, the PSC has chosen to take a broad swiipe at all local phone companies and force them to abide by more onerous, and unnecessary, rules.

In the revision that is out for comments now, the PSC has expanded the definition of complaint to mean “a statement by an applicant, customer, or any other affected person expressing a grievance or alleging a wrong, injury, illegal action or procedure, dangerous condition or action, or failure of a provider to meet provider obligations.” This expanded definition completely eliminates the validity and usefulness of the term “complaint.” We pride ourselves on the excellent customer service we provide to our customers. To have only 2 complaints in a year is something that our company should be praised for. Now with this expanded definition, we will have to record almost every customer call as a complaint – *even if we are able to address the customer’s concern immediately*. An example would be if a customer calls us to say they do not recognize a call on their bill. If we investigate who the number belongs to, provide that information to the customer, and the customer then remembers calling that number, we must still record that as a complaint because the customer made a statement expressing a grievance. **That is absolutely ludicrous**. Even more ludicrous is the fact that you *do not even have to be our customer* and we still may have to record your phone call as a complaint. If a person calls Northeast and tells us that every time they call one of our customers they keep getting a busy signal, we would have to record that as a complaint under the proposed definition of complaint.

The rest of the proposed rules are very similar to this example. I think they provide good insight on the problems that currently exist within the regulatory environment in Wisconsin. Again, the PSC has not been able to adapt to a rapidly changing, more competitive environment. In order for Wisconsin’s infrastructure to improve and prosper, regulatory reform is going to be one key component of the overall initiative.

Taxes

Obviously, no matter who you talk to people will say their taxes are too high. That is something that Wisconsin is well known for and something which I believe stunts the growth of business in this state. I would like to quickly highlight a couple of areas that we, as a wireless company based right here in Wisconsin, see as problems.

- **Property Tax Freeze** – We currently have millions of dollars invested in property throughout the state of Wisconsin. Any property tax increase by local municipalities as a result of the budget issue could have serious ramifications on our company. We encourage the implementation of a property tax freeze with the ultimate goal of lowering property taxes.

- Equity – Recently, a wireless company was granted a reprieve on the property taxes they owed. However, this reprieve was not extended to other wireless companies. Again, I cannot believe that a state agency is allowed to engage in anti-competitive behavior such as this.
- Trickle-Down Effect – Through its reputation as a high-tax state, Wisconsin experiences great difficulty in attracting businesses and people to locate here. This has a trickle-down effect on us since less businesses and people in this state means we have less potential customers. We believe Wisconsin should be doing everything possible to change this perception and attract businesses and people to this great state.

I want to sincerely thank the chairpersons and committee members for the opportunity to appear before you today. I appreciate allowing me, and my company, a forum with which to highlight where we run into problems as we try to grow our infrastructure and our businesses.

I would be happy to answer any questions anyone may have.



Senate Special Committee on Job Creation

Testimony of

Dr. Richard Carpenter, President

The Wisconsin Technical College System

August 26, 2003

“The Challenge and Imperative of Workforce Development”

Good afternoon. I'm Richard Carpenter, President of the Wisconsin Technical College System. I'm pleased to be here today on behalf of the WTCS's 16 technical colleges, which annually serve over 450,000 students. One reason so many Wisconsinites turn to their Technical College is the diverse and demanding mission established for us in Wisconsin statutes, which direct us to:

- provide associate degree programs that enable residents to get jobs;
- train apprentices;
- foster economic development by providing customized training and technical assistance to business and industry;
- provide liberal arts collegiate transfer; and
- provide basic skills education needed to effectively function in society.

Statutes also speak to our role in coordinating with K12 education to assist students' transition to college after and sometimes even before they graduate from high school. Transition and success of high school students is identified as improvement for ensuring they are ready to obtain employment. As indicated by our statutory mission, economic and workforce development services to our

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communities and the state serves as a common thread connecting everything that Wisconsin's Technical Colleges do. Since we continuously emphasize workforce development, we are able to quickly adapt to changing local workforce needs. We saw the increasing demand for health care workers and in response, more than doubled enrollment in high-demand health care programs that supply registered nurses, practical nurses, radiographers, dental hygienists and surgical technicians. Today, 2 out of every 3 healthcare workers in Wisconsin is a Technical College graduate.

We also work to maintain the currency and relevance of our academic and training programs by keeping ahead of emerging trends in health care and other areas by modifying our existing curriculum or developing new curriculum to meet new and evolving workforce needs.

While I am very proud of our positive contributions to Wisconsin's workforce, you've asked today for some of the *challenges and barriers* that we see to improving Wisconsin's workforce and human capital. I've already alluded to one of the biggest challenges that both the state and the WTCS face as we educate our workforce: accurately identifying future and emerging trends so that our educational systems keep pace in responding to changing workforce needs. Changes in technology play an important role in new job forecasting, as new technology means we are training people for jobs today that didn't even exist a few years ago. We have made strides in our ability to stay ahead of our


workforce's evolving needs but the WTCS is committed to improving our forecasting abilities with more intensive labor market research and workforce trend analysis.

Part of forecasting future workforce needs is tied to the types of businesses that Wisconsin attracts in the future, which relates to the need for a comprehensive statewide economic development plan. I see a disconnect between and among local, regional and state economic development planning efforts. Collectively we expend considerable resources and energies in the name of economic development, but we seem to lack the keen focus of other states.

As part of the WTCS economic development efforts we are working with our college presidents to develop new models that support worker training for new job creation without requiring additional property tax support. The System is also actively engaged in responding to the dramatic reduction in manufacturing jobs by working directly with manufacturers to identify and address training needs designed to help improve their operational efficiencies, maintain consistent quality and remain globally competitive.

