

# **INTERIM JOINT COMMITTEE ON TRANSPORTATION**

## **Minutes of the 2nd Meeting of the 2019 Interim**

**July 19, 2019**

### **Call to Order and Roll Call**

The 2nd meeting of the Interim Joint Committee on Transportation was held on Friday, July 19, 2019, at 10:30 AM, at the CVG Centre in Erlanger, Kentucky. Senator Ernie Harris, Chair, called the meeting to order, and the secretary called the roll. The minutes from the June 3, 2019 meeting were approved.

Present were:

Members: Senator Ernie Harris, Co-Chair; Representative Ken Upchurch, Co-Chair; Senators Ralph Alvarado, Jared Carpenter, C.B. Embry Jr., Jimmy Higdon, Gerald A. Neal, Albert Robinson, Brandon Smith, and Mike Wilson; Representatives Randy Bridges, Chris Fugate, Robert Goforth, Kathy Hinkle, Thomas Huff, Savannah Maddox, Bobby McCool, Russ A. Meyer, Sal Santoro, Maria Sorolis, Cherlynn Stevenson, Ashley Tackett Laferty, and Walker Thomas.

Guests: Brent Cooper, President and Chief Executive Officer, Northern Kentucky Chamber of Commerce; Candace McGraw, Chief Executive Officer, Cincinnati/Northern Kentucky International Airport (CVG); Todd Bloch, Commissioner, Department of Aviation, Kentucky Transportation Cabinet (KYTC), Craig Farmer, Aviation Engineer, Department of Aviation, KYTC; Sylvia Buxton, President and Chief Executive Officer, Perfetti van Melle, and Stephanie Creech, Communications Manager, Perfetti van Melle.

LRC Staff: John Snyder, Dana Fugazzi, Christina Williams, Bryon Ellis, Laura Beth Long, and Jim Hannah

### **Welcome Comments**

Brent Cooper, President and Chief Executive Officer, Northern Kentucky Chamber of Commerce welcomed members and guests to the meeting on behalf of the Northern Kentucky Chamber of Commerce and elaborated on the itinerary for the upcoming activities.

### **CVG Operations**

Candace McGraw, Chief Executive Officer, Cincinnati/Northern Kentucky International Airport (CVG) informed the committee on operations of CVG. She stated CVG encompasses 7,700 acres and is larger in land area than the City of Florence, Kentucky. The airport is a regional job hub with over 70 employers on campus employing

14,000 badge holders, of which, 52% Kentucky residents, 38% Ohio residents, and 10% Indiana and other state residents. In total CVG supports approximately 31,000 jobs with an economic annual impact of \$4.4 billion.

Ms. McGraw stated CVG is serving more local monthly passengers than ever before, adding that the airport set a new all-time local passenger record in June of 426,246 passengers served. According to U.S. Department of Transportation rankings, CVG's average airfare of \$346 is the lowest in the region and the only one to beat the national average of \$353. CVG is ranked 63<sup>rd</sup> of the top 100 airports nationally.

Five strategic objectives for 2021 include growing air service, facilitating economic growth, building meaningful partnerships, delivering operational excellence, and differentiating the CVG brand. As of 2016, CVG supports more than \$21 million in income tax revenues for Kentucky and more than \$4 million for Ohio. The airport also supports more than \$4.4 billion in total annual output in the Cincinnati/Northern Kentucky area. More than \$625 million in direct labor income and more than \$1.3 billion in total labor income is supported by CVG. Air service growth has been driving down airfares and therefore contributing to increased passenger volume at CVG. Ms. McGraw stated a new 2019 study is underway concerning economic impact.

Local passenger volumes have increased by more than 50% in the past three years. Meanwhile, average airfares have decreased by more than 30% in the same time period. She added that CVG has been one of the top five fastest-growing airports in the U.S. for the last several years. There are in excess of 50 non-stop destinations offered through CVG. It is the only Ohio or Kentucky airport with non-stop transatlantic service. There are nine passenger airlines with the addition of Allegiant, Frontier, and Southwest airlines in the last six years. There are nearly nine million passengers served and 90% are local travelers. The Cincinnati/Northern Kentucky International Airport total passenger volume has grown 38% since 2015 and the local passenger volume has grown 56% since 2015. New routes announced include Allegiant Airlines service to Norfolk, VA, and also Frontier routes from CVG to Fort Lauderdale, Miami, New Orleans, and Sarasota-Bradenton.

CVG has large air cargo success in that it is the 8<sup>th</sup> largest cargo airport in North America and is the fastest-growing in the U.S. Over 1.2 million tons were handled in 2018, more than double the volume in 2012. It is home to one of three DHL Global Super Hubs (second largest in the world.) Employment of 4200 employees at the hub is up 60% from 2016.

