

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Senator Karin Brownlee at 8:00 a.m. on March 07, 2001 in Room 123-S of the Capitol.

All members were present except:

Committee staff present:

April Holman, Legislative Research Department
Bob Nugent, Revisor of Statutes
Lea Gerard, Secretary

Conferees appearing before the committee:

Mike Taylor, City Manager's Office, Wichita
Bernie Koch, Wichita Chamber of Commerce
Natalie Bright, Governmental Affairs Consultant for WIBA
Jolene Grabill, Representative of South Central Kansas
Regional Economic Area Partnership (REAP)
Carl Koster, Mayor of Cheney and REAP Chairman
Mickey Fornaro, representing Harvey County and City of
Newton
Jeannie Fuller, Representing City of Hesston
Jim Edwards, Vice President, KCCI

Others attending:

See attached list.

Representative Carlos Mayans testified in support of **SB 324** stating this bill would benefit south central Kansas and to the State of Kansas.

Mike Taylor, City Manager's Office, Wichita testified in support of **SB 324**. The shortage of affordable airfare service into and out of Wichita's Mid-Continent airport is a reality that seriously affects the economic prosperity of not just Wichita and the south central part but the entire State of Kansas and it's economy. For a variety of reasons it has been well documented the airline industry has priced their service to and from Wichita at levels which is not consistent with the potential size of the market. As a result, business and leisure travelers from a large portion of the State of Kansas are forced to use Kansas City International airport in Missouri, Oklahoma City or even Tulsa to reach their destinations. Of equal concern to both local and state economies, is the very real threat the situation poses to business in the state. Large employers have chosen to relocate outside Kansas because of the high-cost of air travel (Attachment 1).

The proposed solution would involve Ryan International Airlines, a Wichita based company. The proposal is asking for \$4 million dollars from the state in a partnership with local governments. The state would share in start-up and guarantee some of the losses that may develop.

Bernie Koch, Wichita Chamber of Commerce, testified in support of **SB 324** stating Wichita has eleven airlines that serve 10 cities with 44 scheduled daily departures. Wichita is in the top 100 US airports in terms of passenger count. To give some perspective, Kansas City International is ranked 35th in the country and Wichita is ranked 95th. On an average, Wichita has the 7th highest airfare in the country. High airfares make it more difficult for the people to get out to do business and for the rest of the world to get to us to buy our products and services. This is a Chamber, business and economic development issue because our business community is the major user of the airport (Attachment 2).

Natalie Bright, Governmental Affairs Consultant, Wichita, testified on behalf of the Wichita Independent business Association in support of **SB 324** stating the high airfares at Mid-Continent not only has a negative impact on the Wichita economy, but also impacts the Kansas economy as a whole. In order to obtain affordable airfare, business travelers are often forced to fly from out-of-state airports such as Kansas City, Tulsa and Colorado Springs. A survey was sent to members of the Wichita Independent Business Association and they were in favor of using money from the Economic Development Initiative Fund over creating a new funding mechanism, such as slots. None supported a tax increase. (Attachment 3)

Jolene Grabill, Representative of South Central Kansas Regional Economic Area Partnership (REAP) testified in support of **SB 324**. This is a economic development partnership of seven south central Kansas counties and some 25 cities, formed in 1977 with two goals in mind: 1) To guide state and national actions that affect economic development in region and; 2) to adopt joint actions among members of government to enhance regional economy. REAP accepts the challenging role of building that local consensus for your partners in government at the local level on critical issues (Attachment 4).

Jolene Grabill introduced the Honorable Carl Koster, Mayor of Cheney, Kansas and this year's current chair of REAP.

Carl Koster testified in support of **SB 324** stating the high cost of airfare out of Mid-Continent impacts citizens and businesses all across the state. South Central Kansas economic development professionals routinely see companies decide against a Kansas site for business location or expansion due to the high cost of air service at Mid-Continent. Many Kansas companies relocate their operations outside the state and point out the high cost of air service as the factor for their decision (Attachment 5).

Mickey Fornaro, Executive Director, Harvey County Economic Development Council, Inc. testified in support of **SB 324** stating Harvey County spends a great deal of time trying to develop a healthy business climate for economic development and growth. Harvey county represents the county itself and seven communities which would be Burton, Halstead, Hesston, Newton, North Newton, Sedgwick and Walton. All of the counties represent some type of industry some large and some small. Ms. Fornaro provided the following comparisons of round trip flight rates leaving Wichita Thursday and returning Sunday: United, \$1,182.50; Northwest, \$1,185.25; TWA, \$1,192.00. If she drove to KCI, the rates would be United, \$189.50 and American, \$189.50 (Attachment 6).

Jeanie Fuller, Executive Director, Hesston Development Office testified in support of **SB 324** stating in order to find reasonable rates, travelers are forced to drive several hours to Oklahoma City or Kansas City. This is inconvenient for our businesses and has a negative impact on the lodging and hospitality service industries, not to mention the negative tax impact on the state from travel dollars that are lost to other states (Attachment 7).

Jim Edwards, Senior Vice President, KCCI, testified in support of **SB 324** stating this is an economic development issue for the entire state not just the south central region. Mr. Edwards point out the allocations as originally discussed would come from above the \$50 million dollars that are transferred from state revenue funds into EDIF (Attachment 8).

Senator Steineger requested that Mike Taylor provide the following information to committee members: 1) gross amount spent for tickets out of the Wichita airport; and 2) gate fees, landing fees and any other fees the city charges the airlines to use the airport.

After much discussion regarding **SB 324**, Senator Kerr made a recommendation to the chair that this committee or a subcommittee would work and develop the best plan from the state's point of view and then turn it into a proposal for the Ways and Means Committee. It would keep the process alive and it may not necessarily involve a bill but does require someone from the legislature to take the lead.

The Chair closed the hearings on **SB 324** and stated there is support for some type of partnership with Wichita in trying to solve this problem. The Chair stated she did not see a lot of support for the plan currently before the Committee and there still seems to be a lot of questions. The main objective is how to solve the high ticket price and to make airline tickets more affordable.

Bob Nugent, Revisor of Statutes, briefed the committee on the balloon amendments stating it assumes either a substitute for **HB 2034** or amended version of **SB 298** (Attachment 9).