Another challenge for the WTCS is balancing the competing demands for services we provide such as training and retraining of new, incumbent and dislocated workers, providing technical expertise and specialized services to business and industry, and offering liberal arts collegiate transfer programs. We

are working hard to maximize our resources in all of these areas while always being cognizant of our imperative to be mindful stewards of scarce public resources.

 I would argue for a statewide economic development plan that:

- a. focuses equally upon job retention and new job creation;
- b. positions the state to be more competitive when recruiting new jobs to the state;
- c. recognizes that in any given year in any state the vast majority of new jobs will be created from existing industry;
- d. provides incentives for new job creation;
- e. recognizes regional compacts and industry cluster formation; and
- f. clearly articulates the integrated and measurable role of each of our state's education systems toward the state's economic development plan, holding each system accountable for its performance.

In closing, let me stress that one of the major strengths of our System of 16 Technical Colleges is the close partnership we maintain with local business and industry that enables us to respond quickly to changing needs. At the same time, our structure as a state *system* insures statewide accountability, statewide focus, minimal duplication, and collaboration and sharing of programs and services that benefit all of us. The strength of a *statewide* system that incorporates a *local* emphasis affords the WTCS the capacity to meet the challenge of improving Wisconsin's investment in the future workforce.



**Testimony before the Senate
Select Committee on Job Creation**

By

Kevin P. Reilly

Chancellor, University of Wisconsin-Extension

Tuesday, August 26, 2003

Thank you, Senator Leibham and members of the committee for the opportunity to discuss the University of Wisconsin's contributions to supporting job growth in our state. As Chancellor of the University of Wisconsin-Extension, I represent a unique part of the UW System that brings university knowledge and resources to all the state's citizens, wherever they live and work. We accomplish this through a coordinated statewide network of faculty and staff based in all 72 counties and on all 26 UW campuses

In 1915, Charles Van Hise, president of the University of Wisconsin, said, "the greatest loss that we as a nation suffer is loss of talent." If he were here with us today, President Van Hise would, I suspect, agree that we need to capitalize on the wealth of talent in our population – and to build and develop that talent as best as we possibly can. Of course, one obvious way that the UW System contributes directly to building the state's workforce is by producing 29,000 graduates every year.

Perhaps not so obvious – but equally important – is how UW-Extension and its sister institutions are contributing to the development of our workforce and a vibrant economy. I also want to suggest some ways that you and we can do even better.

Labor Force Analyses

Our Division of Cooperative Extension works locally in every Wisconsin county to help local communities address their individual needs. Specifically, our Community, Natural Resources and Economic Development faculty and staff have worked to address unique labor supply and demand issues through customized surveys and research conducted at the local level. These labor force surveys have been conducted in nearly 50 Wisconsin counties. And in more than 20 of those, additional research has been used to provide longitudinal trends, or to refine other relevant workforce data.

Professor Gary Green, a UW-Extension specialist and member of UW-Madison's Department of Rural Sociology, has designed a labor force analysis that builds on the Department of Workforce Development data developed by DWD chief

labor analyst Terry Ludeman and adapts these statistics to provide significant insight into local labor supply and skill issues. He, in turn, collaborates with our county-based UW-Extension faculty who furnish the local coordination and essential follow-through that actively involves government, business, educational institutions, chambers of commerce and economic development organizations in developing **local** strategies to address these workforce issues.

To date, this process has produced several important outcomes. For example, using reliable data, communities in Wisconsin are now able to find a better match between worker and employer needs; training institutions are better able to adjust programming to address very specific skill requirements; and employers better understand obstacles like childcare and housing that workers face in training and job searches.

Let me reference briefly a few examples that illustrate the need for such a process of providing information on both the supply of **and** demand for labor in a given region.

- In the Fox Valley region, UW-Extension educators from Calumet, Outagamie and Winnebago counties coordinated a regional labor force analysis effort. Under the auspices of the Fox Valley Labor Force Market Study Committee, the project has become a significant resource for the Fox Valley Economic Development Partnership. The committee regularly meets to discuss findings and has developed subcommittees to deal with such issues as childcare and school-to-work.
- In Burnett County, a prospective employer used the local data to assess the availability of workers in the area and potential labor costs before ultimately locating their company there.
- Labor force analysis was used in Rock and Green Counties to help Blackhawk Technical College evaluate present and future training needs in South Central Wisconsin. Recommendations from several sectors and occupational fields were developed to help shape existing training programs and new program directions at the Technical College

We believe that it would be extremely valuable to expand this customized approach to labor force analysis and to have it used more extensively to map the changing needs of Wisconsin business and the availability of skilled workers – and to develop the corresponding education and training programs to effectively connect the two. But in an era of diminishing resources, it is practically impossible for us to do this. But, with the endorsement, and support, of this committee, we might be able to move this initiative – and the state – forward.

Outreach and E-Learning Extension

In our Outreach and E-Learning division, we partner with the continuing education units at all 26 UW campuses to provide learning opportunities to

enhance the workforce, strengthen the economy and increase professional competencies. During Fiscal year 2002 this Systemwide collaboration presented nearly 6,000 education programs that served more than 200,000 individuals.

