

The following are remarks prepared for the October 20, 2004 Wisconsin Transportation Network Infrastructure meeting. Presenting for Northwest Airlines is Jim Cron.

1. Thank you for inviting me to participate in the meeting today. My name is Jim Cron and I am currently VP Pricing and Yield Management for Northwest
 - It is very important that airlines and the places we do business communicate in ways like this. This is especially true given the state of the aviation industry
 - For background I have been at NW for 15 years. The last 2 in pricing and yield management. Prior to that I was in finance (2 years) and schedule planning for 10 years.
2. The airline industry continues to lose money at unprecedented levels
 - Major carriers will lose in excess of \$4 billion in 2004
 - Following 9/11, many predicted 2004 would be a profitable year for the industry
3. What happened?
 - 9/11 economic shock
 - Iraq war
 - Fuel prices at or above \$55 barrel
 - Intense competition with aggressive industry capacity adds
4. NW is extremely proud of its history serving the state of Wisconsin since 1927. Wisconsin is very important to the success of NW
 - NW carries more passengers than any airline in Wisconsin and serves more cities (8)
 - ATW, EAU, GRB, LSE, MSN, MKE, RHI, CWA
 - Broad coverage across the state
 - NW is largest carrier in all markets except MKE
 - Only carrier to offer mainline service to MSN, LSE, GRB
 - NW's extensive network can carry people in Wisconsin to all parts of the world
 - This relationship is good for both Wisconsin and Northwest
 - Much of this service is made possible by an extensive hub and spoke network
5. NW sees no significant infrastructure issues at the airports in Wisconsin
 - Covered boarding for passengers is a priority
 - Security handled well

- Important to continue striving for low operating cost
- Airports have embraced NW technology initiatives
- Very important to tie growth of facilities to specific airline growth opportunities/expansion
- Speculative expansion may lead to higher operating costs for remaining carriers
 - This is especially true in current industry situation where carriers may fail and service reductions are likely at fuel prices currently being incurred by airlines

6. Wisconsin has received significant new air service during the last several years. Air service is very important for economic development

- Major carriers have added more service to their hubs via regional jets
- Midwest hub in MKE has continued to grow
- Low fare airlines such as Frontier and Airtran now serve the state
- NW has significantly grown service throughout the state
 - Most recently, NW launched a MKE expansion which targeted NW frequent flyer members in MKE and Northern Illinois

One of the general questions being considered is how can Wisconsin attain more direct air service to new destinations. Generally speaking, market demand is the driver of new air service

- Subsidy programs are generally not successful as communities find themselves in the difficult position of writing large checks in many cases
 - Airlines would normally add the service if profitable
- Other inducements tied to new service, such as operating expense relief, tax incentives, and short term subsidies can be effective and should be made available to all carriers
 - Level playing field among carriers is the key here
- Lowest possible operating cost at the state airports is really an effective tool when airlines are evaluating service opportunities
- While new service is always attractive, it is the existing air service which should be the primary concern of all
 - Especially true in current environment

- Wisconsin needs to prioritize what new air service would be important to the state, and work cooperatively with the airlines to determine feasibility.

7. A few points on ORD congestion

- ORD should have built additional capacity long ago
- Don't look to penalize Wisconsin in coming up with an ORD solution
- Don't penalize airports and airlines who have made the necessary hub investments (like MSP, DTW, CVG, MKE) to avoid congestion
- We continue to work with the FAA on new technology solutions to the national problem of airspace congestion
- MKE and MSN may draw passengers from ORD in the next several years as ORD growth is limited and congestion continues.

8. This concludes my prepared remarks. Again I wish to thank the committee for the opportunity to participate

- I look forward to further discussion on this issue
- I also wish to reiterate that it is NW's intention to continue being a strong and committed economic partner with the state of Wisconsin

