



WISCONSIN LEGISLATIVE COUNCIL

AIRPORT AUTHORITIES

Sijan and Lovell Conference Rooms
General Mitchell International Airport
5300 South Howell Avenue
Milwaukee, Wisconsin

October 25, 2006
10:00 a.m. – 3:10 p.m.

[The following is a summary of the October 25, 2006 meeting of the Special Committee on Airport Authorities. 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>.]

Call to Order and Roll Call

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

COMMITTEE MEMBERS PRESENT: Rep. Jeff Stone, Chair; Reps. Mark Honadel and John Townsend; Sen. Jeff Plale; and Public Members Rich Abelson, Jason Bittner, Terrance Kurtenbach, George Torres, Terry Witkowski, and Dan Wruck.

COMMITTEE MEMBERS EXCUSED: Rep. Fred Kessler; and Public Member Dick Richards.

COUNCIL STAFF PRESENT: Ronald Sklansky, Senior Staff Attorney; Scott Grosz, Staff Attorney.

APPEARANCES: Mark Colananni, GE Medical; Kenneth Krueger, Bucyrus International; Lester Robinson, Wayne County Airport Authority; Tom Browne, Air Transportation Association; Barry Bateman, General Mitchell International Airport; and Joe Kuntner, Milwaukee County Sheriff's Association.

Approval of the Minutes from the September 27, 2006 Meeting

Mr. Torres suggested that the minutes from both the September 20, 2006 and September 27, 2006 meetings of the Special Committee are scant and do not accurately reflect the discussions of the committee members. Mr. Sklansky noted that the minutes actually are meant to be a brief summary of

the activities of a Special Committee at a given meeting and that a digital recording of each meeting is maintained at the Legislative Council website for persons who wish to investigate the legislative history of proposals made by a Special Committee. Mr. White asked whether a written transcript of the proceedings of the Special Committee could be prepared. Chair Stone responded that he would inquire as to whether there are adequate resources for the Legislative Council staff to prepare a transcript.

Representative Townsend moved, seconded by Senator Plale, to approve the minutes of the committee's September 27, 2006 meeting. The motion carried on a voice vote.

Testimony by Invited Speakers

Mark Colananni, GE Medical, described the critical importance of airports to GE Medical. He cited the increasing number of business-related, employee flights from 2003 to 2006, both out of Mitchell Field in Milwaukee and out of O'Hare International in Chicago. He stated that functioning airports are important to GE Medical's ability to grow and he stated that there is a need for more point-to-point access. In response to questions, Mr. Colananni noted that GE Medical purchases tickets for employees, while the company maintains a fleet of corporate jets for senior executives. He stated that GE Medical has approximately 6,800 employees in Wisconsin.

Kenneth Krueger, Bucyrus International, noted that in 2005 approximately 600 employee flights emanated from Mitchell Field and approximately 60 employee flights began at O'Hare International. According to Mr. Krueger, this amounted to a 30% increase over the prior year, and he expected that increases will continue. He stated that there should be more direct end destinations from Milwaukee. While many of the company's international flights are directed toward Chile, Brazil, China, Canada, and South Africa, many employees fly from Milwaukee to Chicago in order to reach West Virginia, Wyoming, Georgia, South Dakota, and Arizona. Mr. Krueger emphasized the need for flight frequency, good security, transportation to Chicago, accessible parking, and efficient baggage handling. Mr. Krueger also noted that it is expected that Bucyrus International, following expansion, will have approximately 1,200 employees in Milwaukee. In response to a question, Mr. Krueger stated that the Milwaukee expansion will be in the range of \$125 million and that the expansion was made in Milwaukee because of the local workforce and infrastructure in the area.