Continuing educators work with business and industry to assess educational needs and provide training and retraining opportunities that are responsive and delivered in accessible times and places, face-to-face, in print, and via a wide range of technologies from telephone and videoconferencing to the online environment of the Internet. These alternative formats help us to reach new audiences, facilitate collaboration and avoid unnecessary duplication

- For example, consider the Collaborative Nursing Program (CNP), an innovative way to address the critical nursing shortage in Wisconsin. The CNP is a collaborative effort of the nursing programs at UW-Eau Claire, UW-Green Bay, UW-Madison, UW-Milwaukee, and UW-Oshkosh, supported by UW-Extension. The program provides associate degree or diploma-prepared registered nurses an opportunity to earn their baccalaureate degree by attending classes at a distance. The Collaborative Nursing Program graduated 37 nurses this past year from throughout Wisconsin. To date 233 nurses have earned their Bachelor's degrees through CNP.
- Our Outreach and E-Learning degree and non-credit programs are sensitive to current needs and markets. For example, we recently worked with UW System Market Research to survey Wisconsin law enforcement officers, and the results indicated a need for a degree completion program in Criminal Justice. The program, as proposed, would enable working law enforcement personnel to complete the degree online while remaining in their communities and on the job. Approximately 400 Wisconsin officers voluntarily provided their names and addresses so we could contact them when the program is launched.
- Wisconsin has a growing Latino population. But language and cultural differences between Hispanics and health care professionals can provide challenges to good communication, understanding the health care system, and connecting patients to the services they may need. Working with a Latino Consortium in Manitowoc County, UW-Manitowoc Office of Continuing Education developed a course for health care professionals in the workplace. As a result, participants were able to put their Spanish to work immediately, enabling them to improve the care they gave their Spanish-speaking patients.

In summary, these and other continuing education/outreach programs are a tremendous value for the state of Wisconsin. For every \$1 of state GPR investment, Outreach and E-Learning returns \$2.73 in program revenue.

Small Business Development Centers

Fostering entrepreneurial activity is another critical way to develop Wisconsin's workforce, stimulate the state's small businesses, grow Wisconsin's economy and create better-paying jobs. Through our network of 13 campus-based Small Business Development Centers, UW-Extension provides entrepreneurs with ideas and resources to meet the many challenges that face startup and growing businesses.

SBDC-assisted businesses generated an incremental sales increase of \$45.3 million, created 655 new jobs and retained 194 jobs. The businesses also generated \$2.4 million in state tax revenues--more than the cost of the SBDC Program--and obtained \$12.13 million in financing. On a 1-5 scale, clients rated SBDC counselors at 4.3 for their knowledge and expertise

In addition two SBDC specialty centers – the Wisconsin Innovation Service Center at UW-Whitewater and the Center for Innovation and Development at UW-Stout – focus on helping businesses analyze new products and inventions, assess their potential markets and make sure that their prototypes are marketable.

Among the many ways that the SBDC works with state government agencies to support the entrepreneurial climate in Wisconsin let me cite just two:

- Through a partnership with the Wisconsin Department of Commerce, the SBDC offers the **Entrepreneurial Training Grant program** that provides partial tuition reimbursement for individuals who enroll in a comprehensive SBDC course in entrepreneurship and who successfully complete a business feasibility study.
- The **Tourism development and diversification program** allows tourism-related businesses throughout the state to apply for a grant to cover some costs of an SBDC training course designed to offer information on diversifying their revenue stream. This course is a specialized version of our Entrepreneurial Training Grant program aimed specifically at presenting up-to-date information on the tourism industry and showing the potential for varied sources of income within the field.

As Wisconsin considers additional ways to support more high tech start-up companies, as recommended by the UW's Wisconsin Economic Summits, the SBDC's reach, expertise and impact become even more valuable. Specifically, we are considering expanding our SBDC outreach efforts to small- and medium-sized manufacturers in Wisconsin. Wisconsin's manufacturing base is estimated at 23% of the state's economy, and economists say there is great potential in growing and developing this sector through technology and innovation. Last year, our SBDC counselors provided specialized education and support services

to 114 manufacturers in Wisconsin. We can, and must, reach more of these small and medium-sized manufacturers and help them with new product development and/or with making the large, fundamental changes that are necessary to become world-class competitors. Having resources such as the Small Business Development Center can be a crucial link to their success. We are excited, too, by the prospect of collaborating more deeply with the Wisconsin Technical College System to make this type of manufacturing outreach more available.

Speaking of UW-WTCS collaborations, Dr. Carpenter, President Lyall and I continue to be excited by our efforts to forge a statewide alliance between our two organizations and the Wisconsin Department of Commerce to build a collaborative, integrated, accessible resource for all Wisconsin entrepreneurs.

Let me assure you, on behalf of President Lyall and my Chancellor colleagues, we are committed to working with you, your colleagues in the Assembly, the Governor and others on stimulating the Wisconsin economy and developing quality, high wage jobs. We believe that by combining a 72-county educational network with the vast research and instructional base of the other UW System and Technical College campuses, UW-Extension can play a pivotal role in the development of strategies to address the state's economic future. And, with appropriate resources, we can use our existing infrastructure and experience to systematically bring proven workforce development strategies to communities throughout Wisconsin. Thank you for your consideration of this written testimony.

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Date: August 26, 2003

To: Members of the Senate Select Committee on Job Creation – Senators Ted Kanavas and Cathy Stepp,
Co-Chairs

From: Ed Lump – President
Wisconsin Tourism Federation

Re: Testimony on the Importance of Tourism to Wisconsin's Infrastructure

Co-Chairs Kanavas and Stepp and distinguished Committee Members, my name is Ed Lump and I am here today on behalf of the Wisconsin Tourism Federation to discuss the critical importance of tourism to securing and enhancing Wisconsin's vital infrastructure in the 21st century. Thank you for the opportunity to address the Committee.

As one of Wisconsin's **top two industries**, the importance of the tourism industry to Wisconsin's economy cannot be overstated. Information from a study entitled the *Economic Impact of Traveler Expenditures on Wisconsin*, conducted by the group Davidson-Peterson for the Department of Tourism indicates that **in 2002**, travel-related spending in Wisconsin amounted to **\$11.7 billion**.

