

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Senator Karin Brownlee at 8:30 a.m. on April 06, 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: George Ablah, Mayor's Air Service Task Force
Ron Ryan, Ryan Airline
Mike Taylor, Representing City of Wichita
Senator Donovan
Senator Gooch

Others attending: See attached list.

Senator Jordan gave an overview of the Subcommittee Report on **SB 324 (Attachment 1)**. He explained the subcommittee developed a proposal that would create a Discount Airline Guarantee Program similar to the Railroad Loan Guarantee Program which has been in the Kansas statutes since 1991. According to the Department of Transportation, no funding has ever been appropriated for the Railroad Loan Guarantee Program. The Discount Airline Guarantee Program would give the Secretary of Transportation the authority to enter into an agreement to guarantee the operation of a discount airline.

The proposal also creates the Discount Airline Guarantee Program Fund, to be administered by the Secretary of Transportation. All expenditures from the fund would go through the appropriations process. These expenditures would be for any amount of loss incurred by the borrower, except that 50 percent of the guarantee by the city for operation must be exhausted before the borrower can access the state guarantee funds.

Senator Les Donovan testified in support of **SB 324** stating it's not only business flyers that are impacted but many people who travel for pleasure. A large percentage of flyers today in Wichita and the area automatically pick-up the phone call the 800 number for Southwest Airlines and drive to Oklahoma City, Tulsa or Kansas City. This takes Kansas money out of the state.

George Ablah, Mayor's Air Service Task Force, testified in support of **SB 324 (Attachment 2)**. Wichita is one of about 20 cities that have totally been removed from the list of cities that are attractive for industries. The high cost of airfare works against the City of Wichita when trying to encourage new development and economic growth. The problem is so devastating for Wichita and the State of Kansas in that there are 600,000 people leaving the Wichita airport every year and there are 400,000 driving to Kansas City, Oklahoma City and Tulsa for air service.

Ronald D. Ryan, Chairman Ryan International Airlines testified in support of **SB 324 (Attachment 3)**. Air travelers who can purchase tickets at least 21 days in advance can fly out of Wichita for a much lower fare than someone who doesn't have that flexibility. The goal is to bring the business travelers' cost down while still offering a user-friendly service.

Mike Taylor, representing the City of Wichita testified in support of **SB 324**.

It was pointed out during Committee discussion that the proposal would create a discount airline guarantee program loan guarantee fund to be administered by the Secretary of Transportation. All expenditures from the fund would go through the appropriations process. These expenditures would be for any amount of loss incurred by the borrower except that 50 percent of the guarantee of the city of operation must be exhausted before the borrower can access the state guaranteed funds. It is not really a match, it's just saying the city is on line for the first two million and then the city can come to the state.

There being no further conferees to appear before the Committee, Chairperson Brownlee closed the public hearing on **SB 324**.

Action on Substitute SB 324—concerning air transportation. (Attachment 4)

Senator Jordan moved to amend the bill by inserting language on Page 2, Line 9 regarding the entity's contractual commitment for a minimum of 50% of all available seats. Motion was seconded by Senator Wagle. Motion carried.

Senator Wagle moved to amend the bill by inserting language on Page 2, Line 5 regarding fares shall be a minimum of 30% less expensive than similar fares on the preceding calendar year on commercial airlines. Motion was seconded by Senator Steineger. Motion carried.

Senator Barone moved to amend the bill on Page 3, Line 8 regarding financial guarantees required by the city and state. First two million would come from the city, second two million from the state, third two million from the city and fourth two million from the city. Motion was seconded by Senator Jenkins. Motion carried.

Senator Steineger moved to report **Substitute SB 324** favorably. Motion was seconded by Senator Wagle. Motion carried.

The meeting adjourned at 9:35 a.m.

SENATE COMMERCE COMMITTEE

GUEST LIST

DATE: APRIL 06, 2001

NAME	REPRESENTING
GEORGE ABLAH	CITY OF WICHITA
RON RYAN	CITY OF WICHITA
MIKE TAYLOR	CITY OF WICHITA
JIM EDWARDS	KCCF
SEN LES DONOVAN	TRANS. COMM. CHAIR
SEN KIP COOPER	TRANS. COMM. CHAIR
FRED L. SCHWEN	KDOCET
Bernie Koch	Wichita Area Chamber
Stephanie Buchanan	JCB

April 5, 2001

SUBCOMMITTEE REPORT ON SB 324

The Subcommittee members are:

Senator Nick Jordan, Chairman
Senator Les Donovan
Senator U. L. "Rip" Gooch
Senator Larry Salmans
Senator Chris Steineger
Senator Susan Wagle

The Subcommittee met three times and heard testimony from a variety of sources including the City of Wichita, discount airlines, Kansas airports, the Department of Transportation and the Wichita business community. As a part of its deliberations the subcommittee developed the following proposal.

This proposal would create a Discount Airline Guarantee Program similar to the Railroad Loan Guarantee Program which has been in the Kansas statutes since 1991. According to the Department of Transportation, no funding has ever been appropriated for the Railroad Loan Guarantee Program.

The Discount Airline Guarantee Program would give the Secretary of Transportation the authority to enter into an agreement to guarantee the operation of a discount airline.

A maximum of \$4,000,000 in could be guaranteed under the program.