In response to a question from the Chair regarding the centralized fund, Bob Nugent stated the centralized fund does not have anything to do with technology. The money is raised state-wide and then would be allocated from a central point. Technology would be deployed by the administrator and local units that come up with proposals for the 911 system.

Meeting adjourned at 9:30 a.m.

Next meeting scheduled March 08, 2001 at 8:00 a.m.

SENATE COMMERCE COMMITTEE

GUEST LIST

DATE: MARCH 07, 2001

NAME	REPRESENTING
Bernie Koch	Wichita Area Chamber
Mike Taylor	City of Wichita
MIKE ARMOUR	KDOT-AVIATION
Sandy Braden	Cingular
Andy Garkoni	Cingular Wireless
STEVE KEARNEY	ALLTEL
Robert Francisco	KGO
Michael Pepoon	Sedgwick County
Jolene Farrell	REAP
Carol Foster	REAP
Mike Murrain	Sprint
Jim Yarnally	Verizon Wireless
Kim Shultz	LICM
Judy Moler	KAC
Ashley Sherard	Johnson County
Kelly Kuitala	City of Overland Park
Tom Gleason	Independent Telecom Group
Jennifer Crow	Federico consulting
Rob	Her/veer Ph.D.

PLAN FOR
ENHANCED AIR SERVICE
AT WICHITA'S MID-CONTINENT
AIRPORT



City of Wichita



Senate Commerce Committee

March 7, 2001
Attachment 1-1

The Need for Low Cost Air Service

The shortage of affordable air service into and out of Wichita's Mid-Continent Airport is a reality that seriously affects the economic prosperity of not only the Wichita area and Southcentral Kansas, but most if not all of the State of Kansas. For a variety of reasons, the airline industry has priced air service to and from Wichita at a level that is not at all consistent with the potential size of the air travel market that should be served by Mid-Continent Airport. As a result of this market failure, business and leisure travelers from a large portion of the State are forced to use Kansas City International Airport in Missouri, or Oklahoma City or Tulsa airports in Oklahoma, in order to avoid the exorbitant cost of flying to most destinations from Mid-Continent.

Of equal concern, to both the local and state economies, is the very real threat this situation poses to the businesses in the state. The large employers that have chosen to relocate outside Kansas because of the high cost of air travel are well known. Less well known are the companies that choose not to locate in Kansas because of the cost of air service at Mid-Continent. The Kansas Department of Commerce and Housing can attest to this. But those who suffer the most from the high costs of air travel are the businesses whose ability to grow and compete effectively in a global market is severely limited.

Tourism is another area of great economic potential for the State of Kansas that is grossly underdeveloped. One of the limiting factors that has to be addressed in this regard is the high cost of air service at Mid-Continent Airport. Studies show that in this area, the largest tourism draw is visits from family and friends. Even this is impeded by high airfares, which in turn inhibits the development of tourist attractions that are needed to enhance the quality of life and economic vitality of our area and our state.

Wichita, Kansas is quite possibly the largest city in the United States to be so severely affected by the failure of the U.S. air travel industry to serve the needs of the flying public. It is not a distinction the State of Kansas should wish to see continue. Every year, an estimated 400,000 airline customers from around Kansas drive to airports outside of the State who would be far better served by flying out of Wichita.

The City of Wichita, in consultation with Sedgwick County and the Regional Economic Area Partnership (REAP), are determined to fix this problem. An Air Services Task Force has been working for nearly two years to identify the best solution. As a result of this work, negotiations are underway with a potential low-cost airline interested in providing much needed service to Mid-Continent Airport, subject to various financial incentives. What follows is a proposal for putting together the financial package to bring this effort to fruition.

Executive Summary

The City of Wichita, in consultation with Sedgwick County and the Regional Economic Area Partnership (REAP) have developed a plan to resolve the air service crisis that is afflicting not only the Wichita area and Southcentral Kansas, but the State of Kansas as a whole. The City and the region seek to team up with the State of Kansas to develop a financial incentives package that will ensure low cost air service into and out of Wichita's Mid-Continent Airport. Every year, an estimated 400,000 airline passengers from around the state drive to airports in other states in order to avoid the exorbitant cost of flying from Mid-Continent. This problem is driving businesses out of the state, stunting the growth of the Kansas economy and inhibiting tourism.

The City of Wichita has received a proposal for low-cost airline service from Ryan International Airlines, a fully certified airline whose world headquarters happens to be in Wichita. Under the Ryan proposal, the City of Wichita would lease a pair of Boeing 737s and contract with Ryan International Airlines to operate the aircraft. Ryan will provide four scheduled flights a day, six days a week, to and from Kansas City International Airport (KCI) in a way that permits convenient connections to Southwest Airlines flights as well as other airlines.

A preliminary cost analysis indicates that a start-up costs in the range of \$1.2 million dollars will be needed to prepare for a airline operation between Mid-Continent and KCI, including hiring and training personnel and the cost of setting up facilities. The annual operating costs of approximately \$13 million is expected to be paid from cash flow, assuming a 50% load factor and a round-trip ticket price of slightly more than \$200. In addition to these operating costs, there will be local facilities charges, such as ticket counters, gates, etc., that will need to be paid, as well as a working capital reserve.

The financial incentive that is contemplated in this proposal includes paying the up-front costs and then underwriting the risk of financial losses. The City will also seek to dilute the underwriting risk by establishing a system of "take or pay" contracts with local businesses and other organizations to purchase enough tickets in advance to ensure solvency.

The City of Wichita, on behalf of its local government partners, proposes to the State of Kansas that the financial incentives necessary to make this plan work be evenly divided between state and local government. The table below summarizes the estimated incentives. The State's obligation can be capped at \$4 million per year. The City's intent is to make a minimum three-year commitment to make this program work.

State / Local Sharing of Investment in Low Fare Air Service		
<u>Public Investment</u>	<u>Local</u>	<u>State</u>
Start-up Costs	\$600,000	\$600,000
30-Days Working Capital	\$540,000	\$540,000
Underwriting of Operating Loss Risk	50% not-to-exceed \$4 million annually	50% not-to-exceed \$4 million annually

**Testimony on SB 324
March 7, 2001**

**Bernie Koch
Wichita Area Chamber of Commerce**

Senator Brownlee, members of the committee, I'm Bernie Koch with the Wichita Area Chamber of Commerce. I'm appearing in support of Senate Bill 324.