This \$11.7 billion in turn **generated \$1.77 billion in taxes and fees for the state and \$779 million** in local government revenues. It is clear that **tourism related spending** in Wisconsin is **one of the key contributors** to keeping our state's economy **strong and healthy** as well as contributing significant amounts to funding our many valuable programs and services.

Additionally, the **\$11.7 billion spent by travelers** in Wisconsin also **supports the equivalent of 323,759 full-time jobs**. This is the total or real impact on the economy of bringing in money from travelers in exchange for Wisconsin's goods and services.

Put another way, **tourism has both a direct and indirect impact** on the economy. The direct impact is on businesses that serve the traveler. The total economic impact however includes both this direct impact as well as the portion of each **tourism-related business' payroll** expense that is **spent and re-spent in the community and the state** by the employees of those businesses.

The resulting additional **streams of cash flow** the **support other local businesses**. This is of **critical importance in smaller communities** that do **not have a large enough resident population to sustain** that level and variety of **goods and services without** the influx of the **traveler dollar**. These additional streams of business revenue therefore create secondary payroll and the cycle starts itself again, keeping the whole community healthier both in quality of life and the local economy.

But **across the state economy, dismal economic numbers** continue to be reported. A recent newspaper article recently carried a story that indicated **factories** across the state have **eliminated 80,000 jobs since 2000**. And according to the chief of local workforce planning for the Wisconsin Department of Workforce Development, Terry Ludeman, we are in a very, **very flat economy** and the **manufacturing** sector in Wisconsin alone is still very low and **has not yet bottomed out**.

Despite the negative news, Wisconsin does have a lot to offer and as an economic recovery and development engine, **the power of the tourism industry cannot be overlooked**. While some may question the comparison

of jobs and salaries between the manufacturing and tourism industry sectors, one must consider the entire economic impact each industry provides.

The **tourism industry is a composite of many industry sectors**. Travel-related spending contributes to the **health of many individual business types** including food, lodging, entertainment, transportation, etc. As a consequence this involves the support of **both high level management** (general managers, lawyers, accountants, marketing) **supported by mid-level management as well as support staff** (wait staff, janitorial, etc.).

This **diversified industry** provides a wealth of variety **across all skill levels**. Too much attention is sometimes given to the low paying jobs in our industry. Management level jobs pay as well in the tourism industry as in any industry in Wisconsin. Additionally, tourism-related positions can be the **professional entry point** for a wide variety of individuals – from **students and new job market entrants**, to those pursuing a **career change** and even those who are **retired** but have a desire to return to the workforce, either part-time or full-time.

Business opportunity in the **tourism industry** also provides a **laboratory** for many people to **experience the entrepreneurial spirit** that drives economic development. Further, tourism adds value in terms of attracting other types of business to the state. Vacations here lead individuals to explore more of our state where they can experience the quality of life that Wisconsin has to offer, the quality of the people and the quality of the workforce. As an aside, many of the Harley Davidson riders visiting Wisconsin this week for the company's 100th Anniversary Celebration, could easily be out-of-state business executives in search of another company location.

It is now more important than ever to **maintain or even increase the investment in promoting Wisconsin** tourism given the extended recession, the aftermath of the 9/11 terrorist attacks and the continued threats and warnings of potential terrorism.

Wisconsin is considered a **drive-to destination, a value** and a **safe haven** for travelers throughout the Midwest. This provides an opportunity to **maintain or even increase market share** while providing residents of the Great Lakes area access to a wonderful vacation destination. However, **reports from around the industry** show the impact of cuts to the promotional budget of tourism. The **real potential for a 5% decrease** in tourism spending exists.

According to estimates **room tax collections for the first half of the year** are flat. Reports from **popular tourism attractions** indicate that by year end, **numbers could be down as much as 5% - 10%**. The **declines are also reflected** in some of Wisconsin's **largest summer events** where **SummerFest** saw an **11% drop in attendance** and the **State Fair** was down **9%**.

Continued promotion of Wisconsin tourism is no doubt **critical to industry success**. Recent years have been difficult however. The **Department of Tourism's promotional budget** for the 2004 fiscal year is **\$8.8 million, down from \$9.2 million in 2003 and \$11.8 million in 2000**.

This has been very **hard on the industry**, but it is exactly where **the Department of Tourism** needs to play a **key leadership role**. It not only provides **information and access for small communities** that can't afford to **effectively promote** on their own, but it also **brings together the complete and coordinated promotion** of all of the wonderful tourism destinations that Wisconsin has to offer.

Maintaining or even **increasing the budget for tourism promotion** is **critical to the long term strategy of job creation** and infrastructure development for Wisconsin for the 21st century.

Thank you for your consideration.



Council of Small Business Executives

www.mmac.org

Testimony at the Senate Select Committee on Job Creation
State Capitol August 26, 2003
Transportation

The Metropolitan Milwaukee Association of Commerce (MMAC) is a 4 county regional chamber of commerce that has over 2,000 business members that represent over 250,000 employees.

We support a blueprint for prosperity that has 5 major issues areas that we dedicate our resources to improving. Infrastructure is one of those areas and transportation is a key area of interest.

