

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 its 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.