Many of you may not be familiar with the serious challenge facing South Central Kansas economy in the area of air service. No topic in the Wichita area generates more intensity than the subject of airfares. At our Chamber Board of Directors retreat last year, the topic kept surfacing as a matter of great concern.

We have a good airport in Wichita's Mid-Continent. We have eleven airlines serving ten cities with 44 scheduled departures daily. That's twice as many airlines as cities of similar size.

We are in the top 100 U.S. airports in terms of passenger count. To give you some perspective, Kansas City International Airport is ranked 35th in the country. We are ranked 95th. However, on average, we have the 7th highest airfares in the country.

On some routes, we are very competitive with Kansas City. We have lower average fares than Kansas City on trips to Seattle, Boston, New York City, Miami, Washington, D.C., and Memphis.

However, our fares have increased over 20 percent in the last three years to Chicago, Minneapolis, Salt Lake City, Atlanta, Denver, Houston, Phoenix, Dallas/Ft. Worth, and Kansas City.

The difference between three years ago and now is that we had a discount carrier at the time. That carrier no longer serves Wichita.

When the discount carrier left, we had the highest fare increases in the country. They were so high they got the attention of the Justice Department, which has filed suit in Federal District Court in Wichita against a major airline. That case has not yet come to court.

This is a Chamber and economic issue because our business community is a major user of the airport. The last survey of passengers was done four years ago. At that time 54 percent of those flying out of Wichita Mid-Continent were flying on business, while 46 percent were taking a personal trip. Twenty-six percent of all of those flying identified themselves as an executive, manager, or consultant.

That survey also found that 53 percent of departing passengers resided in Kansas. However, 43 percent resided outside of Kansas and 4 percent were residents of foreign countries.

So, here's the picture that presents. This is not just a local airport being used by local people. It's an airport with a majority of business usage. It's used by Kansans, but it's also used by business people from elsewhere.

Our business people from the region use Mid-Continent to do business in other parts of the country and the world, but the airport also brings business people into Kansas.

Senate Commerce Committee
March 7, 2001
Attachment 2.1

High airfares make it more difficult for our people to get out to do business, and for the rest of the world to get to us to buy our products and services.

That's why this is an issue for the entire state. In 1999, Sedgwick County generated \$12.8 billion in personal income. That's 18 percent of all of the personal income generated in the state. High airfares threaten our ability to do business and that threatens the revenues that you depend on to run state government.

Some might say, isn't this just the marketplace? I can tell you that even my staunchest free-market members support this legislation. That's because the airline market is not a functioning free, competitive market.

Airlines have monopolies on certain routes. Our only route with competition is Dallas/Ft. Worth. The limited availability of gates at hubs restricts competition. The air traffic control system in this country is antiquated and inadequate, and that limits traffic.

We believe there's an appropriate role for government in all of this. It is to provide incentives based on the delivery of needed service at a rate that provides a high cost-benefit ratio.

I also believe that local governments in the area will step forward to partner with the state in this matter.

In closing, let me give you an example of a company's problems with high airfares. Wayne Roberts is President of Pioneer Balloon in Wichita, company with 135 people at the corporate headquarters in Wichita. Pioneer does business all over the world. They are they kind of company we want in this state. They are well run, good community citizens, a corporate headquarters, and a manufacturing company. They are selling their products internationally.

Wayne told me that the company hoped to have a conference for it's top distributors in Wichita in August. It was relocated to Dallas because of airfares. Earlier, a meeting for regional managers from all over the country was planned for the corporate headquarters in Wichita. The company moved the meeting to a hotel at the Kansas City, Missouri Airport because it saved them thousands of dollars. It also brought thousands of dollars to Missouri instead of Kansas.

Unfortunately, this is not an isolated incident. It happens much too frequently.

Thank you for your consideration. I urge your support for Senate Bill 324.

Eleven Airlines

Provide Nonstop Service to 10 Major Cities from Wichita Mid-Continent Airport

<u>Airline</u>	<u>Daily</u>	<u>Number</u>	<u>Aircraft</u>
<u>Reservation</u>	<u>Airport</u>	<u>of Daily</u>	
<u>Equipment</u>	<u>Gate</u>	<u>Departures</u>	
<u>Number</u>	<u>Phoenix</u>	<u>Service</u>	<u>Boeing 737</u>
Americawest (800-235-9292) http://www.americawest.com	1	Phoenix	2
American (800-433-7300) http://www.aa.com	6	Dallas/Ft. Worth	5 Fokker 100
American Eagle (800-433-7300) http://www.aa.com	6	Dallas/Ft. Worth	3 Saab SF 340 1 ATR 72
Atlantic Southeast (Delta Connection) (800-282-3424) http://www.delta-air.com	11	Dallas/Ft. Worth	5 Embraer 120 Brasilia
	11	Atlanta	3 Canadair Regional Jet
COMAIR (Delta Connection) (800-354-9822) http://www.fly-comair.com	11	Cincinnati	2 Canadair Regional Jet
Continental Express (800-523-3273) http://www.continental.com	3	Houston	3 Embraer Regional Jet-145
Northwest (800-225-2525) http://www.nwa.com	2	Memphis	1 McDonnell Douglas DC-9
Northwest Airlink (800-225-2525) http://www.nwa.com	2	Memphis	2 Canadair Regional Jet
TWA (800-221-2000) http://www.twa.com	5	St. Louis	3 McDonnell Douglas DC-9 3 Boeing 717
United (800-241-6522) http://www.united.com	10	Chicago	3 Boeing 737
	10	Denver	3 Boeing 737
USAirways Express (800-428-4322) http://www.usair.com	7	Kansas City	5 Beech 1900-D

For more information, contact the Wichita Airport Authority at (316) 946-4700 or www.flywichita.org

Effective: January, 2001



Wichita Independent Business Association

THE VOICE OF INDEPENDENT BUSINESS

Natalie Bright

Governmental Affairs Consultant

Wichita Independent Business Association/ Kansas Organization for Private Enterprise

TESTIMONY PRESENTED TO THE SENATE COMMERCE COMMITTEE

Good morning Madame Chair and committee members. Thank you for the opportunity to appear before you today on SB 324.