1) Air service is vital to the economy of the state. Midwest Express is important to this state as it is a company that is headquartered here, provides thousands of jobs, and provides a hubbing airline which is critical to business. Rockwell viewed the fact that Milwaukee had a hubbing airline as one of the reasons it would move here. The MMAC did an analysis in 1999. "The Economic Benefits of Midwest Express Airlines to the Metro Milwaukee Business Community" which indicated just how important the airline was to the region. The State removed the ad valorem tax (property) on aircraft, which prompted Midwest to expand its fleet with new quiet, fuel efficient planes. The State further assisted in the effort to remove the Midwest Airlines hangars from their books by working with Racine and Milwaukee County. Today Carol Skornicka would have been here to testify if she had not already committed to being in Racine for the vote of the County Board on the hangar issue. The State can remain engaged in airport funding and insure that airports, both commercial and general aviation stay viable and grow to support a sound economy throughout the State. In the future, the MMAC may advocate for the ability of regions or counties to form airport authorities, to further enhance the economic importance of airports in the most effective manner.

2) Roads are and will continue to be very important to the economic development of all areas of the State. We appreciate the State's moving forward on the Marquette Interchange. We just witnessed a power grid failure that had major impacts on various regions. We had a minor test not long ago on our highway system when the Hoan bridge failure created major problems in Milwaukee. If that type of failure happened in the Marquette Interchange, the impact would be more on the level of a major long term power grid outage on our economy. The one area of concern in highway matters is the heavy use of bonding that is paid back by transportation segregated funds and the deferral of repair of the overall system. These are tough times and the near term cut backs may be needed. The longer term funding may need to be rethought.

3) While not of the magnitude of air service and highways on the economy overall, there are a couple of rail projects that could have significant positive impact on economic development. The Kenosha-Racine-Milwaukee commuter rail plan is one that should receive support in the design, engineering and environmental impact analysis stage so that we get better numbers on cost, rider

ship and impact of such a system. A build or no build decision can then be made. The Amtrak Station in Milwaukee is being transformed into an intermodal facility that could have significant economic benefits to many users, some of which do not own cars. The Amtrak station at Mitchell International Airport will also provide options to travel that may spur development and use that may not otherwise occur.

A handwritten signature in black ink, appearing to read "Timothy R. Sheehy". The signature is written in a cursive, flowing style with a large initial 'T'.

Timothy R. Sheehy, President

Orion Energy Systems

August 26, 2003

Energy Security and Reliability

Neal Verfuertth - President

Electrical System Capacity and Reliability Problems

Traditional Approach to Solving

- **Build Generation**
- **Build Transmission**
- **Perform Energy Conservation Initiatives**
 - **Compromise**

Electrical System Capacity and Reliability Problems

Orion Solution – “Virtual Power Plant”

- 1) Sustainable Energy Efficiency
 - “Energy Savings without Compromise”
- 2) Environmental Improvements and Benefits
- 3) Job Creation
- 4) Economic Development

The Orion Solution

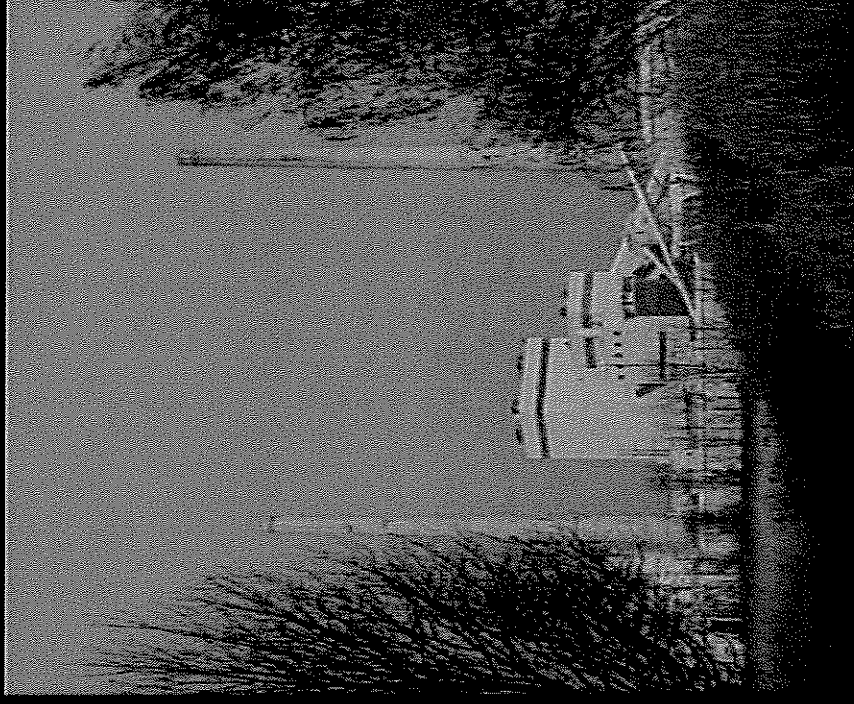
1. Sustainable Energy Efficiency

- 500 MW Capacity Minimum
- Base and Peak Loads
- Savings to Customer – more efficient
- Savings to Utilities – improves efficiency of utility system

The Orion Solution

2. Annual Environmental Benefits

- NIMBY
- Pollutants – 500 MW Basis
 - CO₂ – 2,625,000 tons
 - Carbon – 715,844 tons
 - NO_x – 9,645 tons
 - SO₂ – 22,377 tons
 - Mercury – 405 pounds



The Orion Solution

3. Job Creation – Economic Impacts

- Direct Impact of Installation
 - Man hours to install product
 - 500 MW * 4,200 Fixtures * \$70/Fixture
 - **Direct Impact - \$147,000,000**
- Indirect Impact – multiplier effect
 - Associated supplier and product demand
 - **Indirect Impact: \$48,000,000**

The Orion Solution

4. Economic Development

- Environment conducive to new companies or industries like Orion
- Improves efficiency of state companies
 - Global Competitiveness
- Supports local companies and local employers
- No fuel dollars going out of state
- Relieve Congestion of Transmission System
- Allows Wisconsin companies to become more productive and profitable