The following criteria would have to be met by the borrower prior to qualifying for the loan guarantees:

- Raise all initial start-up costs from private sources;
- Receive a \$4,000,000 guarantee from the city of operation;
- Secure from the base airport of operation a release from the payment of all airport fees for six months;

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- Make all flights available and accessible for booking in the International Airline Reservation System;
- Set “walk up” fares, at the time the borrower enters the market place, at a minimum of 30 percent less than similar fares on commercial airlines;
- Set 21-day advance fares, at the time the borrower enters the market place, at a minimum of 10 percent less than similar fares on commercial airlines;
- Sell at least 50 percent of all available seats for the first year of operation;
- Provide baggage transfer services for all passengers; and
- Provide through ticketing services for all passengers.

The Secretary of Transportation would have authority to adopt rules and regulations for the implementation of the program. The Secretary would not be permitted to enter into any agreement to guarantee a discount airline unless it has been authorized by an act of the Legislature or the State Finance Council.

The proposal would also create the Discount Airline Guarantee Program Fund, to be administered by the Secretary of Transportation. All expenditures from the fund would go through the appropriations process. Upon written request, the Secretary of Transportation would pay from the fund an amount equal to any amount of the local guarantee paid by the city of operation. The total amount paid could not exceed the aggregate limit of \$4,000,000.

George J. Ablah

April 5, 2001

Senator Brownlee
Commerce Committee Chairman
Topeka State Capitol
Topeka, KS

Dear Senator Brownlee:

I was born in Wichita and have lived here all my life. I have always supported Wichita and the state of Kansas, and whenever there has been a **time of need** I have done everything within my power to help them.

I am in the real estate business and I buy large, vacant, industrial buildings and lease them to industries. As an important part of our business, we have to find out which cities are attractive to industries.

I am sorry to say that Wichita is one of about 20 cities that have totally been removed from the list of cities that are attractive for industries. When we have talked to various industries about Wichita, they make it very clear that the punitive airfares takes Wichita off of their radar screen.

I am on the Mayor's Air Task Force because I know how serious this problem is for the future of Wichita and the state of Kansas. This is a **time of need**.

We desperately need your help and backing now!

If you have any questions or need further testimony from me, please let me know and I will make myself available.

Sincerely,



George J. Ablah

GJA/dap

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Senator Brownlee
Commerce Committee Chairman
Topeka State Capitol
Topeka, Kansas

Dear Senator Brownlee:

I learned to fly many years ago at a Kansas airport and moved to Wichita in 1968. Since that time I have worked in many areas of aviation including the airline business that I presently own.

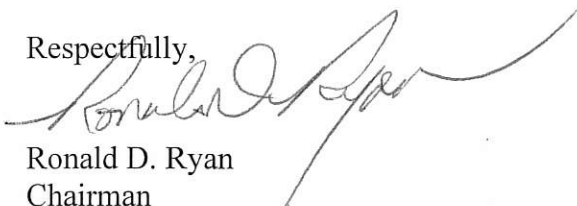
Although our company has scheduled airline authority we have, by design, stayed out of scheduled passenger service. We do not want the large carriers to see us as competition. Air Midwest has already accused us of "trying to put them out of business". The only reason we would conduct scheduled services is if we could help resolve the high airline prices Wichita enjoys.

Any air traveler who can purchase their tickets at least 21 days in advance can fly out of Wichita for a much lower fare than someone who doesn't enjoy that flexibility. Our goal is to bring the business travelers' cost down while still offering a user-friendly service. Although our company does not presently have a reservation center, this service is included in our numbers. We also have ground handling in many cities across the country. Our preference would be to work with someone like Air Midwest but we fully understand why they would prefer to see this plan never implemented.

We have been asked to move our company headquarters from Wichita by one of our customers and one of the reasons given was high airfare. We have refused to move and plan to stay in Wichita. If Wichita ever hopes to be considered by growing or expanding companies it must solve the high airfare problem.

I hope our plan can bring that resolution where no subsidies are ever needed except for the startup cost. Although I am willing to help in whatever way I can, I am not willing to be at risk should anything happen that would cause this plan to fail financially, thus the need for a guarantee in addition to the start up monies.

Respectfully,



Ronald D. Ryan
Chairman
Ryan International Airlines

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WALK-UP FARE COMPARISONS WICHITA - KANSAS CITY



TOP TEN DESTINATIONS

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 Attachment 3-2

MCI-ICT FARE COMPARISONS

TOP TEN DESTINATIONS	Walk-up Fares**		
	Kansas City	Wichita	KC + \$200
Dallas/Ft. Worth	\$498.00	\$866.00	\$698.00
Las Vegas	\$540.00 *	\$1,324.00	\$740.00
Chicago	\$204.00 *	\$1,426.00	\$404.00
Phoenix	\$470.00 *	\$1,371.50	\$670.00
Seattle	\$746.00 *	\$1,813.00	\$946.00
New York	\$1,050.25	\$1,732.00	\$1,250.25
Denver	\$538.00	\$1,322.00	\$738.00
Washington	\$1,296.00	\$1,602.00	\$1,496.00
Atlanta	\$382.00 *	\$1,258.00	\$582.00
Houston	\$400.00 *	\$1,248.00	\$600.00
Average Fare	\$612.43	\$1,396.25	\$812.43

*Southwest Airlines

**Round-trip fares

Source: Warren Travel

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