My name is Natalie Bright and I am here on behalf of the Wichita Independent Business Association (WIBA) and the Kansas Organization for Private Enterprise (KOPE). WIBA is an organization founded in 1931 by local grocers and today represents over 1,200 businesses in over 250 different industries in the Wichita Metro Area. KOPE is a new organization that was launched in March 2000 to allow WIBA to extend its benefits and services to independent businesses across the state of Kansas. Currently, KOPE has 150 members from all four corners of the state.

I am here today to encourage you to favorably pass legislation this Session that will help alleviate the airfare crisis at the Mid-Continent Airport. The high airfares at Mid-Continent, the only full-service airport located in Kansas, not only have a negative impact on the Wichita regional economy, but also significantly impacts the Kansas economy as a whole. As you have heard from previous conferees, in order to obtain affordable fares, business travelers are often forced to fly from out of state airports, such as Kansas City, Tulsa, and Colorado Springs. Travel from these airports is not only time consuming for Kansas businesses, but is literally driving Kansas tax dollars out of our state.

In order to assess the impact this issue is having on Kansas businesses, we sent a survey to 568 of our members last Friday and asked them for their input. To date, we have had 171 members respond, which equates to a 30% response rate. The following is a brief synopsis of the results ascertained:

- The average number of business trips taken is three (3) per month.
- The average roundtrip airfare paid for business travel ranges from \$250 to \$350.
- Our members all reported departing from Kansas City, Missouri due to the higher cost to travel from Mid-Continent.
- Although our members could articulate no direct impact on their businesses, all respondents believed the higher airfares are negatively impacting the business community.
- 75% of those responding support the creation of a program funded by state subsidies, where the state would provide financial incentives to improve and make more affordable airline services in Kansas.
- By a ratio of 3 to 1, the responses favored using money from the Economic Development Initiative Fund over creating a new funding mechanism, such as slots. None supported a tax increase.

In closing, I hope these survey results will help you better understand the need for lower airfares from Kansas airports. The high cost of airfare travel to and from Kansas is detrimental to our state's economy and is negatively impacting the growth of both large and small businesses located in Kansas. The members of WIBA and KOPE urge you to pass legislation that will eliminate this economic burden to our State.

WIBA LEGISLATIVE SURVEY

We have been asked by Kansas Legislators to share the results of this survey with them so that they have a sense of where our members stand on certain issues. The following questions are based on two issues that have surfaced early in the session. Please take a moment and fax your response to **316-267-8964** or **1-877-362-4231**.

AIRPORT SERVICES INITIATIVE FUND

1. In an average month, how many business trips require you to travel by air? _____
2. What is the average roundtrip fare you pay? _____
3. Which airport do you depart from most frequently and why? _____

4. Do you believe the higher cost of traveling from Mid-Continent Airport is having a negative impact on your business? Please explain. _____

-
5. Do you support the creation of a program funded by state subsidies where the State of Kansas could provide financial incentives to commercial airlines in an effort to improve and make more affordable airline services in Kansas? _____
6. If you support the creation of an airline subsidy program, what do you believe is the best mechanism for funding the program?

Sales tax increase Economic Development Initiative Fund A new revenue source, such as slot machines

ELECTRONIC GAMING

1. Do you support allowing communities, where race tracks are currently located, the opportunity to vote on whether or not electronic games of chance (i.e. slot machines) should be placed at their racing facility? YES NO

2. If yes, how would you suggest the money collected from electronic gaming be utilized in Kansas? (Please select 3)

_____ Economic Development Projects, such as the Airport project
_____ Education
_____ Work Force Training Programs
_____ Transportation and Infrastructure Repairs
_____ Income Tax Reductions
_____ Property Tax Reductions
_____ Corrections
_____ Social Services (such as senior prescription drug programs)
_____ Other _____

3. If no, why do you not support slots in Kansas? _____



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Senate Commerce Committee
The Honorable Karin Brownlee, Chair
Hearing on SB 324
March 7, 2001

Introduction of REAP Chairman
Mayor Carl Koster, City of Cheney
by
Jolene M. Grabill

Madame Chair, Senator Jordan, Senator Barone, members of the Committee. My name is Jolene Grabill. I represent the South Central Kansas Regional Economic Area Partnership known as REAP. REAP is an economic development partnership of seven South Central Kansas counties and some twenty-five cities.

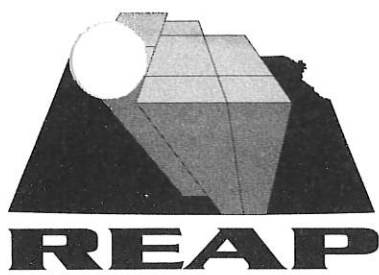
REAP was formed in 1997 with two goals in mind:

- 1) to guide state and national actions that affect economic development in the region;
- 2) to adopt joint actions among member governments that enhance the regional economy.

REAP accepts the sometimes challenging role of building a local government consensus on regional economic development issues. We then communicate that local consensus to you and other state and federal policy makers.

When REAP speaks, please remember you hear a single voice, but it is truly the sound of your colleagues in thirty-two local units of government speaking through that one voice on a critical economic development policy concern. To address the issue at hand today, I am pleased to introduce to the committee the Honorable Carl Koster, Mayor of the City of Cheney and current REAP Chairman.

Senate Commerce Committee
MARCH 7, 2001
Attachment 4-1



Regional Economic Area Partnership

strengthening the economy of south central Kansas through joint action of cities and counties