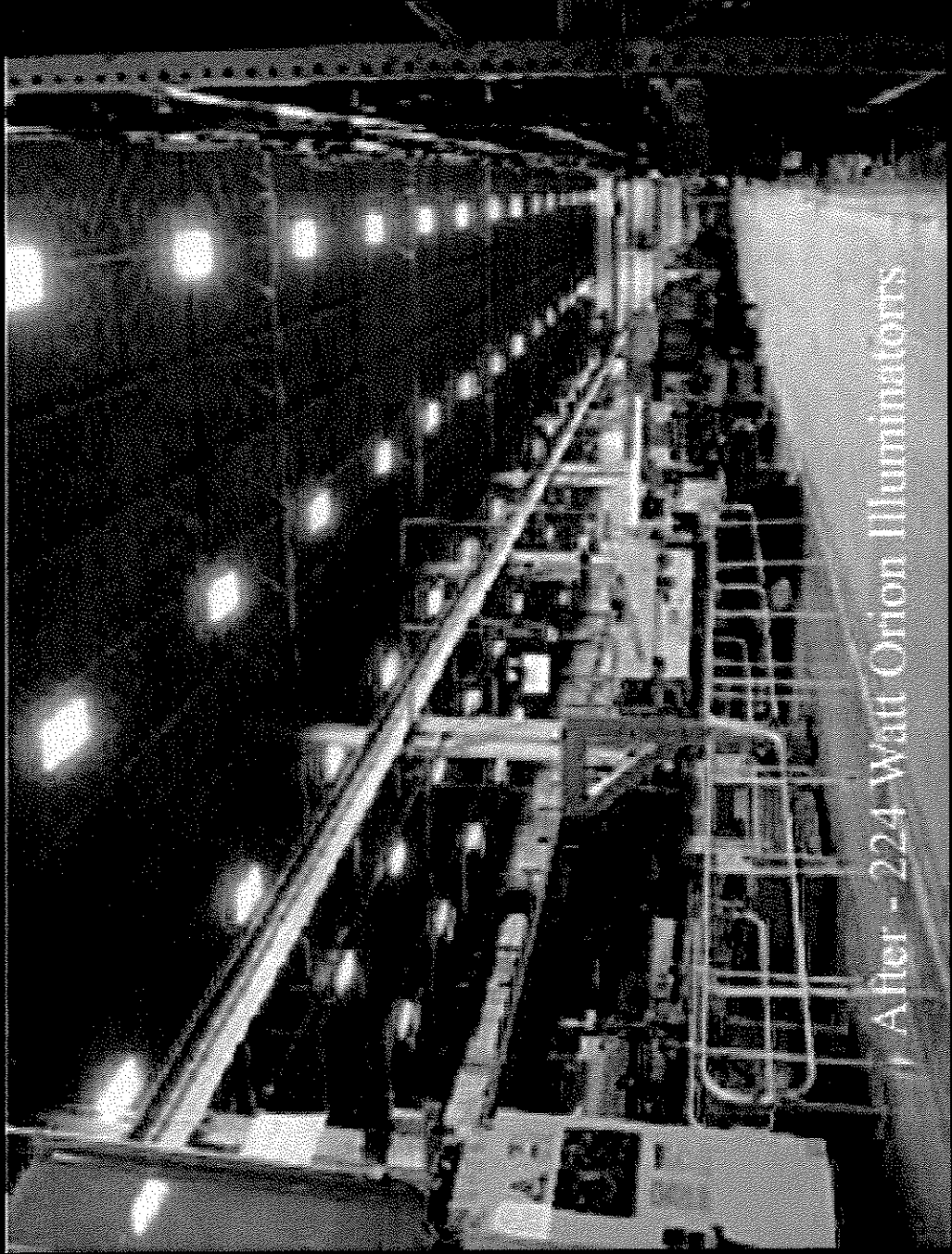
Orion Virtual Power Plants – Simplicity

**“Installing Orion’s energy
efficient Illuminator was one of
the most rewarding projects of
my career at Simplicity”**

Mark Lazarz, Operations Manager

Simplicity Manufacturing – Port Washington, WI

Orion Virtual Power Plants – Simplicity



After - 224-Watt Orion Illuminators

Orion Virtual Power Plants – Quad/Graphics

**“Quad/Graphics has long believed
that what’s good for business is
good for the environment, and this
energy efficient lighting project is
proof positive.”**

