

U.S. Senate Committee on the Judiciary  
Subcommittee on Antitrust, Competition Policy, and Consumer Rights  
Senator Herb Kohl

Testimony by:  
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Milwaukee County's General Mitchell International Airport.

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Thank you for the opportunity to speak before this Committee regarding the proposed acquisition and merger of AirTran Airways by Southwest Airlines.

General Mitchell International Airport (GMIA) is currently served by nine airlines. With 220 departures per day, and non-stop service to 55 cities, GMIA served a record 9.85 million passengers in 2010, a 24 % increase over 2009. There were 2 million connecting passengers, which was also a record number. Our primary service areas are Southeastern Wisconsin and Northern Illinois, but many of our passengers drive in from Rockford, Illinois, and Madison, Appleton, Oshkosh, Fond du Lac, and Green Bay, Wisconsin. We also attract passengers from the Michigan Upper Peninsula and Eastern Iowa.

In 2010, the GMIA passenger count increased by 1.9 million. In terms of numbers of passengers, GMIA ranked # 45 in the nation's airports in 2009. In 2010, we passed several airports, and we estimate that we are now the 35<sup>th</sup> busiest airport in the country. (Exact 2010 passenger counts are not yet known at several airports.)

The reason for this meteoric growth over the past 17 months is the increase in low-cost carrier (LCC) service at MKE, which has brought low fares and outstanding non-stop service to 55 cities. Non-stop service is of paramount importance to business travelers, and is also preferred by leisure travelers as it saves time and avoids missed connections. LCC service and the competition which it brings have resulted in MKE offering the 93<sup>rd</sup> lowest average fares in the country. (DOT 3Q2010 Average Fare Analysis)

**Background:**

Midwest Airlines was the growing and dominant carrier at MKE in the 1980's and 1990's. Starting operations in 1984 with service to just three cities, Midwest grew to a peak market share of 54.5 % in 2007. Its business model of providing "first class service at coach prices" worked well in the 1980's and 1990's. But, with the economic recession beginning summer 2001 and followed by the tragedy of 9/11, that business model no longer worked and a downhill slide began. Business travel had fallen off significantly. Midwest market share had fallen to 34% in 2009.

AirTran, seeing the opportunity at Mitchell, entered the Milwaukee market in 2002, with modest service and 1.7% of market share in 2002. AirTran was Milwaukee's first low-cost carrier to enter the market, and with them came low fares to other cities throughout their system. By 2008, AirTran grew to become our second largest carrier, with a 23.5% market share.

Frontier Airlines entered the Milwaukee market in 2003, with service to Denver and connecting to western cities. As a result, Milwaukee saw more pressure of new low cost carriers' influence on Milwaukee ticket prices, and it was being felt most by Midwest.

On several occasions, AirTran proposed merger talks with Midwest, but was rebuffed. Eventually, Midwest, in the eleventh hour, sold to TPG Holdings and Northwest Airlines. In spite of the new ownership, Midwest continued to fail, and was bought by Republic

Holdings in June 2009. Republic, soon after, purchased Frontier Airlines (October 1, 2009) and rebranded the combined carriers as Frontier (April 13, 2010). Together, Frontier and Midwest account for 37.6% and 32.9 %, respectively, in 2009 and 2010.

Southwest Airlines entered the Milwaukee market in November 2009. In 2010, Southwest had 7.99 % market share, thus became Milwaukee's 4<sup>th</sup> largest carrier. With Southwest's entry, low-fare service has further increased and Milwaukee has become a pre-eminent low-fare airport.

### **Chicago's Third Airport:**

Mitchell markets itself as the *Chicago's Third Airport*.

GMIA's location on the south side of Milwaukee presents an opportunity to serve the northern suburbs of Chicago and Rockford, and serve as Chicago's third airport. There are almost one million O'Hare passengers living in Northern Illinois within 60 minutes of MKE that are potential growth passengers for us. There are another quarter of a million O'Hare passengers in Rockford. We know that if we can attract more customers from Northern Illinois, the airlines will respond with more seats and more cities served. And that is good for greater Milwaukee.

O'Hare is a formidable airport, with 1,160 departures to 197 domestic and international destinations. GMIA had marketed itself for decades as the third airport serving Chicago,

with limited success. However, that changed with the entrance of Southwest in 2009. Southwest's strong brand and customer loyalty has brought more Northern Illinois customers to use our airport than ever before. (Airport License Plate Inventory data). Since Southwest entered the market in November 2009, our Northern Illinois passengers have increased 20 %. (November 2009 - January 2011 over January 2009 – October 2009). Southwest's entrance to the Milwaukee market was the tipping point, building on the previous efforts of Frontier/Midwest and AirTran, and has cemented our position as Chicago's third airport. Southwest is not only serving greater MKE, but has bracketed Chicago with its Midway operation on Chicago's south side, and its Mitchell operation on the north side.

And in a case of a rising tide raising all ships, when Northern Illinois passengers book Southwest out of Milwaukee for a trip, they discover that there are 8 other great airlines flying nonstop to 55 cities. We also believe that Milwaukee will continue to be very cost competitive with O'Hare. We believe that the airlines will take notice of our airport costs vs. O'Hare, and serve Mitchell Airport as a northern Illinois alternative, similar to the Fort Lauderdale and Miami airport pattern.

### **Competition at MKE**

Milwaukee, with its mid-continent location, is in the unusual and enviable position of having two airlines hubbing - AirTran and Frontier. There are only four other cities in the Country that have two hubbing airlines: Atlanta, Phoenix, Denver, and Chicago.

Clearly, Milwaukee is smaller than any of those cities, and the scale of Frontier and AirTran hubs is not as large as the hubs in those cities. Nevertheless, Frontier serves 33 cities and AirTran serves 22 cities. Fourteen (14) of those cities are served by both carriers. Now add Southwest, with their 6 cities served, all of which are also served by other carriers. Competition is alive and well at MKE.

In 2010, AirTran had 29.93 % of market, combined Midwest and Frontier had 32.9 %, Delta had 15.07 % and Southwest had 7.99 %. (Airlines also serving MKE are: United Airlines, American Airlines, US Airways, Continental, and Jazz (Air Canada)). In October, 2010, AirTran took over as the market share leader in Milwaukee, over Frontier, with 31.28 % and 30.5 % respectively.

**Conclusion:**

Frontier and AirTran have built successful hubs at Milwaukee which have been very important in supporting and growing the economy of Milwaukee and the surrounding area. Should the merger of Southwest and AirTran be approved, we are very hopeful that Southwest will maintain and grow the successful Milwaukee AirTran hub, not only for Milwaukee, but for the attraction of more passengers from Northern Illinois. We are also confident that Frontier will remain a strong and growing airline at MKE. MKE has the facilities and the market to continue strong growth into the future and we look forward to the opportunities ahead.