ANDOVER

Mayor Dennis Bush

ARKANSAS CITY

Mayor Charles Jennings

AUGUSTA

Mayor Ross Rountree

BEL AIRE

Mayor Gary O'Neal

BENTLEY

Council Member Sandra Moon

BENTON

Mayor Will Johnson

BUTLER COUNTY

Commissioner Will Carpenter

CHENEY

Mayor Carl Koster

CONWAY SPRINGS

Council Member Wayne Taylor

DERBY

Mayor Richard Standrich

EL DORADO

Mayor Susan Seeber

HALSTEAD

Mayor Bill Ewert

HARVEY COUNTY

Commissioner Kenneth Meier

HAYSVILLE

Mayor Tim Norton

HESSTON

Council Member Randy Stauffer

HUTCHINSON

Vice Mayor Clay Bontrager

MAIZE

Mayor Karen Fitzmier

MULVANE

Mayor James Ford

NEWTON

Commissioner Kathryn Gaeddert

PARK CITY

Mayor Olin Heibert

RENO COUNTY

Commissioner Frances Garcia

ROSE HILL

Council Member Marsha Francis

SEDGWICK

Mayor D. Keith DeHaven

SEDGWICK COUNTY

Commissioner Tom Winters

SUMNER COUNTY

Commissioner Robert Courtney

TOWANDA

Mayor Ben Giles

UDALL

Mayor Mitchell Kratochvil

VALLEY CENTER

Mayor James 'Jet' Truman

WALTON

Mayor Alan Heine

WELLINGTON

Mayor James Chisham

WICHITA

Mayor Bob Knight

WINFIELD

Commissioner Mike Ledy

Senate Commerce Committee Senator Karin Brownlee, Chair Testimony on SB 324

Presented by Mayor Carl Koster, Chairman South Central Kansas Regional Economic Area Partnership (REAP)

Good morning. I am Carl Koster, Mayor of the City of Cheney. As Mayor, I am Cheney's representative to the regional partnership of local governments known as REAP. As the chairman of REAP this year, I am privileged to appear before you and voice regional support for a joint state and local incentive program to secure lower-cost commercial air service out of Mid-Continent Airport in Wichita.

One of REAP's long-standing priorities is to develop just such state and local air service partnerships. As my colleagues from Harvey County will testify, REAP recognizes that the economic prosperity of all South Central Kansas is impacted by the high cost of airfares. REAP also knows that when the South Central Kansas economy suffers, the state economy as a whole is impacted as well.

Wichita's Mid-Continent Airport is the only major commercial airport in our state. Even so, the high cost of tickets routinely forces Kansans down the road to Oklahoma or up the turnpike to Missouri in search of affordable airfares. This is a huge inconvenience for leisure travelers and a tremendous financial burden on the business community. The high cost of air service works forcefully against regional efforts to expand tourism, support existing business and attract new business and industry into the state.

South Central Kansas economic development professionals routinely see companies decide against a Kansas site for business location or expansion due to the high cost of air service at Mid-Continent. Even more troubling, we have witnessed Kansas companies relocate their operations outside our state and cite the high cost of air service as a determining factor in that relocation decision. Studies show that in South Central Kansas, the largest tourism draw is visits from family and friends. Such visits are impeded by high airfares, which in turn inhibits the development of tourist attractions needed to enhance the quality of life and economic vitality of our state.

Senate Commerce Committee

March 7, 2001

Attachment

5-1

As a professional photographer and employee for NFL films, I am a seasoned air traveler. It is not uncommon, in my experience, for the price of my ticket out of Mid-Continent for destinations as close as St. Louis or Chicago to come in over \$1,000. In comparison, last night we priced a ticket from Kansas City to Chicago (leaving tomorrow, Thursday the 8th, and returning to KC on Saturday afternoon the 10th – without an advance purchase) at \$215.50, nearly \$800 lower. For businesses involved in routine travel it is clear to see how such a dramatic cost difference could threaten the bottom line.

The high cost of airfare out of Mid-Continent is an issue that impacts citizens and businesses all across our state and deserves the attention of this policy making body. Over the years, air carriers have come and air carriers have gone at Mid-Continent, yet the problem remains. The time has come for a strong state and local partnership to reduce the cost of airfares. Your South Central Kansas counterparts in local government stand ready to do our part to solve this problem. I challenge you to join us in removing this roadblock to the economic development of our region and our state, and to do so with all deliberate speed.

On behalf of all the members of REAP, I would like to thank Senator Brownlee and the members of the Committee for allowing me to appear before you today.

Newton/Harvey County Economic Development Council's Testimony on Aviation Proposal

Thank you for the opportunity to testify this morning. Airfares are a major sore spot for our local economy. I think everyone who has flown out of Wichita Mid-Continent is well aware that fares are artificially inflated in comparison to other airports in this part of the country. The alternative right now is to drive to Oklahoma or Missouri and fly from one of those airports. This is an expensive option, considering the lost time in ground transportation to or from Kansas City or Oklahoma City, and possible overnight stays to catch the early flights.

I represent the Harvey County Economic Development Council, and today I was specifically asked by the City of Newton to appear and share our local concerns. We spend a great deal of time trying to develop a healthy business climate for economic development and growth in Harvey County. When an issue creates a serious competitive disadvantage to doing business in the area, we must try to correct those problems.

An absolutely essential element of a healthy business climate is competitive transportation. Corporate executives need to take care of business, and that business can be anywhere in the world. When these executives must travel out-of-state just to reach an airport with reasonable fares, it becomes a huge logistics problem. When they fly out of Wichita paying artificially inflated airfares, this is a competitive disadvantage as well. We need the State of Kansas to assist us with this issue so we can develop and maintain a healthy business environment.

High fares are hindering our economy right now. We have heard that companies have cited air service as a problem when they moved from the area. I can give you a specific example in Hesston, Kansas, today. AGCO has initiated a new national training center in Hesston that brings in 75 people each week for training on agricultural equipment. Obviously with this kind of traffic, higher airfares are a real concern for them. Therefore, we feel it is extremely important to improve air service so we do not eventually lose them to an area with competitive pricing.

This is a countywide concern. Our agency is the countywide economic development arm of the community, and we see this as a major concern. In addition, the problem has been recognized by the Harvey County Council of Governments, which has included the airfare issue in its annual legislative priority list. The Council is comprised of all the mayors plus the County Commission Chairman in Harvey County.

Again, I appreciate the opportunity to present our concerns in support of your involvement in solving our State's airfare problems. Thank you for your consideration.

Sincerely,

Mickey Fornaro-Dean
Executive Director
Harvey County Economic Development Council, Inc.

Senate Commerce Committee
March 7, 2001
Attachment 6-1

To the Members of the Senate Commerce Committee:

Subject: SB324 – Airfare Disparity

Thank you for allowing me the opportunity to address your committee regarding the issue of commuter airfares. I am here today representing the City of Hesston and the Hesston Chamber of Commerce. As you know, our area has been plagued by prohibitively high airfare rates for the past several years, and it does not appear to be an issue that is likely to resolve itself.