Ms. McGraw stated CVG is now home to an Amazon air hub as well. The Amazon air hub was announced in January 2017 and represents a \$1.5 billion investment. It is also projected to create 2,000 jobs at its initial opening. The Amazon air hub has a partnership

with DHL that began in May 2017, and a groundbreaking kickoff event occurred in May 2019. Phase one of the air hub is scheduled for completion in the third quarter of 2021.

There is also an aircraft maintenance facility development underway at CVG. Lynx's Industrial Contractors broke ground on an aircraft maintenance hangar for FEAM Maintenance and Engineering Services in fall 2018. The \$19 million facility will be 103,000 square feet. FEAM Aero currently employs approximately 100 aircraft mechanics at CVG. The facility construction will create approximately 100 new permanent jobs with annual salaries starting at \$65,000 to \$70,000 annually. A common use cargo facility by AeroTerm began construction in 2019. The facility will be anchored by FedEx, who has two aircraft based out of CVG.

Ms. McGraw stated there are several CVG workforce challenges, one being employment growth. Because CVG is a regional jobs hub with hundreds of jobs being added in the last several years, and thousands more expected in coming years, a main concern is the available labor force for recruiting. Transportation, security environment, and pipelines of future employees are all employer related concerns. The CVG strategic workforce collaborative includes airlines, concessions, the federal government, ground transportation companies, and terminal operations. In closing, Ms. McGraw stated CVG plans to increase supporting infrastructure investments in the region, address artificial barriers to airport business growth and innovation, and tackle regional and state workforce development challenges.

In response to a question asked by Chairman Ernie Harris concerning the greatest road improvement needs, Ms. McGraw stated that while much of the Amazon traffic will be intra-airport, there will also be a need for expanding and improving the surrounding roadways including Aero Parkway (KY 1017) as well as Mineola Pike (KY 3076.)

In reference to Ms. McGraw's emphasis on the desire to expand CVG's workforce, Senator Gerald Neal suggested reaching out to surrounding high schools to gain interest and participation. Ms. McGraw stated CVG does partake in high school and community outreach in the interest of expanding their workforce.

Representative Sal Santoro expressed his gratitude for Ms. McGraw and all of the CVG staff for continuing to excel in all areas and running an efficient and top-notch airport.

In response to a question asked by Representative Sal Santoro regarding Delta leaving CVG, Ms. McGraw stated Delta did not totally abandon the airport, rather, when they merged with Northwest they consolidated their hubs in Detroit and Atlanta. This has actually had the benefit of bringing in more carriers, increasing competition and lowering fares that originate out of CVG.

## **Kentucky Department of Aviation**

Todd Bloch, Commissioner, Department of Aviation, Kentucky Transportation Cabinet (KYTC), and Craig Farmer, Aviation Engineer, Department of Aviation, KYTC gave a brief overview of the Department of Aviation and the Economic Development Fund and Supplemental Maintenance Fund. The Department of Aviation is the Commonwealth's resource for all aviation issues. It oversees airport projects, participates in federal and state airport inspections, unmanned aircraft systems development, fleet services, economic development, Science, Technology, Engineering, and Math (STEM) aviation education advocacy, homeland security issues, and airport zoning issues.

Kentucky's airport system is composed of 57 public airports, 99 private airports, 138 private heliports, and two military air facilities. The system supports 23,392 on-airport jobs with a total of \$1.4 billion in payroll for on-airport jobs.

Airport funding sources include economic development, Airport Maintenance Fund (legislative approved funding), Federal Aviation Administration (FAA) funded grants from the Airport Improvement Program (AIP,) and local matching shares from cities and counties. Economic development funding comes from jet fuel tax and is approximately \$8 million per year. This funding is used for airport, terminal, and runway improvements and it supports a portion of the local share of federal grants. The Airport Maintenance Fund consists of approximately \$9.7 million per year and specifically targets pavements from runways, taxiways, and aprons. Charts were provided to the committee to show the statewide locations that received each type of funding for FY 2019.

Commissioner Bloch stated every FAA classified airport in Kentucky receives at least \$150,000 per year in entitlement funds. He added there are 50 classified airports in Kentucky. These funds require a 10% match. The state provides 7.5% of that match. Kentucky airports can also request additional federal discretionary funding based on need and FAA funds available. The FAA has committed over \$36 million in Airport Improvement Funds for Kentucky airport infrastructure over the next year with more possible through discretionary grants. A list of projects and counties receiving those funds was provided. A list was also provided to show the state airport funded projects for the summer of 2019.

In closing, Commissioner Bloch stated that continued legislative commitment is essential for saving vital airport infrastructure. He added that a \$70 million backlog of deferred pavement maintenance currently exists. Like highways, airport pavement degrades with time and requires continuing maintenance. Legislative commitment is also essential for catching up to neighboring states who compete for Kentucky's aviation activity, contributing to developing a workforce that is ready for the future, supporting continued success in economic development and finally, continuing a positive and lasting statewide impact.

With no further business to come before the committee, Chairman Harris adjourned the meeting at 11:20 P.M. A bus tour of the CVG facilities was provided following the meeting.