

Associated Industries of Florida



516 NORTH ADAMS STREET • P. O. BOX 784 • TALLAHASSEE, FLORIDA 32302-0784
PHONE: (850) 224-7173 • FAX: (850) 224-6532 • E-MAIL: aif@aif.com • INTERNET: <http://aif.com>

October 15, 2001

The Honorable Jeb Bush
Governor
State of Florida
The Capitol
Tallahassee, Florida 32399-0001

Dear Governor:

For the past several weeks we have been coordinating with the major commercial airlines serving Florida to develop a proposal for you and the Legislature to ensure that Florida receives the highest service possible from the commercial airlines during this time when they are cutting back their routes nationwide. We believe it is imperative that Florida establish an incentive package during the forthcoming Special Session of the Legislature which you have called for October 22, 2001. As we are all aware, the highest level of airline service possible is imperative if our tourism industry is to be brought back to where it needs to be. As the recent Enterprise Florida study showed, there has already been and is expected to be an even greater impact on those service providers in Florida who directly support the commercial airline industry.

Last week, Delta Airlines reported to us that their system-wide cutback was seventeen percent (17%) of their flights, while Florida had a twenty-seven percent (27%) cutback. Orlando alone had a forty percent (40%) reduction in service from Delta. It is a simple economic fact that during this time when some of our major commercial airlines are actually fighting for their corporate life, they will service those routes which are most profitable. By creating an incentive package for the commercial airlines, we can assist our tourism industry, assist airline service companies, and assist the employees of the airlines and the service companies who reside in Florida.

In the proposals you have already put forth for the Special Session, you have provided assistance for our airports, which we support. But unless there is an incentive package for the airlines, we will be building facilities and employing people while at the same time our airline service will continue to dwindle as other states enact incentive programs which will make routes to their locations more profitable to the commercial airlines. We believe it is imperative that while you provide assistance to the airports, you must at the same time provide an incentive package to the commercial airlines if we are to continue to have the appropriate level of services which are essential to the revival of our tourism industry. To do one without the other will simply not work.

The following are the items which we believe, after consultation with the major commercial airlines, should be included in the "Airline Economic Incentive & Stabilization Act" which should be passed during the forthcoming Special Session of the Legislature:

Abate the 6.9 cents per gallon aviation fuel tax effective immediately through July 1, 2003.

Reinstate the proration provisions in former Florida Statute 206.9825(2), F.S. for air carriers that utilize mileage apportionment for the corporate income tax.

Reinstate the proration provisions in former Florida Statute 206.9825(2), F.S. for air carriers that utilize mileage apportionment for the corporate income tax.

Reinstate the fuel tax credit for air carriers offering transcontinental jet service that increase their workforce in Florida by 1000% and at least 250 employees. This should be retroactive to July 1, 2001 (formerly section 206.9825(1)(b), F.S. 2000) to reinstate this provision which expired.

Remove the sales tax on:

- Catering provided to commercial airlines.
- Crew and hotel rooms rented and leased by commercial airlines
- Security services at airports.
- Airline ground support equipment.
- Airport construction.

There is no doubt that the continued maximum service of commercial airlines is essential if our tourism industry is to recover. As I have stated, commercial airlines are going to fly those routes which they feel are the most profitable. The very continued existence of some of our major airlines is at stake and they simply will not service routes which are unprofitable. The incentive package outlined above will, in the estimation of the commercial airlines, make Florida routes more attractive to them.

If you have any questions or desire amplifying information, please let us know. We very much look forward to working with you to implement this very necessary incentive package for the commercial airlines.

Kindest personal regards.

Sincerely,
Jon L. Shebel
President & Chief Executive Officer