Wyoming Aeronautics Commission
Air Service Enhancement Program

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September 2015
Pursuant to Wyo. Stat. § 10-3-602 (c)

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Executive Summary:

The U.S. airline industry, as a whole, has seen a return to profitability recently; however the smaller regional airlines continue to face significant challenges. New federal regulations, pilot staffing shortages, small regional jet and turbo prop retirements, and escalating operational costs have all contributed to a reduction in air service in many smaller communities across the nation served by regional carriers. Several Wyoming commercial airports continue to struggle, due to these issues, with a reduction in air service, and a decline in both passenger numbers and service reliability. Commercial airline service is an essential economic and transportation resource for Wyoming. The Air Service Enhancement Program (ASEP) continues to provide support, address challenges, and find solutions for the ten commercial airports throughout the state.

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1. Air Service Enhancement Program Update

1.1 Air Service Funding Status

1.1-1 Air Service Enhancement Program (ASEP):

This report, by the Wyoming Aeronautics Commission (WAC), is provided annually to the Joint Minerals, Business and Economic Development Interim Committee, the Joint Appropriations Interim Committee, and the Air Transportation Liaison Committee annually no later than September 30, with respect to the status of the program under W.S. 10-3-601.

In 2004, the legislature found that an adequate and comprehensive system of air service in Wyoming was vital to economic development within the state and enabled the Air Service Enhancement Program (ASEP), a granting program within the Air Service Development Program, to support and enhance commercial air service throughout the state. Among all states, Wyoming has been at the forefront for providing assistance to its communities to maintain their existing air service, and to attract additional airline service.

In 2013, the Wyoming Department of Transportation's Aeronautics Division completed a study on the economic impact of commercial airports and airline service in Wyoming.[1] This study demonstrated that commercial airline service is an essential economic and transportation resource for Wyoming. Commercial airports and activities account for:

- An estimated 10,012 jobs;
- $1 billion in annual economic activity, and
- An estimated $46.3 million in annual local and state tax revenues.

For every passenger using a commercial airport in Wyoming to board a commercial airline flight, the state realizes $220 in annual economic impact, and $2 thousand in annual state and local tax revenues. Maximizing air service economic benefit to the state by reducing passenger leakage, defined as Wyoming passengers who use airports outside of the state for their traveling needs, ensures the success of this granting program within the six (6) statutorily identified areas as defined by W.S. § 10-3-601. These six (6) areas include:

- Increasing the minimum number of enplanements, or the number of passengers boarding the airplane, at airports facing a possible loss of federal Airport Improvement Program (AIP) funding;
- Increasing passenger enplanements at commercial airports in Wyoming;

[1] See Appendix 2.1

- Reducing passenger leakage to out of state airports;
- Increasing flight frequency, defined as the number of flights per day, or sustaining flight operations from commercial airports in Wyoming to regional airport hubs;
- Increasing the reliability and on-time performance of service, and
- Lowering air fares.

As of June 30, 2015, the Air Service Enhancement Program (ASEP) expended a total of $26.9 million in state funding since the program's inception in 2004. During FY2015, a total of $2.8 million was granted to four (4) communities seeking to enter into Minimum Revenue Guarantees (MRG) with an airline for commercial air service.

- Cody – Yellowstone Regional Airport (COD), in support of seasonal service via United Airlines to Chicago O'Hare International Airport (ORD);
- Gillette – Campbell County Airport (GCC), for continued service to both Denver International Airport (DEN) via United Airlines, and Salt Lake City International Airport (SLC) via Delta Air Lines;
- Jackson Hole Airport (JAC), for expanded winter service to Newark Liberty International Airport (EWR) and Washington Dulles International Airport (IAD) via United Airlines, and
- Rock Springs – Sweetwater County Airport (RKS), in support of daily service to Denver International Airport (DEN) via United Airlines.

Historically, the ASEP account had the ability to fund those communities interested in participating in the program. The ASEP also had the ability to capitalize on new service opportunities, as they arose, if they proved a good fit for our commercial airports' air service needs. Due to a number of different issues facing air service today, such as rising operational costs, and a reduction in funding for the granting program over the years, the ASEP anticipates more funding need than available funding through the next biennium[2]. For this reason, The Wyoming Aeronautics Commission (WAC) limited those communities participating in the program during FY2015 to the funding levels they received in CY2013 or CY2104.

To date in FY2016, one (1) new community, Sheridan, was granted funding to enter into a Minimum Revenue Guarantee (MRG) contract with an airline. It is anticipated that at least one (1) more community, Riverton, will submit an application for funding during FY2016. Both of these communities are served exclusively by Great Lakes Airlines. Great Lakes Airlines has experienced performance and reliability issues since new Federal Aviation Administration (FAA) rules and regulations took effect in August of 2013,

[2] See Appendix 2.7

creating a shortage of qualified pilots. In July of 2014, Great Lakes Airlines went from operating 19 seats in their Beechcraft 1900 (BE1900) aircraft to just 9 seats in order to utilize co-pilots with less experience. Due to the decline in capacity, or the number of seats flown, and reliability in these communities, passenger enplanements declined. This equates to a loss of tax revenues and economic dollars to these communities, and the state.

1.1-2: Essential Air Service (EAS) Program:

The Airline Deregulation Act, passed in 1978, removed government controls of fares and routes, and gave airlines almost total freedom to determine which markets to serve domestically, and what fares to charge for that service. To prevent air service from dissolving in small communities, the Essential Air Service (EAS) Program was put into place by the United States Department of Transportation (USDOT), in order to guarantee that small communities served by commercial air carriers before deregulation, maintained a minimal level of scheduled air service. The U.S. Department of Transportation's (USDOT) mandate is to provide Essential Air Service (EAS) communities with access to the national air transportation system. The U.S. Department of Transportation (USDOT) currently subsidizes airlines to serve approximately 163 rural communities across the country that otherwise would not receive any scheduled air service.

Currently three (3) communities in Wyoming are eligible to participate in the Essential Air Service (EAS) program:

- Yellowstone Regional Airport (COD);
- Laramie Regional Airport (LAR), and
- Worland Municipal Airport (WRL).

When the program began in 1978, all Wyoming commercial airports, with the exception of Gillette – Campbell County Airport (GCC), were eligible to participate in the program.

With the signing of the "Federal Aviation Administration (FAA) Modernization and Reform Act of 2012"[3], that changed. The act contained several reforms to the Essential Air Service (EAS) program. First, the law capped the number of communities in the contiguous 48 states and Puerto Rico that are eligible to participate in the program. The law states that only those communities receiving subsidized service through the program, between September 30, 2010, and September 30, 2011, would remain eligible for the program. Therefore, no new Wyoming communities can re-enter the program should they lose their unsubsidized service. Secondly, as of FY2013 the law requires that in order to remain in the program, subsidized communities must maintain an

[3] See Appendix 2.2

average of 10 passenger enplanements per service day. The law provides exceptions for communities in Alaska and Hawaii, and for those that are more than 175 driving miles from the nearest large or medium hub airport.[4]

1.1-3: Small Community Air Service Development Program (SCASDP):

The Small Community Air Service Development Program (SCASDP) is a granting program designed to help small communities address air service and airfare issues. Small Community Air Service Development Program (SCASDP) funding eligibility criteria is broader than that of Essential Air Service (EAS) funding, and provides a grant applicant the opportunity to self-identify its air service deficiencies, and propose appropriate solutions. Where Essential Air Service (EAS) is a direct subsidy to air carriers, and serves a limited number of eligible applicants, the Small Community Air Service Development Program (SCASDP) offers one-time grant funding to any small community for Minimum Revenue Guarantees (MRG), assistance for marketing programs, start-up costs, and air service studies.

In CY2014, a total of 16 Small Community Air Service Development Program (SCASDP) grants were awarded across the nation, benefitting 14 states. Wyoming was one (1) of them, with Sheridan County Airport (SHR) receiving one-time grant funding totaling $500 thousand, and Cheyenne Regional Airport (CYS) receiving one-time grant funding totaling $200 thousand. In CY2015, 11 communities, of the 53 who applied, were awarded grants, including a grant to Riverton Regional Airport (RIW) for $481,810.[5]

1.2: National Commercial Air Service Update:

2014 proved to be a record year for major airlines in North America, generating almost $8 billion in profit. Due to the continued low cost of oil, and other operational savings implemented by the airline industry, the International Air Transport Association (IATA) is again predicting record industry profits in 2015. Despite this recent financial success for the major airlines, many U.S. regional airlines continue to struggle due to a number of issues resulting in a regional airline business model that may no longer work.

Regional airlines generally enter into Code-Share Agreements with the major airlines, and are permitted to leverage the major airline's brand recognition. There are two (2) types of code-share arrangements, which include Pro-Rate Agreements, and Capacity Purchase Agreements (CPA).

Under a Pro-Rate Agreement, or revenue-sharing arrangement, ticket revenues are distributed between the carriers according to a pre-negotiated proration formula. The regional airline

[4] See appendix 2.3

[5] See appendix 2.4

assumes all costs related to the flights it operates, and is responsible for pricing, scheduling, ticketing, and seat inventory. Regional carriers assume a great degree of financial risk in this arrangement, but stand to profit from falls in aircraft fuel prices, as well as rises in passenger loads and airline ticket prices. This type of arrangement is known as “at-risk” flying to the regional carrier.

Under a Capacity Purchase Agreement (CPA), or fixed-fee arrangement, part or all of a regional airline’s seat capacity, is purchased by a major airline partner. The regional airline operates flights on behalf of the major airline, and is paid a fixed-fee for each block hour, or flight time, operated. The major airline assumes operating expenses related to aircraft fuel, airport use, and terminal handling. The major airline controls all the revenue through pricing, scheduling, ticketing, and seat inventory. The regional airline is responsible for labor expenses, aircraft maintenance, and aircraft leases. A Capacity Purchase Agreement (CPA) protects a regional airline from variations in passenger loads, fluctuations in aircraft fuel, and lower airline ticket prices. However, should the expenses for which the regional airline is responsible for increase during the contract period, they could potentially operate at a loss, as the profit margins for these types of agreements are generally in the single digits.

The Capacity Purchase Agreement (CPA) model dominates the regional airline industry in the U.S. today. Consolidations have lead to a shortage in demand for regional flying in an already competitive environment for regional airlines. This lack of demand puts major carriers at an advantage in negotiations, and creates a “buyers market”. In order to maximize their own profit margins, major airlines often contract the regional airline with the lowest costs. As labor costs are the most significant component to a regional airline’s Capacity Purchase Agreement (CPA), the airline with the lowest bid generally has the lowest labor costs. At the same time, the major airlines continue to capitalize on the surplus of regional airlines by shifting costs to their regional partners, while also negotiating contracts that are shorter in length and less lucrative than they were in the past. The regional airlines also continue to be challenged by pilot shortages, exacerbated by new pilot regulations, rising labor costs, and additional capital requirements as aircraft fleets shift from largely owned 50 seat jets to investing in aircraft with 70+ seats.

The regional airlines have done everything they can to restructure and cut costs, but the revenue side of the business also needs to be addressed. The current Capacity Purchase Agreement (CPA) model gives up revenue control, or ticket pricing, to the major airline carrier. A balanced mix of Pro-Rate Agreement and Capacity Purchase Agreement (CPA) flying, as is done at SkyWest Airlines, gives the regional airline revenue control over a portion of their capacity and a more diverse revenue stream. A complete return to the Pro-Rate Agreement model is unlikely considering that the major carriers want their regional partnerships at the lowest cost.

As of July 2014, 50 seat jets accounted for slightly less than half of the U.S. regional fleet. Aircraft with 50 or fewer seats are no longer being manufactured, and with operational and maintenance costs escalating, these airframes continue to be retired at an accelerating rate. The acquisition of aircraft with 70+ seats means lower maintenance and operational costs for the airline; however, this also translates into less frequency or fewer operated flights. Regional airlines participating in Capacity Purchase Agreement (CPA)'s are paid by the number of hours flown, and larger aircraft mean fewer flights producing less revenue.

Currently cost reduction and fleet streamlining, or a reduction in the number of operated aircraft types, are trending at the regional airlines. In June of 2015, SkyWest Airlines discontinued flying all Embraer 120 (EMB120) 30 seat aircraft, citing "overall efficiency and long-term profitability", and in part "in response to increased costs and additional challenges associated with new Federal Aviation Regulation (FAR) 117 flight and duty rules implemented January 2014."[6] With United Airlines currently consolidating the number of its regional partner code-shares, it is likely the other major carriers will follow. This will in turn continue the regional airline race to cut costs in order to win Capacity Purchase Agreement (CPA)'s awarded to the lowest bidder.

