



WISCONSIN LEGISLATIVE COUNCIL

WISCONSIN'S TRANSPORTATION NETWORK INFRASTRUCTURE

411 South, State Capitol
Madison, Wisconsin

October 20, 2004
10:00 a.m. – 12:05 p.m.

[The following is a summary of the October 20, 2004 meeting of the Special Committee on Wisconsin's Transportation Network Infrastructure. The file copy of this summary has appended to it a copy of each document prepared for or submitted to the committee during the meeting. A digital recording of the meeting is available on our Web site at <http://www.legis.state.wi.us/lc/2004studies.htm>.]

Call to Order and Roll Call

Senator Kanavas, Chair, called the meeting to order. The roll was called and it was determined that a quorum was present.

COMMITTEE MEMBERS PRESENT: Sen. Ted Kanavas, Chair; Sen. Fred Risser; Reps. Dan LeMahieu, Jeff Stone, John Townsend, and Josh Zepnick; and Public Members Geoff Crowley, George Grossardt, Paul Olsen, Peter Thillman, and Tom Walker.

COMMITTEE MEMBERS ABSENT Sen. Joseph Leibham; Rep. Karl Van Roy; and Public Members Bob Cook, John Kreilkamp, and Jerome Thiele.

COUNCIL STAFF PRESENT: Dan Schmidt, Senior Analyst; and Kelly Mautz, Support Staff.

APPEARANCES: Carol Skornica, General Counsel, Midwest Airlines; Jim Cron, Vice President of Domestic Pricing and Yield Management, Northwest Airlines; and Jeff Baum, President, Wisconsin Aviation.

Invited Speakers

Carol Skornica, General Counsel, Midwest Airlines, started her presentation with a brief description of the background of Midwest Airlines. She stated that in 2004 Midwest Airlines celebrated their 20th anniversary as a commercial carrier, discontinued all legacy DC-9 aircraft, and added five new Boeing 717s. She stated that in 2003, Midwest Airlines completed a comprehensive financial and

operational restructuring, changed their service to include a high-density low-fare product, Saver Service, all while still providing their Signature Service to business destinations.

Ms. Skornica also stated that it is important to understand the severe limitations airlines confront in providing any increment of additional support for infrastructure growth. Airlines face ever increasing fuel costs, struggle to return to profitability, growing taxes, and fees imposed or enabled by the federal government.

Ms. Skornica also stressed the importance of airline hubs to economic development.

Ms. Skornica concluded her remarks by stating that state government should adopt policies that encourage airline investment and promote growth of air service in Wisconsin, particularly the growth of an airline hub which is known to stimulate economic development.

Jim Cron, Vice President of Domestic Pricing and Yield Management, Northwest Airlines, informed the committee that Northwest Airlines serves more passengers in Wisconsin than any other airline and also serves the broadest network in this state. He expressed concern that airlines are currently losing money at unprecedented levels due to increased fuel costs, decreased fears related to terrorism and war, and high competition in the passenger industry. He stated that he did not have any specific concerns related to aviation infrastructure. He encouraged the state and local government units in Wisconsin to keep airport fees to a minimum, maintain solid security, and promote quality airport construction. He urged the committee to let the aviation service market drive airport and infrastructure development because such development does not promote aviation demand.

Finally, Mr. Cron indicated that the committee and the state should not feel that it is their duty to solve the congestion problems at O'Hare Airport.

Jeff Baum, President, Wisconsin Aviation, briefly described his organization and indicated that fractional aircraft ownership is the fastest growing area in aviation today. He stressed the importance of "jet ready" airports to allow corporate use of local airport runways. He explained that such airports must have runways of at least 5,000 feet, adequate lighting, and proper radio-guided landing equipment. He warned that localities with less sophisticated airports would suffer from limited business use and, thus, less economic growth.

Discussion of Committee Assignment

Senator Kanavas asked the committee members for ideas for solutions and discussion regarding the testimony they had just heard.

In response to issues raised regarding direct point-to-point flights without hubs, Mr. Crowley noted that airline hubs are very efficient and that changes may be necessary but local communities would not have the flight opportunities they currently enjoy without hubs.

Mr. Thillman indicated that, based on the testimony and as a matter of promoting economic development, the state should leverage the existing Milwaukee hub and the current direct local flights.

Mr. Walker stated that he understood the speakers' indications that the aviation industry is adequately taxed. He said that he believed that the current ad valorem tax system on aviation companies

taxes the companies' investment in the state, not their use of state resources. He said that this system does not make sense and encouraged the committee to consider changing the current tax system for the aviation industry.

Mr. Cook suggested the committee receive a list of all fees and taxes paid by carriers and general aviation in Wisconsin. He also stated he thinks it would be helpful to the committee to have a Department of Transportation comparison of fee and tax structures in other states, to know where the money comes from and goes.

Senator Kanavas concluded by stating that he would like the committee to consider leveraging each of the different modes of transportation under the committee's purview, as needed, to promote economic growth in Wisconsin.

Other Business

There was no other business brought before the committee.

Plans for Future Meetings

The next meeting of the Special Committee will be held on *Wednesday, November 17, 2004, at 10:00 a.m., in Room 411 South, State Capitol, Madison.*

Adjournment

The meeting was adjourned at 12:05 p.m.

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