Thomas A. Quadracci – President & CEO, Quad/Graphics

Orion Virtual Power Plants – Quad/Graphics



After - 224w Orion Illuminators

Orion Virtual Power Plants – Quad/Graphics

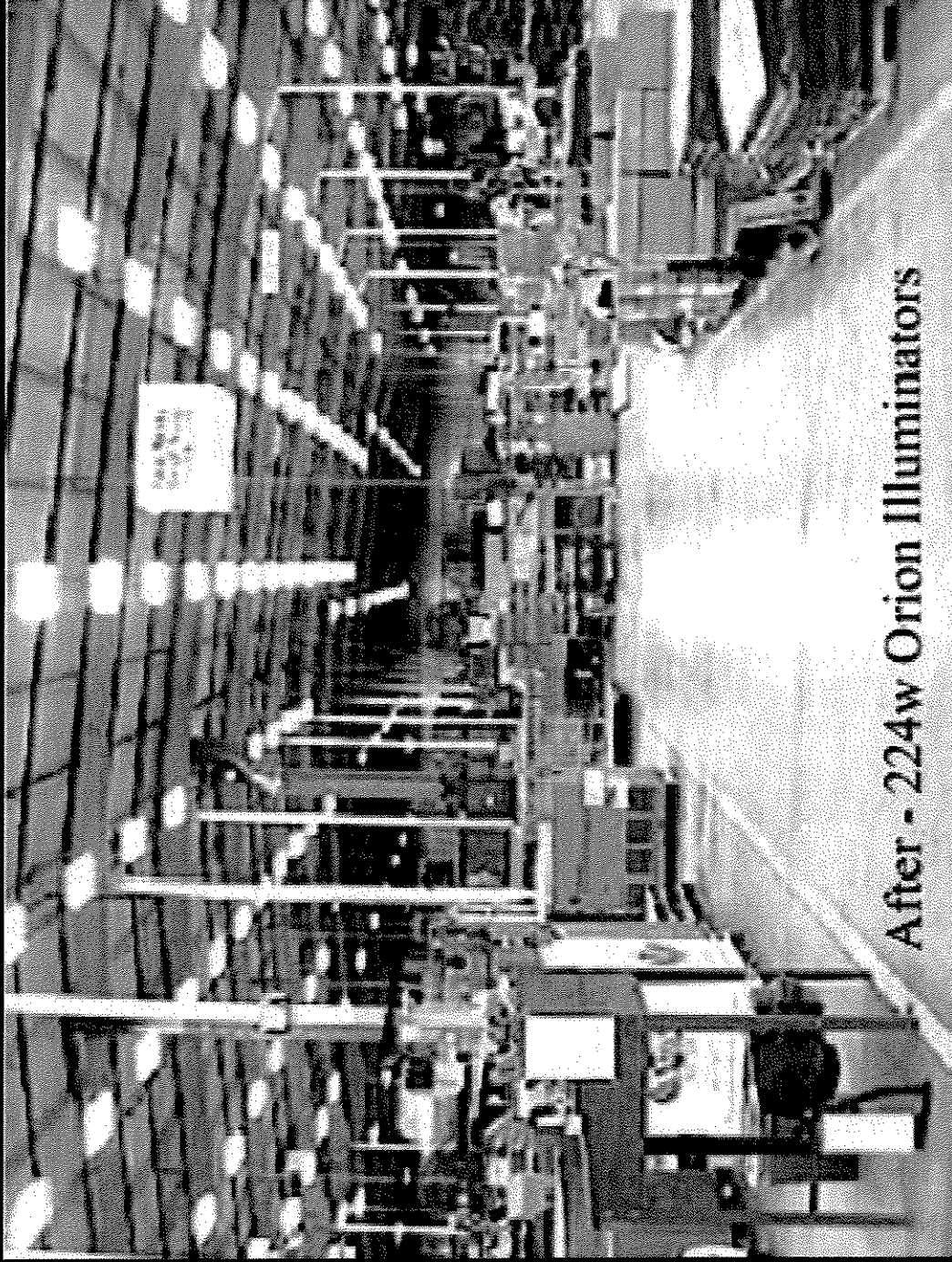


Orion Virtual Power Plants – Bemis Manufacturing

**“We discovered that we could
achieve three longstanding
company goals at once.”**

Pat Bartling, VP Global Operations –
Bemis Manufacturing Company – Sheboygan Falls, WI

Orion Virtual Power Plants – Bemis Manufacturing



After - 224w Orion Illuminators

Orion Virtual Power Plants – Bemis

Bemis partnered with Orion Lighting to reduce the energy costs of warehouse lighting by installing energy-efficient lights. Their solution also reduced emissions of greenhouse gases and other air contaminants. This case illustrates how a company can voluntarily reduce emissions while pursuing a business strategy that is positive for the company's bottom line and the environment. The CO₂, SO₂, and NO_x emission reductions achieved through this lighting retrofit are all eligible to be registered in the Wisconsin Voluntary Emission Reduction Registry.

Bemis Manufacturing Facility – Sheboygan Falls, Wisconsin



Annual Energy Savings:

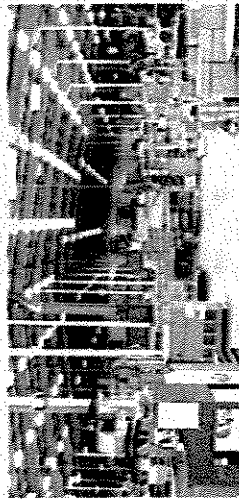
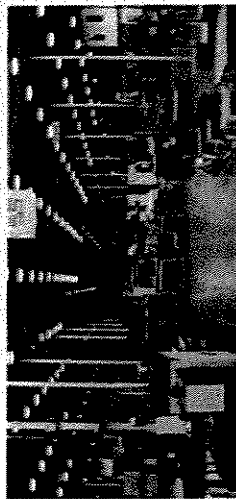
Energy Savings: \$317,896.59 per year
Maintenance Savings: \$63,579.31 per year
Displaced Energy: 6,300,289 kWh
Displaced Capacity: 731.4 kW

Environmental Impacts:

CO₂ Reduction: 4,725.22 tons
SO₂ Reduction: 17.36 tons
NO_x Reduction: 40.27 tons

This reduction is equivalent to:

Planting 1,156 acres of trees annually
Removing 892 cars from the road each year
Saving 572,753 gallons of gasoline each year
Reducing oil demand by 13,637 barrels per year



WISCONSIN VOLUNTARY
EMISSION REDUCTION
R E G I S T E R Y



The Orion Solution

How is OVPP financed

- Treat as generating asset, rather than as DSM
- Allow utilities to treat OVPP initiatives like traditional asset acquisition
- Allow utilities to earn traditional ROE on OVPP initiatives

The Orion Solution

Implementing the *OVPP* assures utilities' compliance with existing Wisconsin Statutes

– Wisconsin Statute 196.025: *Duties of the Commission - Energy Efficiency*

– Wisconsin Statute 1.12 (4): *State Energy Policy - Priorities*

The Orion Solution

- Immediate Capacity Relief
- Capacity Relief Opportunity is Substantial
- Lower Cost Alternative
- Customers Benefit from Efficiency Savings
- Utilities become more efficient
- Greenhouse gas pollutants are reduced

Select Committee on Job Creation
August 26, 2003
Submitted Testimony of the Wisconsin State Telecommunications Association
William Esbeck, WSTA Executive Director

Good morning, and thank you for the opportunity to be here to today as you hear testimony on Wisconsin's telecommunications infrastructure.