Airline pilot shortages continue to present challenges to regional airline staffing. FAR 117 forced an increase in pilot staffing requirements that cost the airline industry an estimated $200 million. A new rule was also introduced in August of 2013, requiring 1,500 hours of flight time and an Airline Transport Pilot (ATP) license before a pilot may be hired by an airline flying under 14 CFR Part 121[7], or any commercial aircraft flying with more than 9 seats. This rule adds roughly $100 thousand, and several years to the process of becoming an airline pilot. This rule has in effect siphoned off the number of available and qualified co-pilots for the regional airline industry to draw from.

According to industry experts, 14 thousand pilots will retire from the four (4) largest U.S. airlines between 2015 and 2022. These airlines will need to replace these pilots to simply maintain the level of flying they are doing today. Assuming the regional airlines will be the pilot supply for these major airlines, the demand for new pilots will surpass the number of pilots flying today.

At the same time, the number of student pilots continues to decline. A four-year degree with the associated training required for an Airline Transport Pilot (ATP) license can exceed $200 thousand, nearly the same amount to attend a four-year public medical school. High costs are discouraging new students from pursuing a career as a commercial airline pilot. More students are opting to become corporate pilots, with fewer hiring hourly requirements and better schedules, to go overseas for better pay, or to pursue other careers in the aviation industry. Without a steady influx of new pilots, regional airlines are left with increasing vacancies. Unless

[6] See Appendix 2.5
[7] See Appendix 2.6

a pipeline of new pilots can be found to supply these regional carriers, an entire industry continues to be at risk.

Compounding the pilot shortage is the issue of pay at the regional airline level. Before the 1,500 hour rule went into effect, new pilots were generally hired by regional carriers after obtaining their pilot license at 250 hours, and graduating from a 2-4 year college program. These pilots were then able to gain valuable flight time and airline experience in order to obtain their Airline Transport Pilot (ATP) license while earning an entry level wage. New pilots generally do not go to regional carriers for a flight career; they go there to gain valuable experience to move to the major carriers which offer substantially higher pay. The experience once gained at regional carriers, is now a hiring requirement, which in many cases forces them to incur significant costs to pay for their own flight time in order to reach 1,500 hours. This is further weakening the industry as a whole as there few places a new pilot can go to gain the type of experience demanded of him or her.

According to Bryan Bedford, CEO of Republic Airways Holdings, Inc.:

"Regional airlines used to hire pilots with 500 hours, and give them on-the-job-training. Now, to achieve 1,500 hours, would-be airline pilots must "tow banners, crop dust, hoist sky divers, run freight at night, to try to build time in single-piston [engine] airplanes. That is not exactly ***the experience that is going to be relevant in the commercial-airline world, but it is essentially what we're asking them to do."***

Further compounding the pay issue is the average aircraft seat capacity flown by the regional airlines (19-74 seats[8]), and their ability to generate revenue versus the larger capacity of a major airline (130-300 seats)[9]. This, along with Capacity Purchase Agreement (CPA) contracts going to the lowest bidder, limits the available money for regional pilot pay.

Union support for regional airline pilots remains ambiguous. The Air Line Pilots Association (ALPA) continues to deny that a pilot shortage exists, instead saying there is a pay shortage while perhaps ignoring their own part in setting those low pay rates. For example, American Airlines pilots, backed by ALPA, recently signed a contract for a 23% pay raise, and a 3% annual increase for the length of their contract, while the Envoy/American Eagle regional pilot contract called for freezing their pay at current levels for the next decade.

There is movement to lower the 1,500 hour requirement to a more realistic number, taking into account the high training standards of the regional airlines and of most four-year aviation institutions. There is no scientific basis that 1,500 hours makes for safer airline pilots.

[8] Aircraft size at regional airlines is limited by a major airlines scope clause agreement with its pilot union
[9] Major airlines typically fly aircraft of 130 seats to 300 seats as smaller aircraft are contracted out to regional carriers.

Some regional carriers, such as Cape Air and Great Lakes Airlines, are moving to create long-term career paths for prospective airline pilots. After graduation, students are guaranteed an interview with Cape Air as a co-pilot, and given the opportunity to gain experience while being paid as a first officer. Great Lakes Airlines has also instituted a similar model where graduates can gain experience in the right seat, and acquire their Airline Transport Pilot (ATP) license while being paid. These particular airlines can fly under 14 CFR Part 135 hiring rules, because they operate aircraft with 9 seats or less, and they are able hire co-pilots soon after they obtain their pilots license at 250 hours.[10] Programs like these are an advantage to the regional airlines as it incentivizes new pilots to join airlines with these types of programs, and they are able to hone their skill set for a career in the airline industry. However, most regional carriers operate exclusively under Part 121 hiring rules which require the co-pilot to have an Airline Transport Pilot (ATP)[11].

Industry experts have several suggestions that could provide relief from the pilot shortage, while still maintaining passenger safety, which include some of the following:

- More training credit towards the 1,500 hour requirement for highly structured college training programs;
- More student pilot loan guarantees or grants;
- Return to the 19 seat cap, up from the current 9 seat cap, for Part 135 operations;
- Increase the mandated pilot retirement age from 65 to 67, as is the case in Europe, and
- Encourage military pilots to retire and join the commercial ranks.

Local legislators and congressional delegations in many states across the nation, including ours in Wyoming, know smaller communities in their state are losing commercial air service; however, a concerted effort to facilitate a meaningful conversation on Capitol Hill has not occurred. That will likely change when the present pilot shortage intensifies with the wave of mandatory pilot retirements over the next few years.

The industry is already seeing a large flow of pilots moving from the regional airlines to the major airlines as the wave of retirements began last year, and those regional airlines simply do not have enough pilots to supply their demand. With the regional airlines supplying exclusive service to two-thirds of the nation's airports, the threat of total loss of air service at many of them is substantial. Once the pace of airports losing air service all together accelerates, congress may take note, and join the discussion on potential solutions to restore small community air service.

[10] 14 CFR Part 135 specifies if an aircraft has nine (9) or less seats then it may operate with a co-pilot with a minimum of 250 hours flight experience. See Appendix 2.6

[11] The majority of regional flying is done utilizing aircraft with more than nine (9) seats and must operate under 14 CFR Part 121 whereby a co-pilot must have a minimum of 1,000 hours and a degree from a specific 4-year college - 1,500 hours flight experience and an Airline Transport Pilot License. See Appendix 2.6

1.3: Wyoming Commercial Air Service Update:

These recent industry changes have made it difficult to retain or grow air service in many communities in Wyoming. New rules and regulations, escalating costs, crew shortages, airline consolidation, and aircraft retirements discussed above have contributed to an overall reduction in regional air service in Wyoming, and across the nation. Airports in Wyoming compete with other commercial airports for air service, and with limited resources, airlines continue to cutback service to these smaller communities. In 2014, Wyoming's commercial airports served a record 1.1 million passengers. However, that success has not been shared by all of Wyoming's commercial airports:

- Sheridan County Airport (SHR) lost all commercial air service on April 1, 2015, when Great Lakes Airlines terminated service;
- Cheyenne Regional Airport (CYS), Riverton Regional Airport (RIW), and Sheridan County Airport (SHR) all fell below the 10 thousand enplanement threshold in 2014, a requirement to qualify for the $1 million in Federal Airport Improvement Program (AIP) funding;
- Projected airline capacity out of Wyoming in 2015 is expected to be at a 10-year low, and
- Roughly half of Wyoming's passengers opt for out of state airports for their air service needs.

Pilot issues and industry changes have pressured regional airlines, such as Wyoming-based Great Lakes Airlines, to significantly cut back flight schedules to some smaller airports. In 2012, Great Lakes Airlines operated 6,471 flights out of Wyoming airports. Through the end of 2015, they are projected to operate just 2,991 flights, a 53% decrease. When looking at capacity, or the number of seats flown out of Wyoming, Great Lakes Airlines operated at just 27% of their 2012 capacity. Great Lakes Airlines has also seen on-time performance and reliability decline, due to pilot staffing issues, forcing more residents to drive to out of state airports, other Wyoming airports, or simply not fly at all.

There have been some notable improvements across the state however:

- Casper – Natrona International Airport (CPR), Cody - Yellowstone Regional Airport (COD), Laramie Regional Airport (LAR), and Jackson Hole Airport (JAC) saw record passenger numbers for 2014, and
- Canadair Regional Jet 200 (CRJ200) service was introduced in February of 2015 for Gillette - Campbell County Airport (GCC), Laramie Regional Airport (LAR), and Rock Springs – Sweetwater County Airport (RKS), resulting in better reliability, and increased enplanements.

Overall, passenger traffic throughout the state is down 4.7% to 470 thousand passengers through June 30, 2015. This compares to a decline in capacity of 6.8% during the same period last year. Airports that were upgraded from turboprop aircraft to regional jet service saw passenger traffic increase when compared to the same period in 2014, while airports that remained on turboprop equipment saw passenger decreases. This is mainly due to fewer seats per departure after Great Lakes Airlines removed 10 seats out of their 19 seat aircraft. Scheduled capacity for the remainder of 2015 is down 1.3%, when compared to the same period last year.

Passenger retention statewide through August 31, 2015, was 38%, up from 35%, during the same period last year. While 38% of all Wyoming passenger ticket sales originated at the passengers home airport, 56% used an out of state airport, and 6% used an alternate Wyoming airport.

1.4 Wyoming Dedicated Fleet

The Air Service Development Program and some of Wyoming's communities work closely with our airline partners to negotiate yearly service contracts for specific routes flown throughout the state. For example, Gillette - Campbell County Airport (GCC) contracts with SkyWest Airlines annually for service to Salt Lake City International Airport (SLC), or Cody – Yellowstone Regional Airport (COD) contracts with United Airlines for seasonal service to Chicago O'Hare International Airport (ORD). This scenario has worked well for our communities in the past, however there are some challenges:

- It puts our communities at risk of ever increasing Minimum Revenue Guarantees (MRG) for annual service;
- It does not give the state and community the ability to protect their investment in air service because the airline controls the revenue generating aspects the service, such as setting local air fare prices, planning airline schedules, and controlling revenue management decisions that directly affect air service profitability;
- It puts the state and community, in most cases, in a position to have to pay the airline a 10% profit margin for operation, and
- It does not allow the state and community to plan for adequate funding in the future, except through the use of forecasted scenarios.

A dedicated fleet of aircraft in Wyoming, acquired through a Capacity Purchase Agreement (CPA) with an airline, would provide service to many of our ten commercial airports under one contract, for an extended period of time, at a fixed rate. These aircraft, in most cases, would serve our communities exclusively. This scenario would put Wyoming, and its communities, in control of managing all the revenue generating, or commercial aspects of air service, such as marketing and promoting, planning flight schedules, and setting air fare prices. The airline would manage all of the operational aspects of the business, such as staffing the operation, handling aircraft maintenance, and providing fuel management.

Until a dedicated fleet of aircraft in Wyoming can be identified and implemented, the approach of individual contracts for specific service routes will continue. To date, implementing a dedicated fleet is challenged due to a lack of funding for a project this size, and a lack of crew resources at the airline level to provide the service. Aeronautics Division staff continue discussions with several potential air carriers who have expressed interest in this type of comprehensive service.

1.5: Wyoming Commercial Airports Update:

1.5-1 Casper – Natrona County International Airport (CPR):

The total annual economic impact for commercial airline functions at Casper - Natrona County International Airport (CPR) is $95 million. Casper did not receive state or federal funding for air service during FY2015. Casper has not expressed interest to date in participating in the Air Service Enhancement Program (ASEP) during the next biennium, and is currently not included in the ASEP Budget Forecast.