Among the businesses in Hesston, we have two training centers and a private college, which rely heavily on air travel. Williams Gas Pipelines Training Center and the soon-to-be-completed Agco National Training Center facility are projected to bring in anywhere from 2500 – 4000 out-of-state trainees this year. In addition, Hesston College, which is host to 500 students from 30 states and 25 foreign countries, engages in extensive out-of-state and international travel for recruitment and development efforts; not to mention families of students traveling to and from the college to attend events.

In order to find reasonable rates, travelers are oftentimes forced to drive several hours to Oklahoma City or Kansas City. While this is not only extremely inconvenient for our businesses, it also has quite a negative impact on our lodging and hospitality service industries, not to mention the negative tax impact on the state, from incidental travel dollars that are lost to those other states.

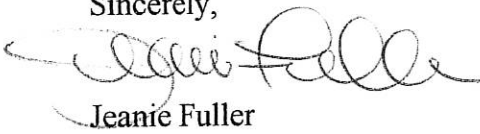
These are just a couple of examples of the effects of airfare disparity on one small Kansas community. Multiply this by the dozens of other small communities in our area, and add in the travel demands of the hundreds of businesses in the larger metro-areas, and the problem becomes one of huge proportions.

I frequently receive correspondence from the Kansas Department of Commerce & Housing regarding international trade show assistance, as well as tourism development incentives attached to the goal of increasing out-of-state visitor traffic. With the high emphasis on increasing international trade opportunities for our Kansas businesses, and out-of-state visitor traffic to our state, it would seem natural that competitive airfares would be one of our absolute top economic development priorities.

During the ground-breaking ceremony a few weeks ago for the AGCO Training Center, I asked Robert Ratliff, the President of the company, if there was anything the city or chamber could do to assist them further. He told me they needed two things: more local lodging options, and reasonable airfares out of Mid-Continent airport. We are on the verge of fulfilling the first request. I ask you to help us to fulfill the second. Until some action is taken to lower airfares, all state and local efforts to recruit new business and industry to our area is severely hampered and the prosperity of our already existing businesses is seriously diminished.

I thank you for allowing me to address your committee and commend you for your willingness to consider what can be done to address this issue.

Sincerely,



Jeanie Fuller
Executive Director
Hesston Development Office

Senate Commerce Committee
March 7, 2001
Attachment 7-1



A subsidiary of AGCO Corporation
P.O. Box 4000 Hesston, KS 67062-2094
Telephone 316/327-6300



March 6, 2001

Senate Commerce Committee
Topeka, Kansas

SUBJECT: SB324: Airfare Hearing

This memo is written to address the issue and concerns regarding the high costs of airfares out of Mid-Continent Airport in Wichita, KS.

HFI employees 1200 people in Hesston, Kansas and is the largest manufacturer in Harvey County. HFI designs and manufactures agricultural equipment which is tested and sold throughout North America, thus resulting in many engineering, quality, and support personnel flying out of Mid-Continent Airport throughout the year. Always of concern to our business is the high cost of airfares when flying out of Wichita. Many times throughout the year our employees will drive to either Kansas City or Oklahoma City and take flights from those airports at a substantial reduction in airfare costs.

Just recently AGCO Corporation, the owner of HFI, announced that they will be building a new North American Training Center for their dealers and customers at HFI in Hesston. Training will be conducted throughout the year and will require many people from North America traveling to Hesston. AGCO Corporation has also voiced their concern to local government officials regarding their concern of high fares in Wichita.

Reduced airfares out of Wichita would certainly benefit the continued growth of our company in Hesston by making it much more affordable for our dealers and customers to come to our facility for sales and service training throughout the year. The personnel who will come for training, will certainly have a positive impact on lodging and eating facilities in our local area. In addition, lower airfares will benefit our current employees who fly out of Wichita by reducing our travel expenses and thus permit us to be more competitive in our industry.

On behalf of AGCO Corporation and Hay & Forage Industries, it is absolutely imperative that the airfare disparity out of Mid-Continent Airport in Wichita be greatly reduced or eliminated. Thank you for your consideration of this matter.

Sincerely,


C.H. Miller
General Manager

LEGISLATIVE TESTIMONY



The Unified Voice of Business

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SB 324

March 7, 2001

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
Senate Commerce Committee

by

Jim Edwards
Senior Vice President

Chairwoman Brownlee and members of the Committee:

I thank you for the opportunity to appear before you today to express KCCI's support for SB 324. This bill would provide an initial \$100,000 matching appropriation for airport planning followed with an annual expenditure of \$2.5 million to be used for enhancement of air service at existing Kansas commercial airports.

KCCI is very aware of the need for reliable, convenient and affordable air service and the benefits this service provides to business clients. This IS an economic development issue for all of

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 2,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 48% of KCCI's members having less than 25 employees, and 78% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Senate Commerce Committee
March 7, 2001
Attachment 8-1

... Kansas and will continue to be so. Imagine the initial reaction of a site selection team when they make arrangements to fly into Kansas' largest airport. A decision to place a facility in Kansas might very well be scrapped because of the fear of continued high airfare for their future plant executives.

You will, or already have received much of the statistical data that you need to help you make your decision so I will not bore you with added numbers. I will ask you though to give careful consideration to this issue, which can have a dramatic impact on future economic development and job creation in Kansas. That and that alone is sufficient reason to report this measure favorably.

Thank you once again for the opportunity to present this testimony. I would be pleased to answer questions you might have.

HOUSE BILL No. 2034

By Committee on Utilities

1-11

AN ACT concerning emergency telephone systems; relating to extension of such systems to include wireless service and cable telephony service; providing for financing thereof; establishing a wireless enhanced 9-1-1 advisory board; amending K.S.A. 12-5303 and K.S.A. 2000 Supp. 12-5301, 12-5302, 12-5304 and 12-5308 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2000 Supp. 12-5301 is hereby amended to read as follows: 12-5301. As used in this act, unless the context otherwise requires:

(a) "Emergency 9-1-1 telephone service" means a telephone system utilizing a the single three-digit number "9-1-1" for reporting police, fire, medical or other emergency situations;

(b) "Emergency telephone tax" means a tax to finance the operation of an emergency telephone service; system.