Lester Robinson, Wayne County Airport Authority, stated that the Authority operates the Detroit Metropolitan Airport and Willow Run Airport in the Detroit area. The airports previously were operated by Wayne County, but have been under the jurisdiction of the Authority for approximately five years. He stated that the Authority is run by seven appointed members, two of whom are appointed by the Governor and four of whom are appointed by the county executive. Mr. Robinson stated that the final member of the Authority is a county commissioner. He also stated that the Authority was formed, as a response to financial difficulties, through legislation that had the support of a Republican governor and a Democratic county executive. He described the original appointees to the Authority as individuals from the private sector who have experience in business and who can react to problems like the 9/11 attack and the SARS health scare.

Mr. Robinson claimed that the Authority is run like a business and therefore can demand lower prices from vendors, can reduce staff when necessary, and in general can exercise greater flexibility than other governmental bodies. Consequently, Mr. Robinson stated that the Authority has been able to

attract new carriers to the Detroit area and in fact has helped to increase employment in the airport area. He stated that, according to a report prepared by the University of Michigan, the total impact of the Detroit airports accounts for approximately 71,000 jobs.

After describing his background, including government and airport experience, Mr. Robinson stated that he was retained by the Authority as its first director and again noted that the flexibility afforded to him by the enabling statutes and the Authority have increased vendor competition at the airports and, consequently, have reduced operating costs.

In response to extensive questioning, Mr. Robinson made numerous responses, including the following:

1. While small airports may not work well under an authority structure, larger airports would do well. The Wayne County Airport Authority provides flexibility with staff, vendors, and the federal government. This increased flexibility has increased vendor competition, which has kept airport costs down.
2. International travel is increasing quickly and is expected to expand further in the future.
3. The Authority can issue revenue bonds, but has no authority to issue general obligation bonds and has no authority to impose taxes.
4. Issues relating to banking, hiring, and procurement are all separate from Wayne County procedures. The Authority's enabling legislation allowed employees to transfer to Wayne County positions, but most employees remained with the airports. Unions continue to negotiate contracts; airport employees' raises have exceeded those of their county counterparts; and the employees appear to be satisfied.
5. The Authority is a public body subject to Michigan law regarding open meetings and open records. If community members wish to meet with the board, the board would conduct such a meeting.
6. The airport has its own police force that is not subject to civil service provisions. The airport police are not part of a union.
7. No member of the airport authority is specifically designated to represent a surrounding community. It is not necessary to do so because the majority of the appointees are named by the county executive who presumably will take community concerns into account.
8. The airport authority has not acquired new property, but if business increases, expansion will be considered.
9. Authority employees with defined benefit pension plans have been grandfathered so that those plans may be continued. However, newer employees have defined contribution plans managed by Wayne County. When the Authority was created, there were 700 employees. There are approximately 650 employees now. More management jobs have been created since the beginning of the Authority's jurisdiction and managerial salaries have increased.

While Authority employees not under a union agreement serve at the pleasure of the Authority, employee longevity has been good.

10. The Authority responds to community complaints. For example, approximately \$118 million has been spent on sound abatement activities.
11. The Authority has assisted airlines with costs associated with 9/11 by holding down costs at the airport and returning money to airlines for every year of the Authority's existence.
12. New airlines have been added in Detroit through the efforts of the Authority's marketing staff.
13. In considering whether to create an authority, Michigan officials were not in favor of privatizing the airports because of the public services involved. However, certain activities are better operated by private concerns, such as concessions provided in the airport.

Tom Browne, Air Transportation Association, noted that he represents the nation's airlines and has found that any type of airport governance structure can succeed or fail. According to Mr. Browne, his association is most interested in how an airport is managed. He stated that many factors contribute to the success of an airport, including customer service, finance, operations ability, whether an airport is a hub or a spoke airport, financial independence and physical condition of an airport, and the economic impact of an airport on surrounding communities. He stated that the association's experience with respect to airport authorities is that those operations have higher bond ratings, are economically healthier, tend to be better managed, tend to be on the leading edge of technology, and are more politically independent. However, he stated that these airports are not necessarily the lowest cost airports. He also stated that the association is not necessarily against privatization of airports, but he found that no sound business cases have yet been presented for privatization and also found that most of these proposals focus on achieving a financial windfall for the governing body. Mr. Browne concluded his remarks by stating that Mitchell Field is well-run, but somewhat hamstrung by the county's procedures regarding procurement and personnel. However, he stated that there was no evidence that the governance of Mitchell Field should change.