Glen Januska, Airport Manager, states that Casper - Natrona County International Airport (CPR) finished 2014 with 105,156 passenger enplanements, a 5% increase over 2013. At the beginning of this year, Allegiant notified Casper - Natrona County International Airport (CPR) that they planned on providing service to Las Vegas on a continuous 12-month basis, as opposed to having a seasonal stoppage. In 2013, Allegiant suspended service for approximately six (6) weeks, which means this year Casper - Natrona County International Airport (CPR) will have approximately 12 additional Las Vegas departures. In October of 2014, SkyWest Airlines added a third flight to Salt Lake City. Marketing dollars were used to support this flight, which is working well. Additionally, Casper - Natrona County International Airport (CPR) worked with SkyWest Airlines on adding capacity during a conference being held there this fall, and they have also had some success with United Airlines lowering some local fares to Denver International Airport (DEN).[12]

1.5-2 Cheyenne Regional Airport (CYS):

The total annual economic impact for commercial airline functions at Cheyenne Regional Airport (CYS) is $63 million. Cheyenne did not receive state funding for air service during FY2015; however, they have expressed interest in potentially participating in the ASEP in the future. Cheyenne Regional Airport (CYS) did receive one time federal funding through the Small Community Air Service Development Program (SCASDP) in the amount of $200 thousand, for use in attracting additional air service for the airport. Cheyenne is currently not included in the Air Service Enhancement Program (ASEP) Budget Forecast, due to a lack of airline ability or interest to date.

[12] See Appendix 2.9-1

Tim Barth, Director of Aviation, states that the sole commercial carrier at Cheyenne Regional Airport (CYS), Great Lakes Airlines, continues to struggle crewing their airplanes. Passenger numbers continue to decline this year, and are again forecast well below the 10 thousand enplanements threshold to receive $1 million in annual federal Airport Improvement Program (AIP) funding. Cheyenne Regional Airport (CYS) and Division staff had discussions with several potential airlines throughout the year to add additional service, however to date no airline can commit to serving Cheyenne Regional Airport (CYS) citing staffing and/or equipment issues. One air carrier expressed interest in serving the airport; however the Minimum Revenue Guarantee (MRG) requirement was cost prohibitive. Discussions continue with several carriers for potential service during the upcoming year.[13]

1.5-3 Cody - Yellowstone Regional Airport (COD):

The total annual economic impact for commercial airline functions at Cody - Yellowstone Regional Airport (COD) is $31 million. During FY2015, Cody received $27,864 in state funding to enter into a Minimum Revenue Guarantee (MRG) agreement with United Airlines for seasonal service to ORD. The service consisted of one round-trip per week, for nine (9) weeks between June 20, 2015 and August 16, 2015. This ASEP project was contracted as a continuation of seasonal service to ORD, and was completed in August 2015. Preliminary numbers indicate the project was again successful with record passenger numbers. It is likely that none of the Minimum Revenue Guarantee (MRG) funds will be required by either the community or the state. Cody is currently included in the ASEP Budget Forecast through the end of the next biennium.

Cody - Yellowstone Regional Airport (COD) is also a part of the U.S. Department of Transportation (USDOT) Essential Air Service (EAS) program. Trans State Airlines, operating as United Airlines, receives an annual subsidy for seasonal service to Denver International Airport (DEN), and SkyWest Airlines operating as Delta Connection, receives an annual subsidy for daily service to Salt Lake City International Airport (SLC). The two (2) year Essential Air Service (EAS) contract for Cody - Yellowstone Regional Airport (COD) is up at the end of 2015, and a Request for Proposals (RFP) will be sent out this fall by the U.S. Department of Transportation (USDOT). At this time, the community supports maintaining year-round service to both Denver International Airport (DEN) and Salt Lake City International Airport (SLC).

Bob Hooper, Airport Manager, states that commercial passenger numbers continue to show a modest increase from the previous year up 4.4% YTD. The summer tourism season started considerably earlier this year, with May of 2015 numbers showing an increase of 10.8% over May 2014.

[13] See Appendix 2.9-2

Securing additional service on SkyWest Airlines to Salt Lake City International Airport (SLC) during the peak summer tourism season continues to be a challenge. SkyWest Airlines originally committed an extra flight on Saturday & Sunday during June, July, and August of 2015. The flights were scheduled for sale in the Global Distribution System (GDS), but were removed without notice due to a scheduling glitch. SkyWest Airlines advised that they felt it was too late in the booking season to add the flights back into the system. They were however able to add an additional Saturday morning flight during July & August. The net loss in seats was 400 for June, 200 for July, and 250 for August. SkyWest Airlines will also be changing the scheduled departure and arrival times of the very successful mid-day flight to a late afternoon flight starting August 18, 2015, continuing through the end of September 2015. The flight will then return to the mid-day schedule.

United Airlines was again able to add an additional Denver International Airport (DEN) trip during the peak summer months. United Airlines also changed the express carrier of this service from SkyWest Airlines to Trans States Airlines on August 18, 2015. United Airlines feels the 45 seat Embraer 145 (EMB145) aircraft operated by Trans State, will operationally perform better in Cody - Yellowstone Regional Airport (COD). Due to Cody's rugged terrain and high elevation, aircraft weight restrictions when departing are an issue. SkyWest Airlines will continue to provide the ticket counter and ground handling operations at Cody - Yellowstone Regional Airport (COD).[14]

1.5-4 Gillette – Campbell County Airport (GCC):

The total annual economic impact for commercial airline functions at Gillette - Campbell County Airport (GCC) is $17 million. During FY2015, Gillette received $1,203,150 in state funding to enter into a Minimum Revenue Guarantee (MRG) agreement with SkyWest Airlines, in order to provide daily service to Denver International Airport (DEN) operating as United Express, and Salt Lake City International Airport (SLC) operating as Delta Connection. The service began on July 1, 2014, and ran through September 30, 2015, and consisted of 14 round-trips per week to Salt Lake City International Airport (SLC) on an Embraer120 (EMB120). October 1, 2015 through January 31, 2015 the service consisted of 13 weekly round-trips to Salt Lake City International Airport (SLC) on an Embraer 120 (EMB120). February 1, 2015 through June 30, 2015 the service consisted of seven weekly round-trips to Salt Lake City International Airport (SLC) on a Canadair Regional Jet 200 (CRJ200) and 13 weekly round-trips to Denver International Airport (DEN) on a Canadair Regional Jet 200 (CRJ200).

[14] See Appendix 2.9-3

This project was contracted as a continuation of Salt Lake City International Airport (SLC) service, with the contingency of supporting Denver International Airport (DEN) service, should SkyWest Airlines accelerate the retirement of the Embraer 120 (EMB120) aircraft, and upgrade to the Canadair Regional Jet 200 (CRJ200). On February 1, 2015, Gillette - Campbell County Airport (GCC) was upgraded to all regional jet service. The Minimum Revenue Guarantee (MRG) contract with SkyWest Airlines then included Denver International Airport (DEN) service as well. The new jet service has helped stimulate the market and the airport has absorbed the additional capacity. Passenger retention improved along with on-time performance, while reliability remained flat. Booking patterns indicate that Gillette is a close-in booking market, due to the prevalence of the business traveler, and subsequently higher average fares were paid. The last invoice for the contract period, second quarter of 2015, showed a SkyWest Airlines profit in the amount of $187,278 for Denver International Airport (DEN) service. State expenditures for this contract totaled $577,203, or 52% of the original Minimum Revenue Guarantee (MRG), which translated into a pending reversion of $625,950 back into the Air Service Enhancement Program (ASEP) account.

Gillette is currently included in the ASEP Budget Forecast through the end of the next biennium. The Wyoming Aeronautics Commission (WAC) approved a new grant for the Gillette – Campbell County Commission during FY2016, totaling $1,203,150 in state funding. The new contract with SkyWest Airlines consists of seven (7) weekly round-trips to Salt Lake City International Airport (SLC), and 13 weekly round-trips to Denver International Airport (DEN), all on Canadair Regional Jet 200 (CRJ200) equipment. The contract period runs from July 1, 2015, through June 30, 2016.

Jay Lindell, Airport Executive Director, stated that the increase in total passengers since the first of the year can be attributed to the introduction of jet service in February, which has proven to be very popular with both the business and leisure traveler.

Delta Air Lines will be offering a 6:30 A.M. early morning departure to Salt Lake City International Airport (SLC), and a 9:25 P.M. late evening arrival from Salt Lake City International Airport (SLC) from August 17, 2015, through September 28, 2015. Gillette - Campbell County Airport (GCC) is hopeful that both schedules will eventually become a permanent, as it gives the business passenger the ability to fly out and return to the airport in the same day. The current schedule does not allow for this.[15]

1.5-5 Jackson Hole Airport (JAC):

The total annual economic impact for commercial airline functions at Jackson Hole Airport (JAC) is $765 million. During FY2015, Jackson Hole received $229,572 in state

[15] See Appendix 2.9-4

funding in order to enter into a Minimum Revenue Guarantee (MRG) agreement with United Airlines for seasonal service to Washington Dulles International Airport (IAD), and Newark Liberty International Airport (EWR). The service consisted of one (1) weekly round-trip each to Washington Dulles International Airport (IAD) and Newark Liberty International Airport (EWR), between December 3, 2014, and April 5, 2015.

This project was contracted as a continuation of peak seasonal service. Passenger segments remained flat, while capacity increased by 8% when compared to the previous year's contracted service. Air fares for Jackson Hole increased 1% over the previous period, while passenger retention dropped 8 points to 71%, as more price sensitive passengers opted for lower fares at Denver International Airport (DEN) and Salt Lake City International Airport (SLC). State expenditures for this contract totaled $100,372, or 44% of the original Minimum Revenue Guarantee (MRG), which translated into a pending reversion of $129,199 back into the Air Service Enhancement Program (ASEP) account.

Jackson Hole is currently included in the ASEP Budget Forecast through the end of the next biennium. The Wyoming Aeronautics Commission (WAC) approved a new grant for Jackson Hole Air (JHAIR) during FY2016 for $229,572 in state funding. JHAIR has again contracted with United Airlines to provide seasonal service consisting of 1 weekly round-trip each to Washington Dulles International Airport (IAD), and Newark Liberty International Airport (EWR), on the Boeing 737-700 equipment. The contract period runs December 5, 2015 through April 3, 2016.[16]

1.5-6 Laramie Regional Airport (LAR):

The total annual economic impact for commercial airline functions at Laramie Regional Airport (LAR) is $21 million. Laramie Regional Airport (LAR) is a part of the U.S. Department of Transportation's (USDOT) Essential Air Service (EAS) program, and SkyWest Airlines receives a federal subsidy to provide daily service from Laramie Regional Airport (LAR) to Denver International Airport (DEN) operating as United Express. The two year Essential Air Service (EAS) contract for Laramie Regional Airport (LAR) expires at the end of 2016, and RFP's will be sent out in the fall of 2016 by the U.S. Department of Transportation (USDOT). Laramie has not expressed interest in participating in the ASEP during the next biennium, and is currently not included in the ASEP Budget Forecast.

Jack Skinner, Airport Manager, states that on February 1, 2015, SkyWest Airlines began regional jet service on the Canadair Regional Jet 200 (CRJ200), which saw the number of seats per departure each week increase by 180-600 seats. The transition to jet service

[16] See Appendix 2.9-5

has mostly been smooth. One (1) issue is the size of the passenger screening and lobby areas, both of these areas are too small to comfortably accommodate more than 40 passengers. The Laramie Airport Board is currently working to secure funding in order to increase the size of the terminal building, in order to more comfortably accommodate the larger passenger loads.

The departure schedule out of Laramie Regional Airport (LAR) is working well for passengers; however, the late arrival back into the airport at 11:00 P.M. has proven problematic over the last four (4) months. This schedule deters many passengers from using the flight, due to long layover times waiting for the flight to depart from Denver International Airport (DEN) at 10:10 P.M. Driving to Laramie takes a little over two (2) hours, and many passengers are opting to drive, or to utilize the Green Ride shuttle service.

Fares have been competitive this summer. Overall, SkyWest Airlines provides a good service for Laramie Regional Airport (LAR), and the flying public has welcomed their new jet service.[17]

1.5-7 Riverton Regional Airport (RIW):

The total annual economic impact for commercial airline functions at Riverton Regional Airport (RIW) is $13 million. Riverton did not receive state or federal funding for air service in FY2015. Riverton is currently included in the Air Service Enhancement Program (ASEP) Budget Forecast through the end of the next biennium.

Kyle Butterfield, Public Works Director, indicated that the airport currently has commercial air service to Denver International Airport (DEN) and Worland Municipal Airport (WRL). This service is provided by Great Lakes Airlines, who currently operate 9-seat BE1900 aircraft. Flights consist of two (2) non-stop daily routes, circling between Denver International Airport (DEN), Riverton Regional Airport (RIW), and Worland Municipal Airport (WRL).