(c) "Exchange access facilities" means all facilities provided by the service supplier for the facility which provides local telephone exchange access ~~or cable telephony access~~ to a service user;

(d) "Tariff rate" means the rate or rates billed by a an exchange telephone service supplier and as stated in the service supplier's tariffs, approved by the state corporation commission which represent the service supplier's recurring charges for exchange access facilities or their equivalent, exclusive of all taxes, fees, licenses or similar charges whatsoever;

(e) "Public agency" means any city, county, municipal corporation, public district or public authority located in whole or in part within this state which provides or has authority to provide fire fighting, law enforcement, ambulance, emergency medical or other emergency services;

(f) "Governing body" means the board of county commissioners of a county or the governing body of a city;

(g) "Person" means any individual, firm, partnership, copartnership,

to administer the enhanced wireless 911 fund.

(b) "Automatic number identification" means a feature by which a person calling a public safety answering point has such person's ten-digit telephone number simultaneously forwarded to the public safety answering point and to the public safety answering point's display and transfer units.

(c) "Advisory board" means the enhanced wireless 911 advisory board.

(d) "Enhanced 911 service" means an emergency telephone service that generally may provide, but is not limited to, selective routing, automatic number identification and automatic location identification features.

(e) "Enhanced wireless 911 service" means a telephone exchange communication service by which wireless telecommunication carriers can provide automatic number identification, pseudo-automatic number identification and wireless automatic location identification information to a public safety answering point which has the capability of providing selective routing, selective transfer, fixed transfer, automatic number identification and wireless automatic location identification.

Senate Commerce Committee
March 7, 2001
Attachment 9-1

Senate Commerce Committee

nt venture, association, cooperative organization, corporation, municipal or private, and whether organized for profit or not, state, county, political subdivision, state department, commission, board, bureau or fraternal organization, nonprofit organization, estate, trust, business or common law trust, receiver, assignee for the benefit of creditors, trustee or trustee in bankruptcy or any other service user;

(n) (k) "Service supplier" means any person providing exchange telephone services service, ~~cable telephony service~~ or wireless service to any service user in this state;

(o) (l) "Service user" means any person who is provided exchange telephone service or wireless, ~~cable telephony service~~ or wireless service in this state;

(p) (m) "Wireless carrier" means any common, private or other radio carrier licensed by the federal communications commission to provide two-way voice or text radio service in this state which provides interconnection to the public switched telephone network and access to a 24-hour answering point;

(q) (n) "Wireless service" means a two-way voice or text radio service provided by a wireless carrier; and.

(r) (o) "PSAP" means public safety answering point.

(s) (p) "Emergency telephone system" means 9-1-1 telephone service and the system for processing reports made by use of such service and for dispatching responders in response to such reports.

(t) (q) "Place of primary use" has the meaning provided by and shall be determined in accordance with the federal mobile telecommunications sourcing act (P.L. 106-252).

Sec. 2. K.S.A. 2000 Supp. 12-5302 is hereby amended to read as follows: 12-5302. (a) In addition to other powers for the protection of the public health and welfare, a governing body may provide for the operation of an emergency telephone service and may pay for it by imposing an emergency telephone tax for such service in those portions of the governing body's jurisdiction for which emergency telephone service has been contracted. The governing body system and may do such other acts as are expedient for the protection and preservation of the public health and welfare and are necessary for the operation of the emergency telephone system. To pay for the system, the governing bddy is hereby authorized by ordinance in the case of cities and by resolution in the case of counties to impose such an emergency telephone tax in those portions of the governing body's jurisdiction for which emergency 9-1-1 telephone service has been contracted. ~~The tax may be imposed either on only exchange telephone service or on both exchange telephone service and wireless service.~~ The amount of such tax shall not exceed \$.75 per month per exchange access line or its equivalent for exchange telephone service,

(u) "Pseudo-automatic number identification" means a feature by which automatic number identification is provided to a public safety answering point of the ten-digit telephone number of the specific cell site or cell site sector from which a wireless call originated.

(v) "Subscriber account" means the ten-digit access number assigned to a customer regardless of whether more than one such number is aggregated for the purpose of billing a customer.

(w) "Wireless automatic location information" means a feature by which information is provided to a public safety answering point identifying the location, the latitude and longitude within the parameters established by the federal communications commission, of a wireless unit originating a call to a public safety answering point.

9.2

9.2

title language

The wireless carrier shall have no obligation to take any legal action to enforce the collection of any surcharge imposed under authority of this act. The wireless carrier shall provide annually the administrator with a list of amounts uncollected along with the names and addresses of those subscribers which carry a balance that can be determined by the wireless carrier to be nonpayment of any surcharge imposed under authority of this act. Any surcharge imposed under authority of this act shall be collected insofar as practicable at the same time as, and along with, other charges owed by the subscriber in accordance with the regular billing practice of the wireless carrier.

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Failure of a wireless carrier to employ to such practices to collect the surcharge shall render such wireless carrier ineligible to retain any portion of the 2% administrative collection fee established pursuant to section 3.

.8 Sec. 2. On and after July 1, 2001, each wireless carrier who has a
.9 subscriber with a billing address in the state of Kansas shall collect from
:10 each subscriber a surcharge of not more than \$.50 per month per sub-
:11 scriber account in the state as determined by the administrator. The wire-
:12 less carrier shall add the surcharge to each subscriber's telephone bill.
:13 ~~The wireless carrier shall not be liable for any surcharge not paid by a~~
:14 ~~subscriber and shall not be obligated to take legal action to collect the~~
:15 ~~surcharge.~~ The surcharge shall appear as a separate line item charge on
:16 the subscriber's billing statement and shall be labeled as "Enhanced
:17 Wireless 911 Surcharge."

:18 Sec. 3. Each wireless carrier shall remit to the administrator the
:19 amount of surcharge collected monthly together with any forms required
:20 by the administrator. The carrier may retain up to 2% of such amount as
:21 an administrative collection fee. The carrier shall maintain surcharge and
:22 remittance records for a period of two years after the date of the billing
:23 of the surcharge to the subscriber. The administrator shall remit the funds
:24 to the state treasurer for credit to the enhanced wireless 911 fund. The
:25 administrator may require an audit of any wireless carrier's books and
:26 records concerning the collection and remittance of the surcharge pur-
:27 suant to this act.

the amount

equal to

Any such audit shall be conducted at the administrator's expense.