In response to questions, Mr. Browne made the following comments:

1. A well-run airport is one where professionals have been delegated the authority to manage.
2. Airlines are attracted to places where business exists. A poorly run airport will not necessarily deter business and the attraction of airlines to those airports.
3. The association has supported efforts to change airport governance to an authority form with respect to various airports.
4. When considering privatization of an airport, policymakers should consider whether the need for profit, revenue streams, and rate locks can be reconciled with the goal of operating a financially sound airport.

Barry Bateman, General Mitchell International Airport, described the economic impact of Mitchell Field on the Milwaukee area and reviewed numerous figures regarding the increase of business

at Mitchell Field. He stated that the interest in the creation of airport authorities in other parts of the country has grown out of fiscal problems, obsolete facilities, and a lack of planning for the future. Mr. Bateman stated that Milwaukee County is succeeding on all of these fronts and is in fact second to none. He stated that the financial condition of the airport is sound, bonds associated with airport operations have excellent ratings, airlines are satisfied with the airport operation, and the managers of the airport engage in extensive future planning. He stated that Mitchell Field recently received an award for being the fifth best airport in the country. In response to questions, Mr. Bateman made the following comments:

1. Personnel decisions are made through the county civil service system. Also, the county handles procurement for routine matters and special attention is paid to capital projects by a different county employee.
2. Property taxes do not support airport operations. In a rare situation in which the county issues bonds, the airport repays the county loan with interest.
3. Robert Poole's recent report on airport privatization contains errors regarding retail concession comparisons and the cost of capital projects at Mitchell Field.
4. Although county officials occasionally would like to take money from the airport, this is prohibited by federal law.
5. Mitchell Field has 190 direct employees, including 55 sheriffs and 10 engineers.
6. The airport's financial situation is combined with the county financial statement.
7. Technology expenditures are always approved by the county board and once the capital budget is approved, airport managers do not return to the county board for further approvals. Mr. Bateman stated that the county board has delegated day-to-day decisions to him.
8. There is one person on staff for marketing of the airport.
9. The county board has been overwhelmingly supportive of the airport, the future cannot be predicted, and there are airport authorities that have achieved success and have suffered failures.

Mr. White noted that Milwaukee County has streamlined airport procedures and often consults with neighboring communities and communities outside of Milwaukee County regarding airport operations. He also stated that the county has been studying salary and employee flexibility issues, but that course of action was impeded by the introduction of 2005 Assembly Bill 1089. Finally, Mr. White stated that Milwaukee County has been a good steward of the airport and that the success of Mitchell Field is based on this stewardship.

Joe Kuntner, Milwaukee County Sheriff's Association, stated that the association negotiates wages, benefits, and terms of employment for the deputy sheriffs. He noted the need for professionally trained persons to provide security and safety at the airport. Mr. Kuntner stated that the sheriffs want to continue their relationship with the airport. In response to a question, Mr. Kuntner also stated that it is less expensive to retain the sheriff's services than to have a private police force.

Discussion of Committee Assignment

Chair Stone noted that the Special Committee could consider the following options: (1) retain current law; (2) amend current law to create more flexibility for airport management; (3) investigate whether current law needs to be changed to allow privatization of the airport; and (4) propose enabling legislation for the creation of airport authorities. He suggested that staff prepare material related to these options and to examine airport authority legislation in other states. Mr. Witkowski and Representative Townsend stated that draft legislation should be crafted in terms of authorizing, rather than mandating, the creation of airport authorities. Mr. Wruck also asked staff to determine whether current statutes allow the creation of an airport authority.

Other Business

There was no other business considered at this time.

Plans for Future Meetings

The next meeting of the Special Committee will be held on *Wednesday, November 15, 2006, at 10:00 a.m., Room 417 North, State Capitol, Madison.*

Adjournment

The meeting was adjourned at 3:10 p.m.

RS:jal