Riverton Regional Airport (RIW) has experienced a drastic decrease in aircraft seat capacity, air service reliability, and passenger enplanements over the last two (2) years. These decreases are related to the inability of Great Lakes Airlines to adequately adapt to recent changes in pilot rest requirements, and first officer qualification requirements recently imposed by the Federal Aviation Administration (FAA). The airline has been unable to consistently employ a sufficient number of qualified pilots to provide reliable air service.

[17] See Appendix 2.9-6

Since early 2014, Great Lakes Airlines has progressively decreased the capacity of flights into Riverton Regional Airport (RIW) by 81%. This decrease is not the result of market weakness, but rather the result of the airline's inability to staff qualified pilots. In 2013, they operated a combination of 30-seat Embraer 120 (EMB120) and 19-seat Beechcrft (BE1900) aircraft in Riverton Regional Airport (RIW). They now operate only 9-seat aircraft in order fly under Part 135 operational rules.[18]

Air service reliability has been a growing concern, as flight cancellations have steadily increased. In 2012, Great Lakes Airlines cancelled 3% of its flights; this increased to 10% in 2013, and 22% in 2014. As of August 2015, Great Lakes Airlines cancelled 45% of their flights into Riverton Regional Airport (RIW) due to a lack of pilots.

Due to the decrease in seat capacity and flight reliability, Riverton Regional Airport (RIW) has witnessed a loss of market confidence from the flying public, retaining 17% of passengers in 2014 versus 41% in 2013. The airport finished CY2014, with 7,682 commercial passenger enplanements. This can be contrasted against the 13,762 enplanements the airport had in CY2013, and the 13,375 enplanements in CY2012. Through July of 2015, the airport has only seen 2,304 enplanements. This represents an approximate 70% decrease from the recorded January -July enplanements in 2013. This stark decrease in enplanements critically affects Riverton Regional Airport (RIW), as it jeopardizes the $1 million in annual Airport Improvement Program (AIP) funding the airport relies on to make capital improvements.[19]

1.5-8 Rock Springs – Sweetwater County Airport (RKS)

The total annual economic impact for commercial airline functions at Rock Springs – Sweetwater County Airport (RKS) is $15 million. During FY2015 Rock Springs received $1,323,792 in state funding to enter into a Minimum Revenue Guarantee (MRG) agreement with SkyWest Airlines, in order to provide daily service to Denver International Airport (DEN) operating as United Express, and Salt Lake City International Airport (SLC) operating as Delta Connection. From July 1, 2014-September 30, 2015, service consisted of 14 round-trips per week to Salt Lake City International Airport (SLC) on an Embraer 120 (EMB120). From October 1, 2015-January 31, 2015, service consisted of 13 weekly round-trips to Salt Lake City International Airport (SLC) on an Embraer 120 (EMB120). From February 1, 2015 through June 30, 2015, service consisted of 13 weekly round-trips to Denver International Airport (DEN) on a Canadair Regional Jet 200 (CRJ200).

This project was contracted as a continuation of Salt Lake City International Airport (SLC) service, with the contingency of supporting Denver International Airport (DEN) service

[18] See Appendix 2.5
[19] See Appendix 2.9-7

should SkyWest Airlines upgrade Rock Springs – Sweetwater County Airport (RKS) to the Canadair Regional Jet 200 (CRJ200) aircraft. On February 1, 2015, the airport was upgraded to all regional jet service. The community opted to discontinue Salt Lake City International Airport (SLC) service due to high costs, and the Minimum Revenue Guarantee (MRG) now assumed only Denver International Airport (DEN) service. The new jet service has helped stimulate the market, and Rock Springs – Sweetwater County Airport (RKS) has absorbed the additional seat capacity to Denver International Airport (DEN) with increased passenger traffic. With the loss of Salt Lake City International Airport (SLC) service, passenger retention has declined, and on-time performance and reliability remained flat. Air fares subsequently increased for the first half of 2015, due to the reduced competitive environment with Delta Air Line's exit. State expenditures for this contract totaled $871,122, or 66% of the original Minimum Revenue Guarantee (MRG), which translated into a pending reversion of $452,670 back into the Air Service Enhancement Program (ASEP) account.

Rock Springs is currently included in the ASEP Budget Forecast through the end of the next biennium. The Wyoming Aeronautics Commission (WAC) approved a new grant for Rock Springs – Sweetwater County Commission during FY2016 at $1,323,792 in state funding. The Sweetwater County Commission again contracted with SkyWest Airlines, for 13 weekly round-trips to Denver International Airport (DEN) on the Canadair Regional Jet 200 (CRJ200). The contract period runs July 1, 2015 through June 30, 2016.

Devin Brubaker, Airport Manager, expects that with the return of the oil industry within their community, that load factors of 70-75% will be realized. They are launching a new marketing and promotional campaign as well, advocating the advantages of flying locally. The ultimate goal is to increase passenger retention in order to reach the point where air service in Rock Springs – Sweetwater County Airport (RKS) is self sustaining[20].

1.5-9 Sheridan County Airport (SHR):

The total annual economic impact for commercial airline functions at Sheridan County Airport (SHR) is $23 million. Sheridan did not receive state funding in FY2015 for air service; however, they did receive a federal SCADSP grant in the amount of $500 thousand. Sheridan is currently included in the ASEP Budget Forecast through the end of the next biennium.

An application for a Minimum Revenue Guarantee (MRG) by the Critical Air Service Team (CAST) in Sheridan was submitted and approved by the Wyoming Aeronautics Commission (WAC) in September 2015 in the amount of $1.6 million. The contract with Key Lime Air, operating as Denver Connection, consists of 13 weekly round-trips to

[20] See Appendix 2.9-8

Denver International Airport (DEN), and will run November 19, 2015, through November 18, 2016.

John Stopka, Airport Manager, and CAST, with Division assistance, actively pursued commercial air service for Sheridan County Airport (SHR) after Great Lakes Airlines discontinued service on April 1, 2015. Most of the airlines contacted were not interested or able to provide service at Sheridan County Airport (SHR), citing a lack of crew resources. Serious discussions were held with both United Airlines and SkyWest Airlines, but in the end they too were unable to initiate any new service due to a lack of pilots. Key Lime Air was approached earlier this year, and they expressed an interest in expanding service to the community. Key Lime will operate under 14 CFR Part 380 public charter rules[21]; this allows them to hire co-pilots under Part 135 operations[22] and avoid some of the pilot issues Part 121[23] carriers are facing.

This service is anticipated to commence November 19, 2015. Key Lime will operate the service using a 30 seat Dornier 328 jet (Do 328J). The community has hired a consultant to manage the revenue side of the service by controlling all flight schedules and fares through the duration of the contract. This will allow the community, with Division input, to better protect their investment in the Minimum Revenue Guarantee (MRG). This is not possible with traditional commercial airlines, as they control all aspects of revenue management. Should this project prove successful, Key lime has expressed an interest in providing service to other Wyoming communities, such as Riverton, that are currently struggling with inadequate air service[24].

1.5-10 Worland Municipal Airport:

The total annual economic impact for commercial airline functions at Worland Municipal Airport (WRL) is $7 million. Worland Municipal Airport (WRL) is a part of the U.S. Department of Transportation's (USDOT) Essential Air Service (EAS) program, and Great Lakes Airlines receives a subsidy for daily service to Denver International Airport (DEN). The two (2) year Essential Air Service (EAS) contract for the airport is up at the end of CY2016, and RFP's will be sent out in the fall of 2016 by the U.S. Department of Transportation (USDOT). Worland has not expressed interest in participating in the Air Service Enhancement Program (ASEP) during the next biennium, and is currently not included in the ASEP Budget Forecast.

Lynn Murdoch, Airport Manager, states they too have cancellation issues similar to that of Riverton Regional Airport (RIW). Worland Municipal Airport (WRL) and Riverton

[21] See Appendix 2.5
[22] See Appendix 2.5
[23] See Appendix 2.5
[24] See Appendix 2.9-9

Regional Airport (RIW) are routed together by Great Lakes Airlines for service to Denver International Airport (DEN). This at times has caused issues for passengers in Worland considering only 9 seats are available on each flight. In many cases this forces the Worland Municipal Airport (WRL) passenger to book well in advance to secure a seat on a flight that has not already been filled by Riverton Regional Airport (RIW) passengers. The airport also lost the sole car rental company at the airport due to lack of flights and passengers. Since the flights connect with Riverton Regional Airport (RIW) first, they are seeing more passengers book flights there so they can rent a car and drive to Worland.[25]

1.6 Conclusion:

The challenges facing the regional airline industry today continue to threaten small community access to the national, and global, air transportation system. Regional airlines will continue to find ways to cut costs, while addressing their pilot staffing issues. Finding relief from the new rules and regulations, implemented by congress over the past two (2) years, while addressing the regional airline Capacity Purchase Agreement (CPA) model, continue to be the focus of industry experts and stakeholders.

The Aeronautics Division's Air Service Development Program continues to actively seek solutions, and mitigate the effects of challenges facing small community air service through the following efforts:

- Supporting efforts to allow carriers who operate aircraft with 30 seats or less through an exemption that would allow them to hire co-pilots under Part 135 rules;
- Supporting Senator Enzi's bill allowing our airports with 10 thousand or more enplanements in 2012, to keep their annul Airport Improvement Program (AIP) funding of $1 million through 2017;
- Serving on the Air Service Committee for the National Association of State Aviation Officials (NASAO) advocating for the air service needs of rural states;
- Engaging current and potential air service providers for solutions, and
- Educating all stakeholders on the challenges facing commercial air service in Wyoming.

The ASEP is an integral part of maintaining the level of air service Wyoming has today, while maximizing the economic benefits generated through air service to our local communities and the state.

[25] See Appendix 2.9-10

2. Appendices

2.1 2013 Economic Impact Study

http://www.dot.state.wy.us/home/aeronautics/2013-economic-impact-study---wyoming-airports.html

2.2 Public Law 112 - 95 - FAA Modernization and Reform Act of 2012

http://www.gpo.gov/fdsys/pkg/PLAW-112publ95/content-detail.html

2.3 Essential Air Service

https://www.transportation.gov/policy/aviation-policy/small-community-rural-air-service/essential-air-service

2.4 Small Community Air Service Development Program (SCASDP)

http://www.transportation.gov/policy/aviation-policy/small-community-rural-air-service/SCASDP#sthash.gta9dGF1.dpuf

2.5 Federal Aviation Regulation (FAR) 117

http://www.faa.gov/about/office_org/headquarters_offices/agc/pol_adjudication/agc200/Part117/

2.6 14 CFR Part 121, Part 135, and Part 380 Requirements

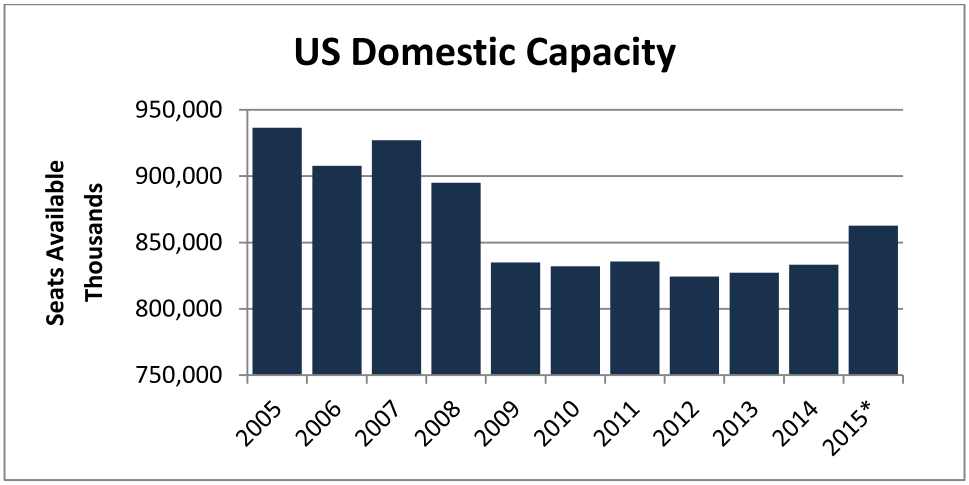
	Part 135	Part 380	Part 121
	Commuter	Public Charter	Scheduled
Aircraft Passenger Capacity	≤ 9 Seats	≤ 30 Seats	> 9 Seats
Maximum Payload	≤ 7,500 lbs	≤ 7,500 lbs	> 7,500 lbs
Frequency of Operations	≥ 5 round trips per week	--	--
Certifications Needed by Co-Pilot	Commercial Pilot License	Commercial Pilot License	Airline Transport Pilot (ATP)
Minimum Hours Required by Co-Pilot	250	250	1,000 with 4-year degree from specific university or 1,500