:28 Sec. 4. The enhanced wireless 911 advisory board is established to
:29 advise the administrator concerning the implementation, development,
:30 administration, coordination, evaluation and maintenance of enhanced
:31 wireless 911 service. The advisory board shall be composed of eleven
:32 individuals appointed by the governor, including:

:33 (a) One representative of local law enforcement;

9.3

9-4

- 3 (b) one representative of the Kansas highway patrol;
- 4 (c) one county official or county employee;
- 5 (d) one municipal official or municipal employee;
- 6 (e) two representatives from the state's wireless telecommunications industry;
- 7 (f) two managers of public safety answering points;
- 8 (g) one representative of the state's local exchange telecommunications service industry; and
- 9 (h) two legislators from different political parties, appointed by the
- 10 legislative coordinating council.

11 Three members shall be appointed for a term of one year, four members shall be appointed for a term of two years and four members shall be appointed for a term of three years. Each succeeding member of the board shall be appointed for a term of three years. The board shall meet as often as necessary to carry out its duties. Members of the board shall be reimbursed for their actual and necessary expenses.

The provisions of this section and section 5 shall expire on July 1, 2005.

17 Sec. 5. The advisory board shall make recommendations to the administrator regarding the implementation of this act, including:

- 19 (a) The allocation of funds from the enhanced wireless 911 fund among the purposes specified in section 8, and amendments thereto, subject to the conditions specified in that section;
- 22 (b) rules and regulations promulgated to carry out the provisions of this act;
- 24 (c) any adjustments in the amount of the surcharge to recommend to the administrator; and
- 26 (d) the resolution of any disputes between public safety answering points and wireless carriers.

28 The administrator retains final authority to approve and implement any and all recommendations made by the advisory board.

30 Sec. 6. The enhanced wireless 911 fund is hereby created. The fund shall consist of the surcharges credited to the fund, any money appropriated by the legislature to the fund, any federal funds received for wireless emergency communication and any other funds designated for credit to the fund. Money in the fund shall be used for the costs of administering the fund and for the purposes specified in section 8, and amendments thereto, unless otherwise directed by federal law, with respect to federal funds received. The costs of administering the fund shall be kept to a minimum. The money in the fund shall not be subject to any fiscal-year limitation or lapse provision of an unexpended balance at the end of any fiscal year or biennium.

41 Sec. 7. A public safety answering point in a county where a wireless carrier has a presence on a tower shall enter into service agreements with all such wireless carriers. The administrator, in consultation with the ad-

9-b

visory board, shall determine and encourage use of the most efficient methods for providing enhanced wireless 911 service.

Sec. 8. (a) The administrator, in consultation with the advisory board, shall:

(1) Determine the costs to implement wireless automatic location identification;

(2) determine the level of funding available for disbursements to be made pursuant to the act;

(3) determine the percentage of the funds that shall be allocated to each funding purpose, including the percentage that shall be designated for funding 911 service under subsection (b) of this section;

(4) determine how the funds distributed under paragraphs (2) and (3) of subsection (b) of this section, are to be allocated among the wireless carriers and public safety answering points; and

(5) adopt rules and regulations as may be necessary to implement the provisions of this act.

(b) The administrator, in consultation with the advisory board, shall establish standards and criteria to determine the eligibility of applications for disbursements from the fund and the level of disbursement for each application. In establishing such criteria and standards, the administrator shall include applications submitted for the following purposes as eligible for funding:

(1) Costs incurred or to be incurred by public safety answering points to implement enhanced wireless 911 service including, but not limited to, purchases of equipment and upgrades and modification to equipment used solely to process the data elements of enhanced wireless 911 service, maintenance costs and license fees for such equipment and the training of personnel to operate such equipment;

(2) costs incurred or to be incurred by public safety answering points for the purchase, installation, maintenance and operation of telecommunications equipment and telecommunications services required for the provision of 911 service, or enhanced 911 service, if the costs are necessary to prepare the public safety answering point for the capability of providing enhanced wireless 911 service. Such costs shall not include expenditures for new or expanded buildings or similar facilities or to construct other capital improvements not expressly authorized by this act;

(3) costs incurred or to be incurred by wireless carriers to implement enhanced wireless 911 service pursuant to a service agreement with a public safety answering point or pursuant to a request for service from a public safety answering point. Such costs shall include, but not be limited to, the portion of the costs for equipment used for providing enhanced wireless 911 service, costs to lease another vendor's equipment or services to provide enhanced wireless 911 service, costs to create or maintain any

(2) promote collaboration between public safety answering points and encourage economies of scale

necessary and reasonable

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database or database elements used solely for enhanced wireless 911 service and other costs of establishing enhanced 911 wireless service. Only the portion of the costs of equipment or services used in the wireless carrier's main infrastructure necessary to implement enhanced 911 service of enhanced wireless 911 service shall be eligible for funding;

(4) in addition to other duties, the superintendent of the highway patrol shall provide budgeting, purchasing and related management functions for the administrator and the enhanced wireless 911 advisory board as may be provided by law and perform other functions and duties pertaining to enhanced wireless 911 service as may be specified by law; and

(5) actual and necessary expenses incurred by members of the advisory board while performing duties required by this act.

Sec. 9. (a) Public safety answering points and wireless carriers may apply for disbursement from the enhanced wireless 911 fund by submitting a written application to the administrator. The administrator shall receive and review applications, including supporting documentation. The administrator shall notify the public safety answering points and wireless carriers as to the determination of the administrator regarding the application.

(b) Each entity that receives disbursements from the fund shall make a full accounting of the money in a manner and form prescribed by the administrator.

Sec. 10. Information provided by wireless carriers to the advisory board or to the administrator pursuant to this act may be treated as proprietary records which may be withheld from the public upon request of the party submitting such records.

Sec. 11. The enhanced wireless 911 service described in this act is within the governmental power and authority of the administrator, governing bodies and public safety agencies. In contracting for such service and in providing such service, except for failure to use reasonable care or for intentional acts, the administrator, each governing body, each public agency, each wireless carrier and their employees and agents shall be immune from liability or the payment of damages in the performance of installing, maintaining or providing enhanced wireless 911 service.

Sec. 12. This act shall take effect and be in force from and after its publication in the statute book.

Except as provided by the Kansas tort claims act,

ordinary

not be liable for the

resulting from

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