I am here this morning on behalf of the members of the Wisconsin State Telecommunications Association. The WSTA represents all 83 incumbent local telephone companies in Wisconsin, 9 of Wisconsin's wireless carriers, and 35 of our state's Internet Service Providers. In total, WSTA member companies employ approximately 13,000 citizens statewide.

WSTA member companies have been providing local telephone service to Wisconsin citizens for more than 100 years.

Today, our member companies still provide local service – but beyond your local phone service, our member companies are now offering long distance service, high speed Internet access – including DSL and wireless, cellular phone service, and video offerings.

- WSTA member companies provide our students and teachers the infrastructure that allows Wisconsin's highly integrated video distance learning network to function seamlessly between educational institutions across the state.
- WSTA member companies provide employees and businesses the infrastructure Wisconsin relies on every day to compete in the national and international marketplace.

WSTA member companies are committed to their customers, their employees, and their communities. And they need a commitment from you to help them stay strong and provide the technology upgrades our students, employees, and businesses need to remain competitive.

As the telecommunications marketplace becomes increasingly complex, I would encourage you to adhere to several principles –

- *Create an environment where regulation keeps pace with technology.* Some of the well intentioned regulations from the 1990s are already outdated. We should attempt to create an environment where winners and losers are determined in a competitive marketplace. **Simplified, forward looking, technology-neutral regulation will encourage investment in Wisconsin.**
- *Create an environment with regulatory consistency between the State and Federal level.* **Regulatory consistency will encourage investment in Wisconsin.**
- *Create an environment with as much regulatory certainty as possible.* **Stability will encourage investment in Wisconsin.**

In short, WSTA member companies have been there for the last 100 years, and we want to take the appropriate steps now that will allow our member companies to remain strong, committed, corporate citizens of their communities and our great state.

I look forward to working with each on you to continuously improve Wisconsin's telecommunications infrastructure.

Testimony of Robert Norcross, Administrator, Electric Division, PSC
Before the Senate Job Creation Committee
August 26, 2003

The Public Service Commission has always taken very seriously and continues to do so, the issue of reliable electric service. Since events in the late 1990s, such as rapid increases in electricity use and uncertainties about future restructuring, stretched the state's electric utility infrastructure to its limits, the Commission has treated electric reliability as its top priority.

In the last three years there has been more than 1,100 MW of new electric generation put into service. In the last year alone the Commission has approved more than 2,000 MW of additional generation, and there are applications for another 3,000 MW of generation either currently before the Commission or expected to be filed in the very near future. That latter generation would cost close to \$5 billion. To put this into perspective, the peak electric load in the state is about 14,000 MW and grows at a rate, on average, of about 2%-3% per year.

In regard to the state's transmission infrastructure the Commission has approved about a dozen applications for transmission lines in the last two years totaling about \$300 million, has five applications currently pending, and expects about 20 more applications for new lines in the next nine months. In meetings with the American Transmission Company, we have been made aware of their plans for nearly \$3 billion of additional transmission system additions and improvements over the next ten years.

The Commission is well aware that the electric infrastructure requires constant attention, especially given the age of some of our power plants and constraints on our transmission system. The August 14 blackout was an indication of just how tenuous and interconnected the electric system is. In response to Governor Doyle's Executive Order issued last week, the Commission is preparing a report to the Governor on the impact of that blackout on Wisconsin's electric system and an assessment on the likelihood that a blackout of a similar magnitude could occur in our state.

The Commission is also working with the DNR to streamline the process for considering applications for new infrastructure. That effort will result in maintaining proper regulatory oversight while improving the coordination between the two agencies and eliminating unnecessary red tape.

As we aggressively pursue our infrastructure needs in current and coming applications we must be careful to avoid adding it without being reasonably sure that doing so is the most economic and efficient way of assuring electric reliability. Power plants and transmission lines are very expensive and leave a lasting impact on utility rates and the environment. Economic growth requires both a reliable supply of electricity and competitive rates. We need to achieve a proper balance of new generation with an appropriate fuel mix, including renewable energy, new and rebuilt transmission lines, and conservation.

In June of this year, Chairperson Bridge initiated an expanded energy assessment that will allow for a timely public discussion of important energy issues. The current Strategic Energy

Assessment covers only a very short time period and does not promote efficient planning. Responses to the expanded assessment are due next month and it is anticipated a draft report, prepared by Commission staff, will be issued near the end of the year. That report will be available to the public for its comments. We believe that a public outreach effort will create a better public understanding and acceptance of later Commission decisions and, as a consequence, be easier to implement. The expanded assessment will be a useful tool in proactively identifying and analyzing key energy issues in Wisconsin and in adopting a balanced approach to meeting the state's energy needs.

In conclusion, I can assure you that, with the current and expected applications for new infrastructure and conducting energy assessments, the Commission will be very busy during at least the next year addressing electric reliability in Wisconsin. We are confident that the effort will be a successful one and benefit the state's economy and electric customers.