2.7 ASEP Budget Forecast

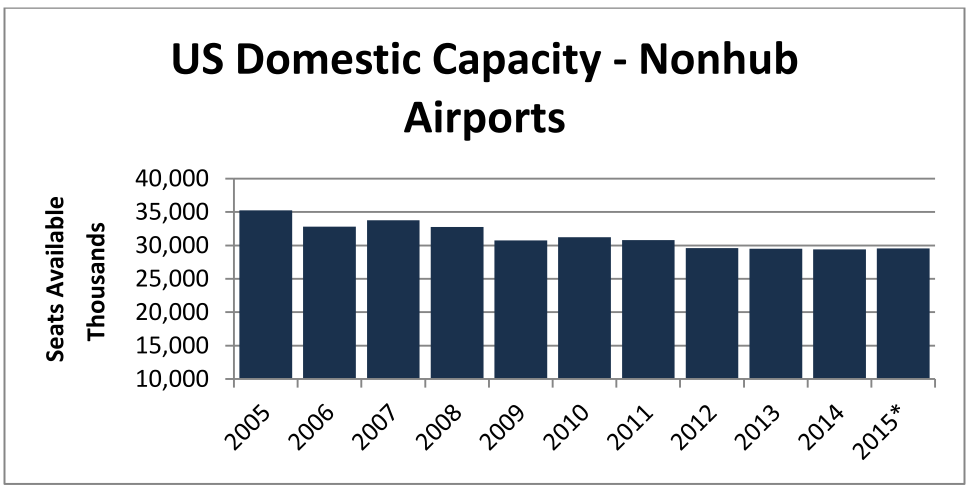
AIR SERVICE ENHANCEMENT PROGRAM BUDGET FORECAST FY 2015/2016		
ASEP ACCOUNT CASH BALANCE	$9,255,608.11	AS OF 7/1/15
ENCUMBRANCES	-$2,784,377.75	COD, GCC, JAC & RKS
FORECAST NEED	-$3,358,353.88	COD, RIW & SHR
OTHER EXPENSES	-$175,000.00	DATA PURCHASE & CONSULTING
ANTICIPATED BALANCE 6/2016	**$2,937,876.48**	

AIR SERVICE ENHANCEMENT PROGRAM BUDGET FORECAST FY 2017/2018		
ASEP ACCOUNT CARRY FORWARD BALANCE	$2,937,876.48	As of 7/1/16
BIENNIUM BUDGET APPROPRIATION	$2,880,000.00	
FORECAST NEED	-$12,229,735.76	COD, GCC, JAC, RIW, RKS & SHR
OTHER EXPENSES	-$350,000.00	DATA PURCHASE &CONSULTING
ANTICIPATED BALANCE 6/2018	**-$6,761,859.28**	
PENDING PROJECT RECOVERIES	$1,278,906.60	COD, GCC, JAC & RKS
ANTICIPATED BALANCE 6/2018	**-$5,482,952.68**	

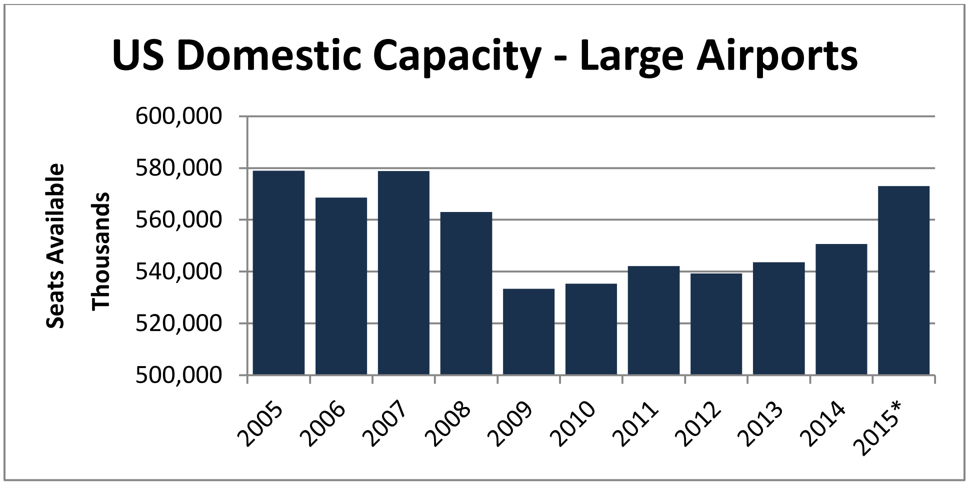
2.8 U.S. Capacity Comparisons



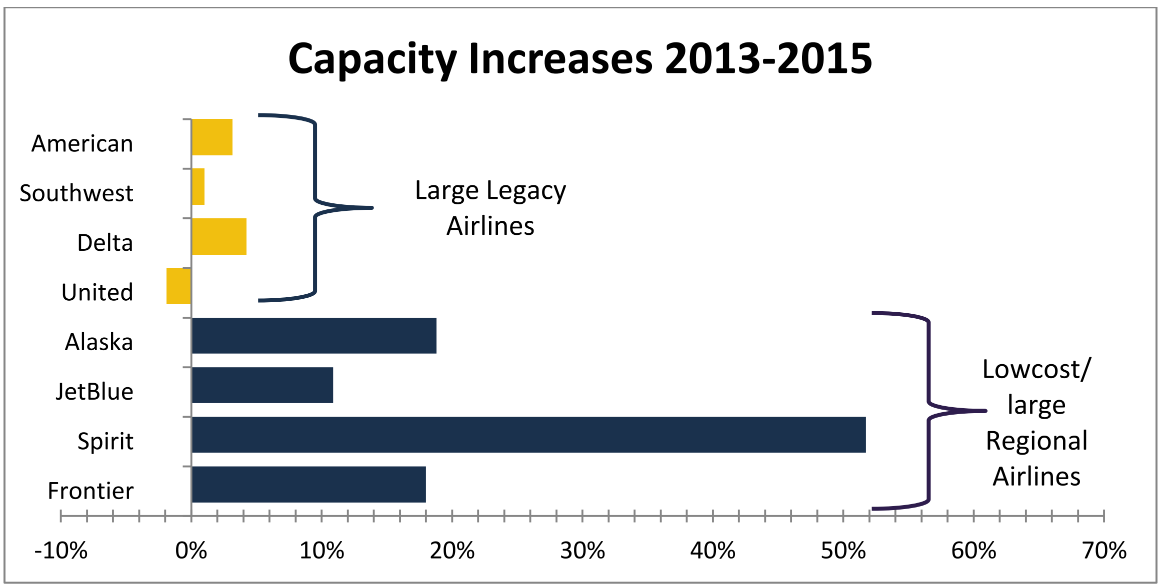
Airlines have been adverse to significant capacity increases until recently, adding 3.5% in 2015. 2015 will mark the first year where domestic capacity increases have met or surpassed U.S. GDP growth, which is projected to be 2.52% according to the International Monetary Fund (IMF).



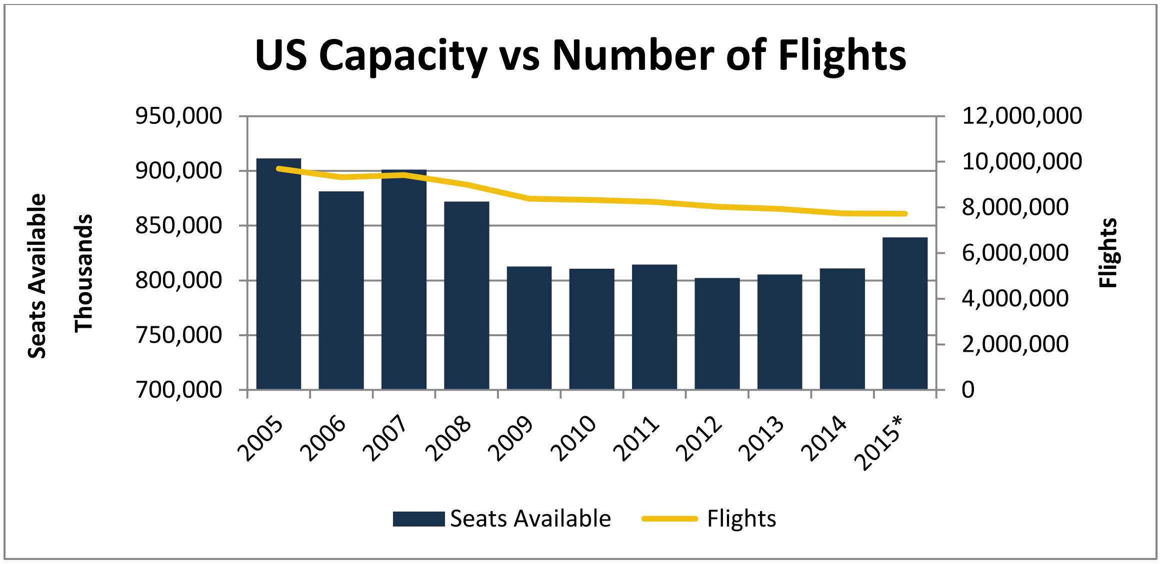
While the total U.S. capacity growth in 2015 is projected to be 3.5%, just .048% of that increase can be attributed to non-hub airports.



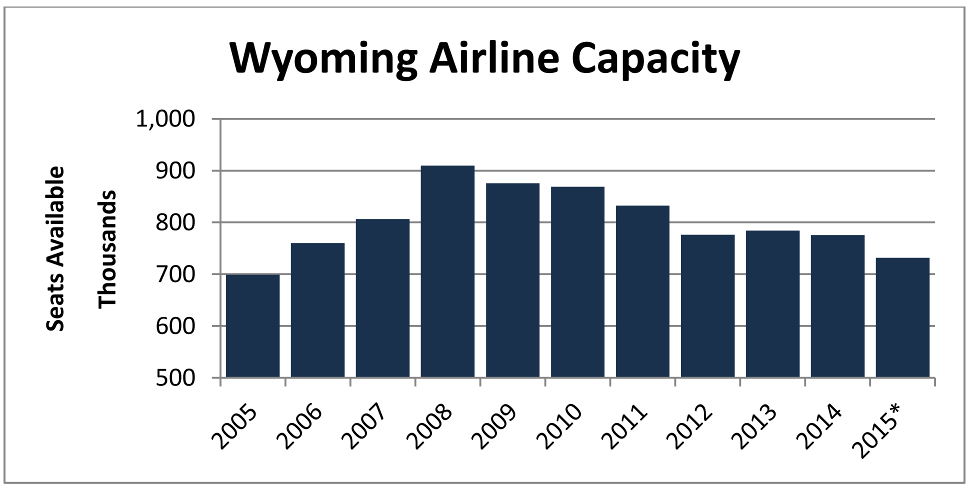
Large hub airports, such as Denver International Airport (DEN), ORD, and Dallas-Fort Worth (DFW), were responsible for 78% of the total capacity growth in 2015.



The fastest growing airlines are low-cost or larger regional airlines, which typically do not serve smaller communities. The eight (8) airlines shown represent 95% of all U.S. domestic capacity. Non-hub airports represented just 2% of the aggregate capacity from Alaska, JetBlue, Spirit and Frontier.



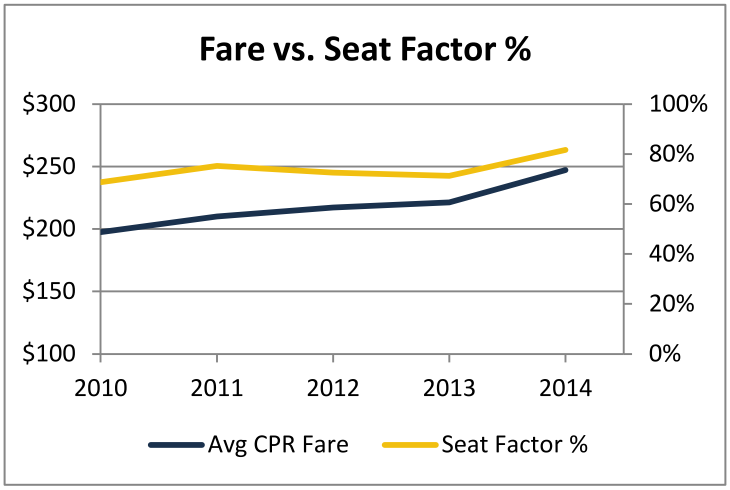
While capacity has grown in 2015, the number of flights remains relatively unchanged. As airlines add seats to existing aircraft, and retire smaller regional jets and turboprop aircraft in favor of more economical larger aircraft, this trend is likely to continue.

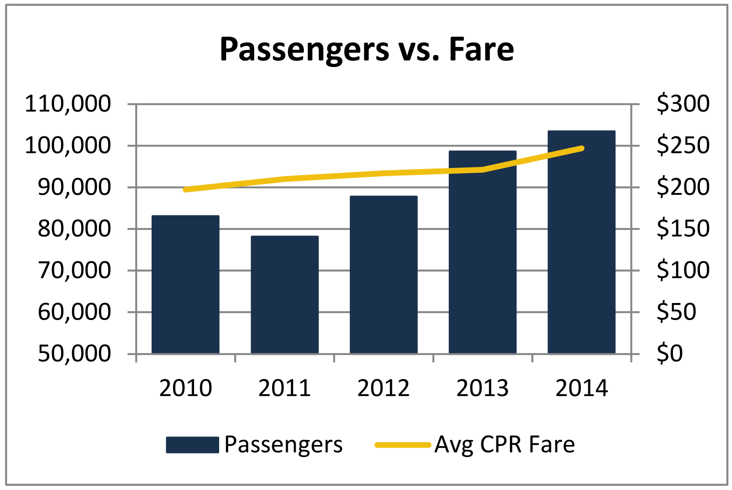


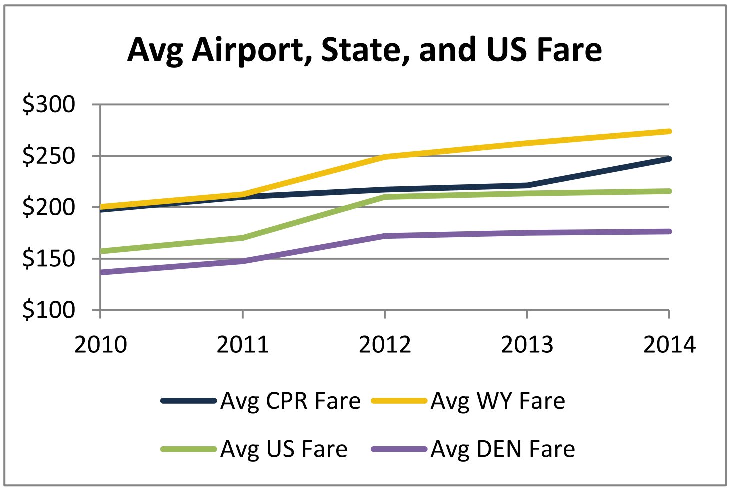
Despite national capacity growth, Wyoming will lose about 5% of its capacity in 2015.

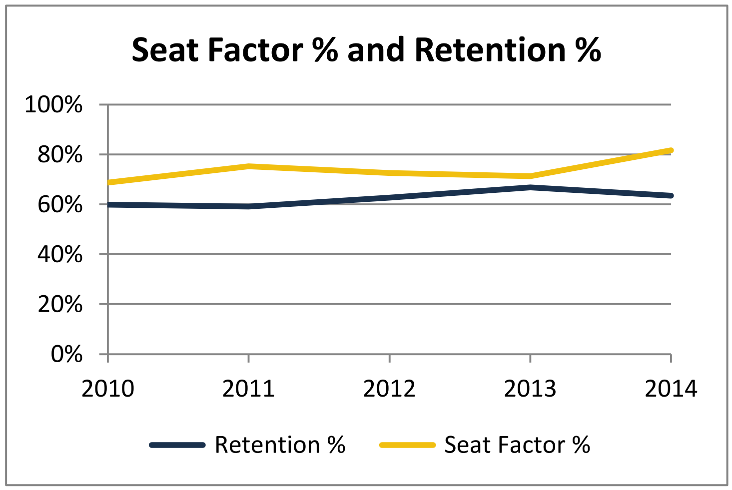
2.9 Wyoming Airport Statistics

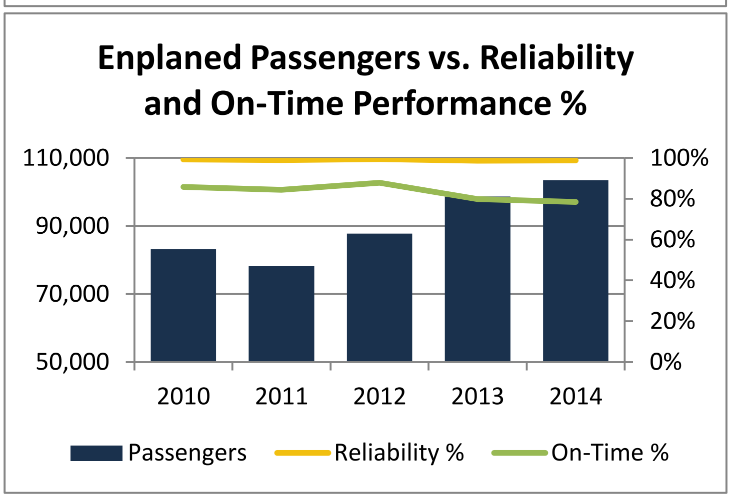
2.9-1 Casper – Natrona County International Airport (CPR)

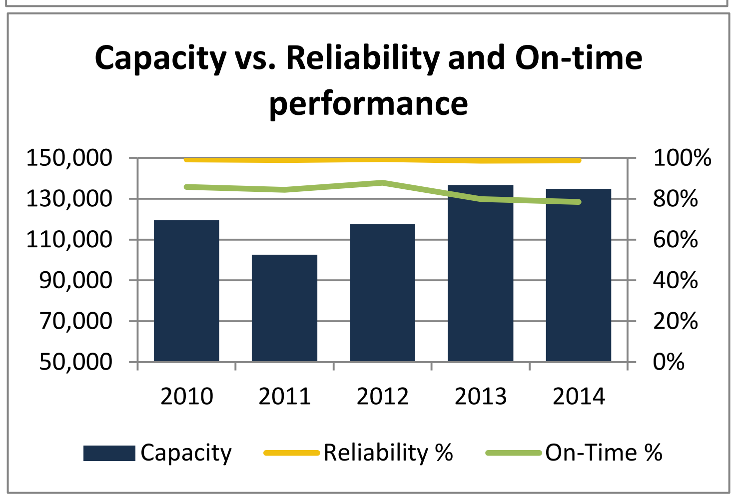






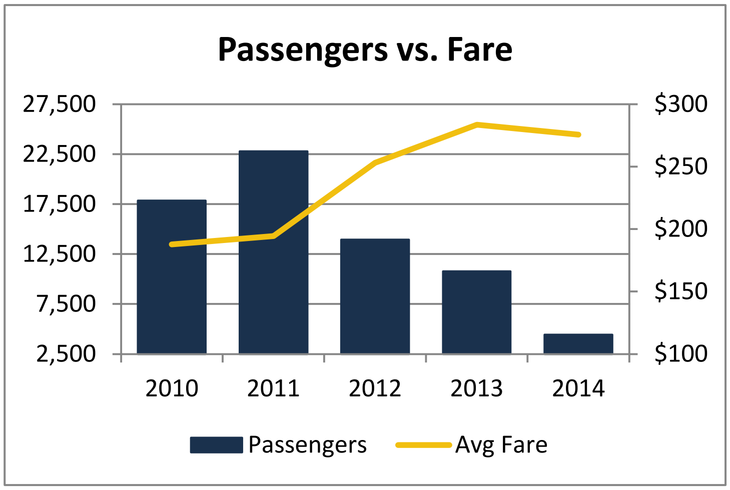


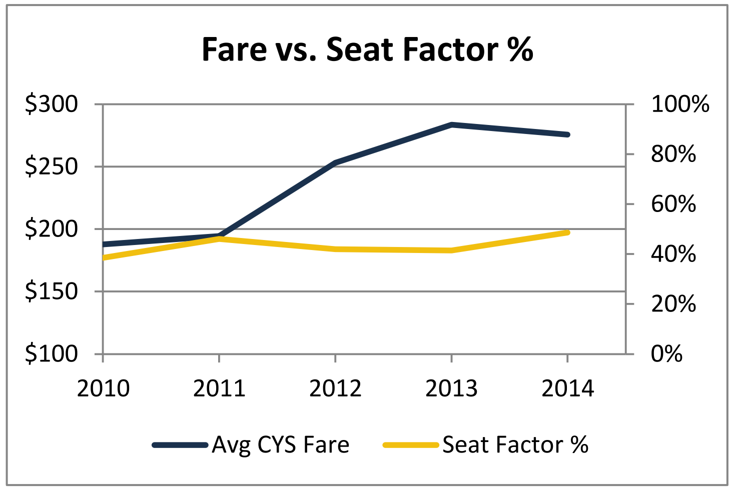


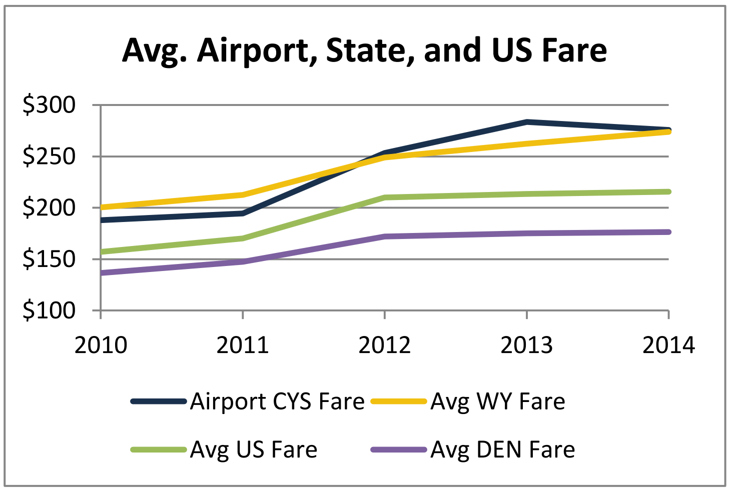


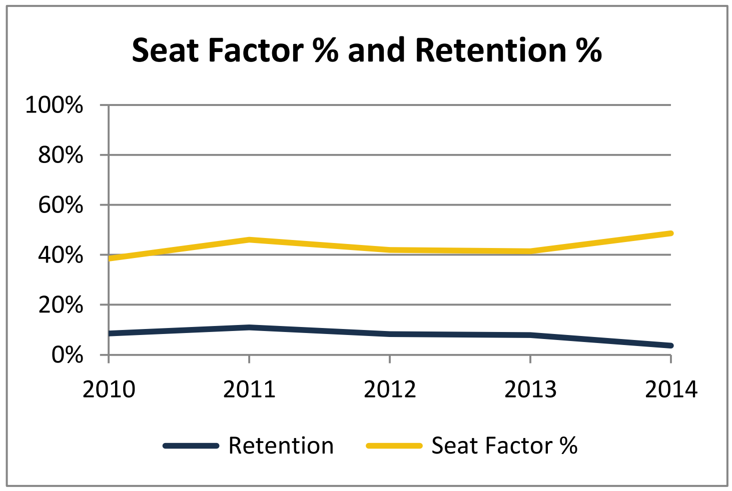
Casper - Natrona County International Airport (CPR) saw strong growth in 2014, with fares increasing alongside. Casper - Natrona County International Airport (CPR) had the second highest seat factor in the state for 2014 at 82%. Fares are below the state average, but increased more than the national average in 2014. Retention was down four (4) points in 2014, despite an increase in enplanements. Reliability and on-time performance were in line with national averages.

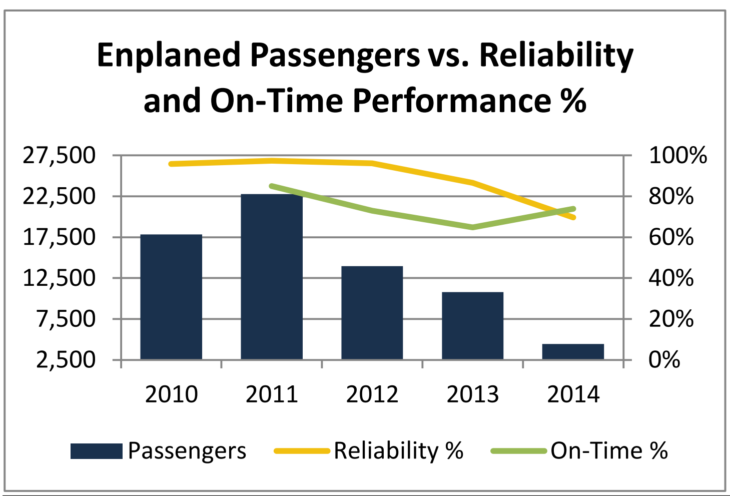
2.9-2 Cheyenne – Cheyenne Regional Airport (CYS)

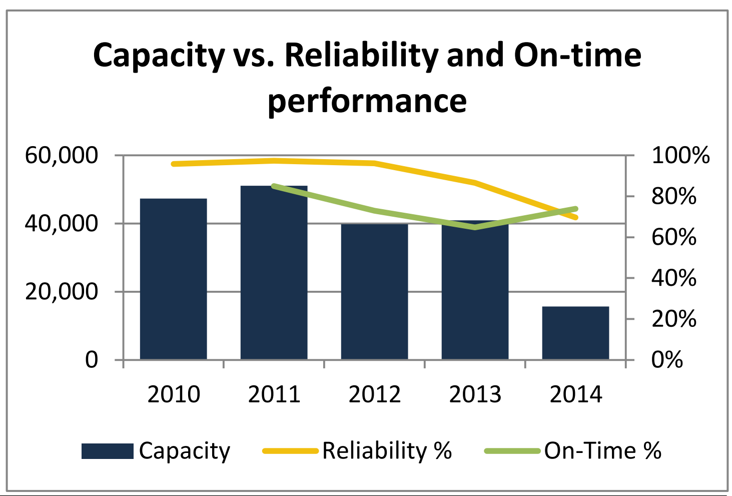






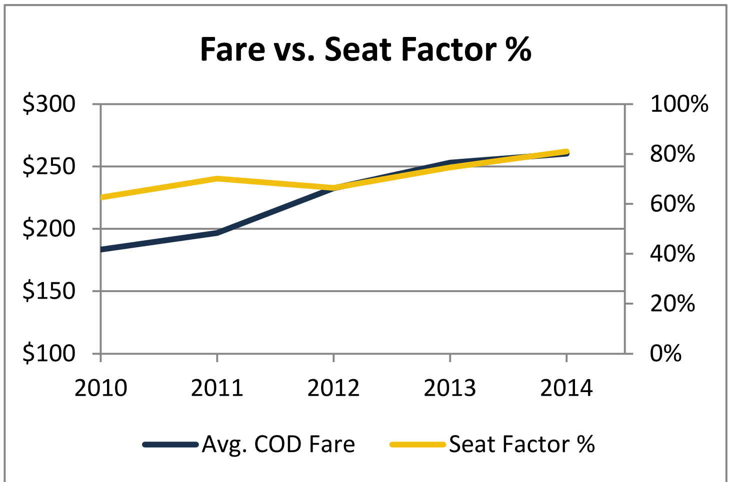


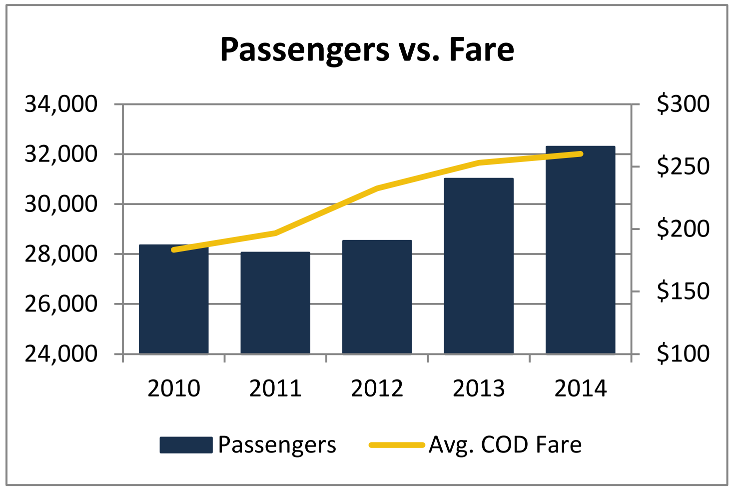


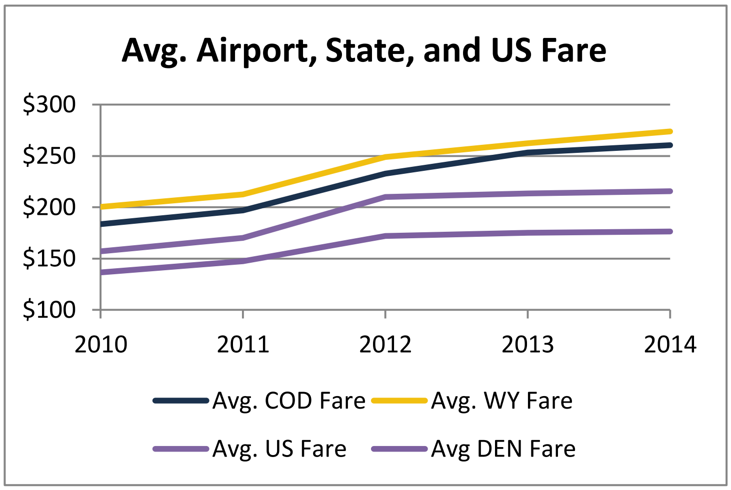


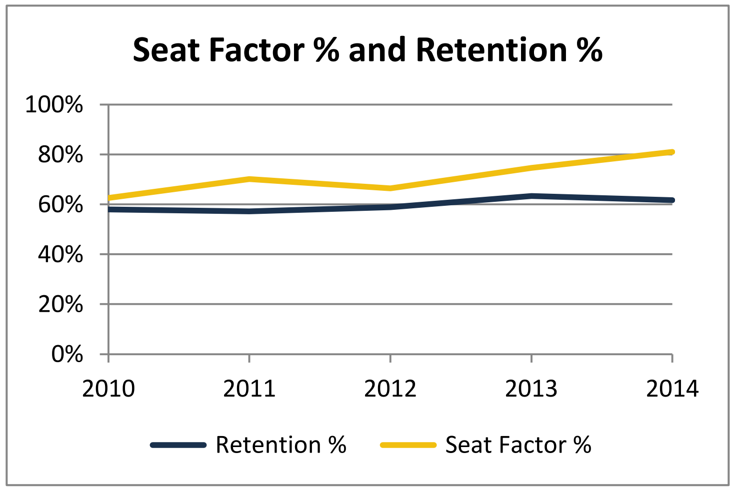
Cheyenne Regional Airport (CYS) passengers enplaned continue to decrease, as Great Lakes Airlines increased flight cutbacks amid staffing issues, and fares increases. Enplanements were 75% less in 2014, when compared to 2013. Passenger retention was just 4% of the Cheyenne Regional Airport (CYS) market for 2014, as flights, capacity, and reliability continued to decline

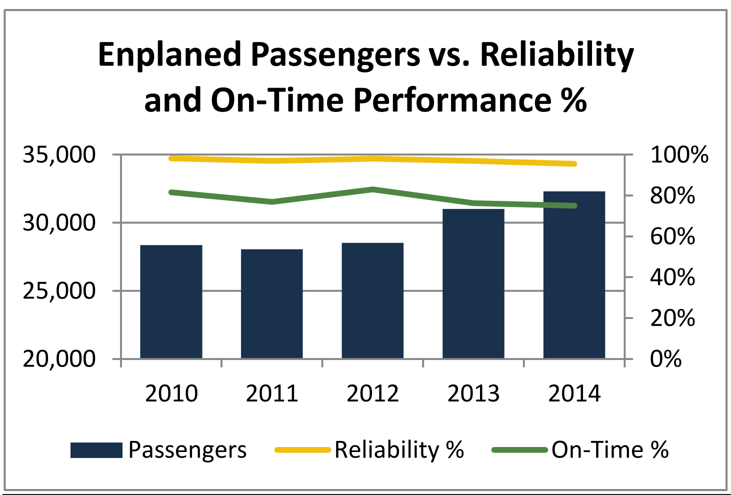
2.9-3 Cody – Yellowstone Regional Airport (COD)

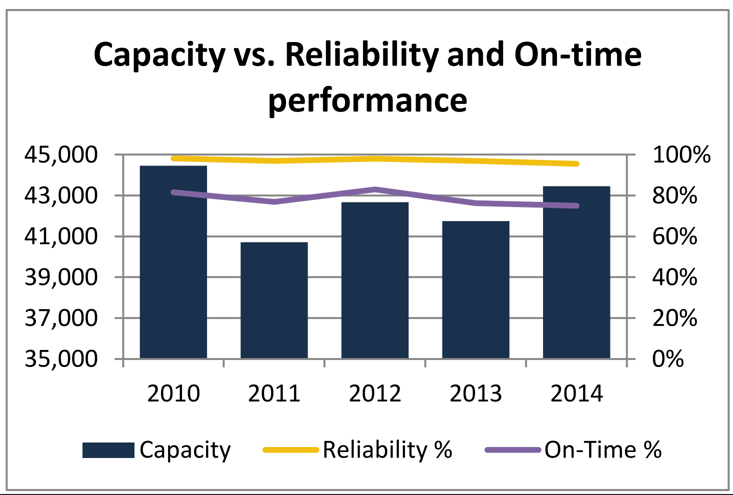






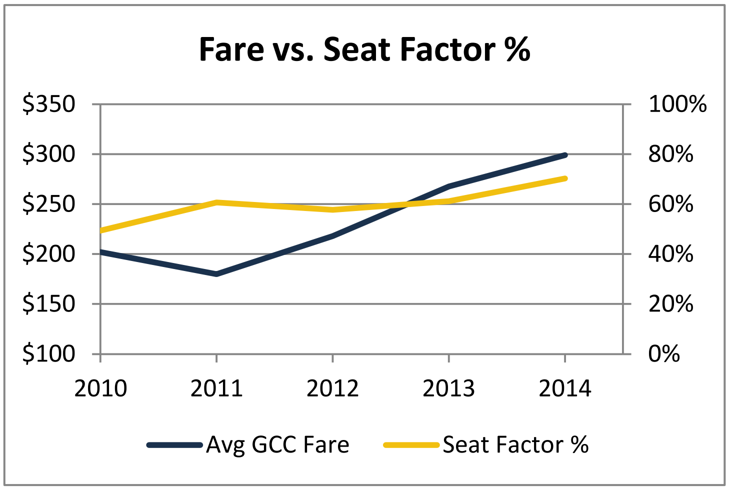


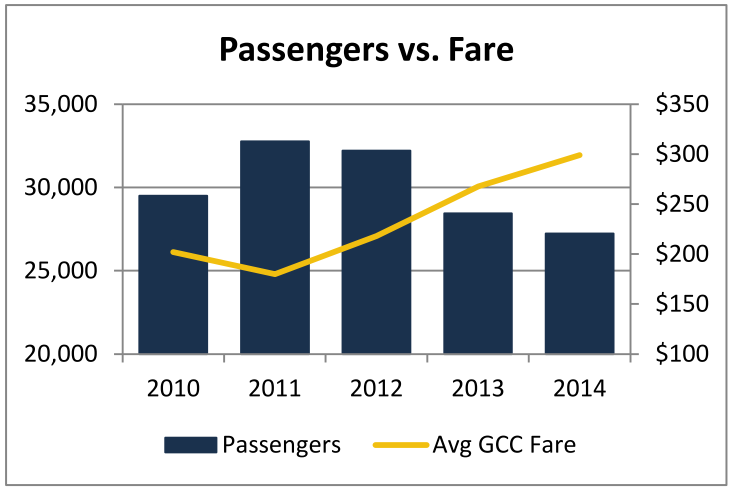


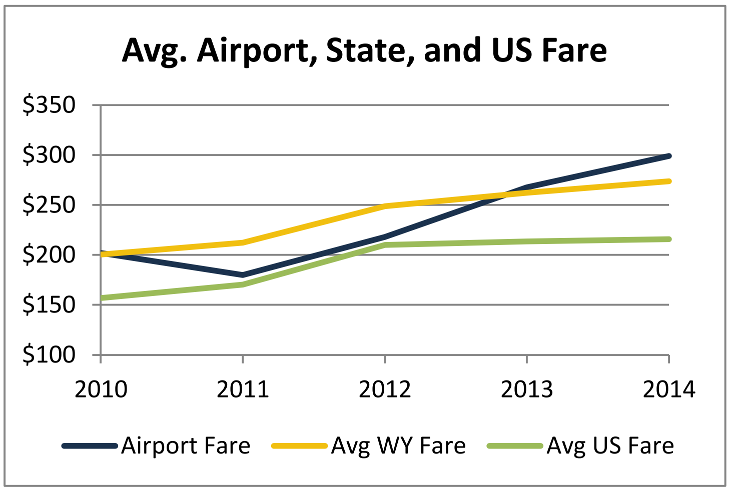


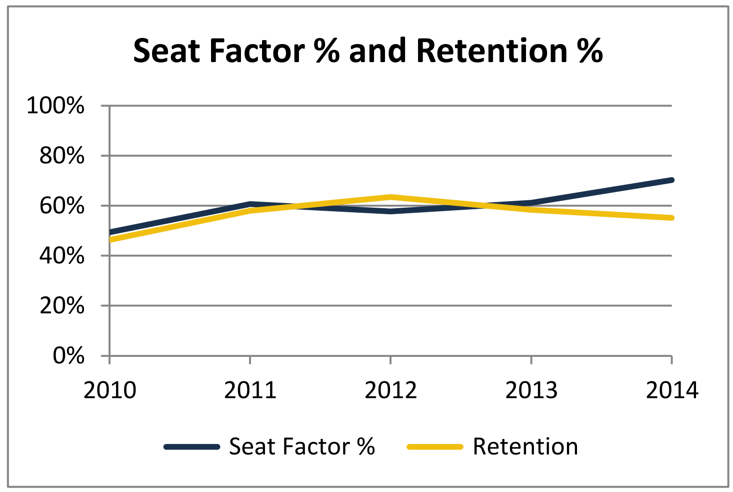
Cody - Yellowstone Regional Airport (COD) Passenger growth continues to improve with seat factors, and increasing fares amid strong tourism demand. Fares remain below the Wyoming average. Retention remained flat while seat factor increased, indicating a larger number of people traveling into Cody - Yellowstone Regional Airport (COD). Reliability and on-time performance are in line with national averages.

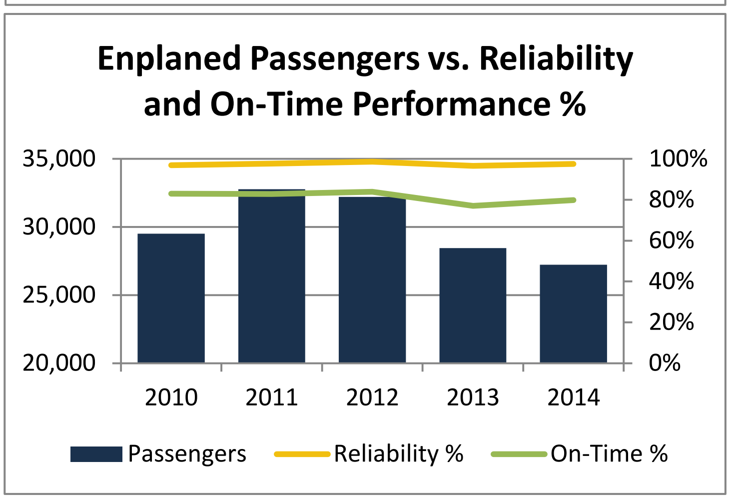
2.9-4 Gillette - Campbell County Airport (GCC)

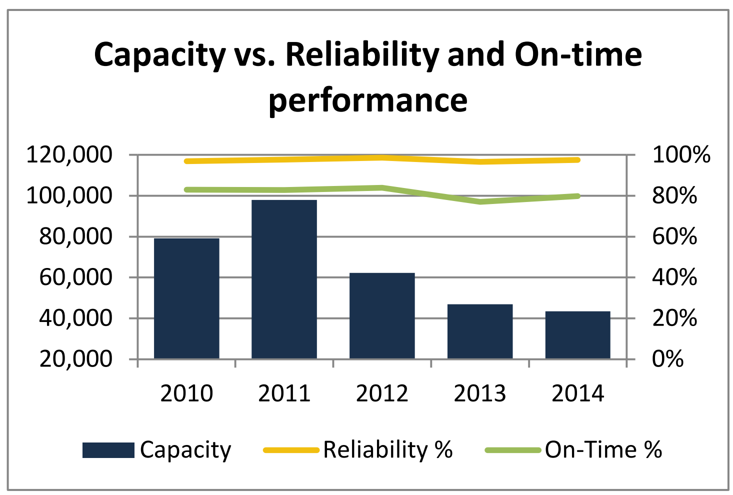






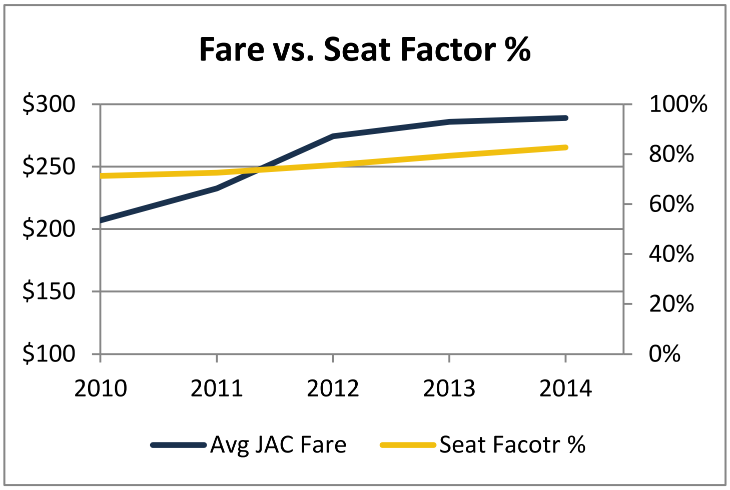


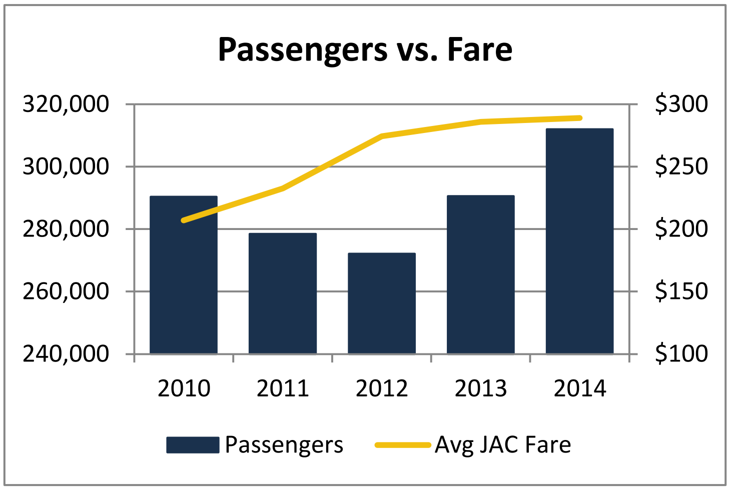


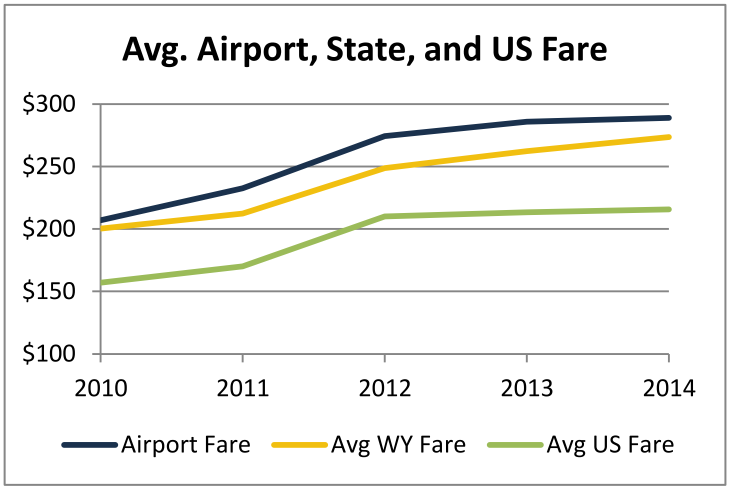


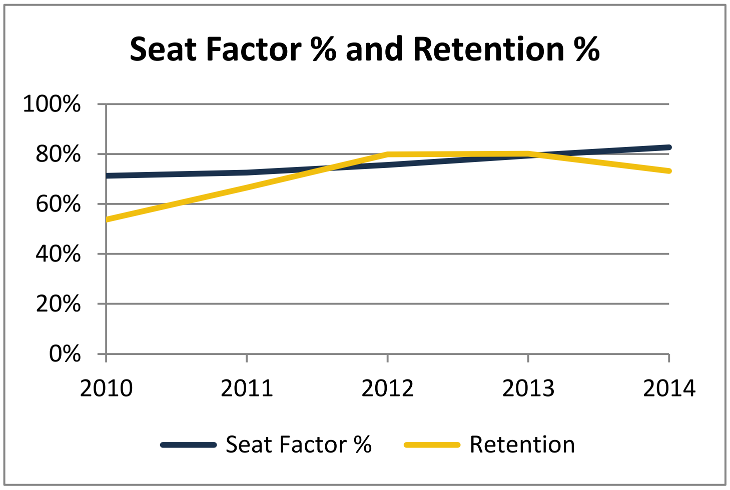
Gillette - Campbell County Airport (GCC) seat factor is up, along with fares as capacity was cutback. Booking patterns at Gillette - Campbell County Airport (GCC) indicates strong close-in demand, resulting in a higher average fare. Capacity and retention remained relatively flat, with the Salt Lake City International Airport (SLC) service reduction. Seat factor increased

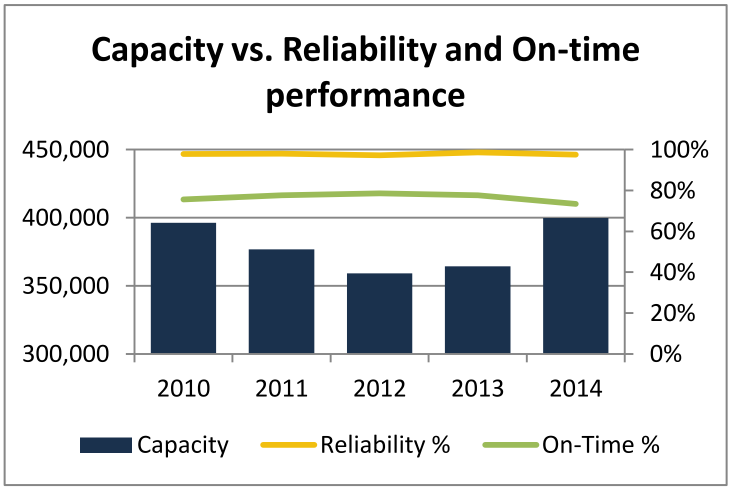
2.9-5 Jackson Hole Airport (JAC)

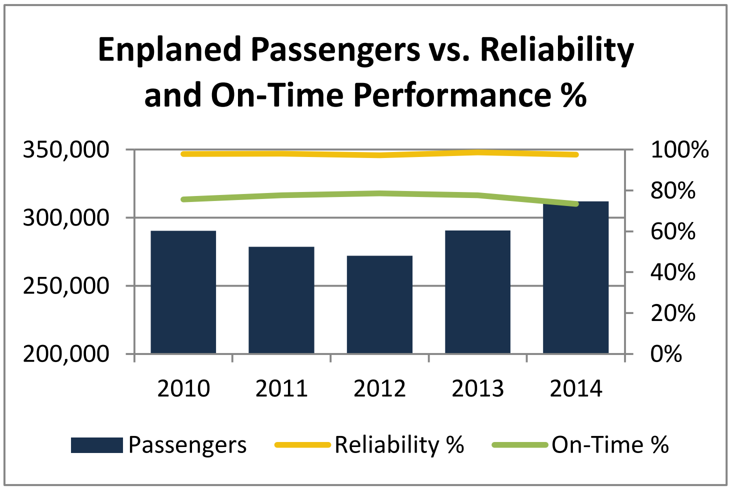






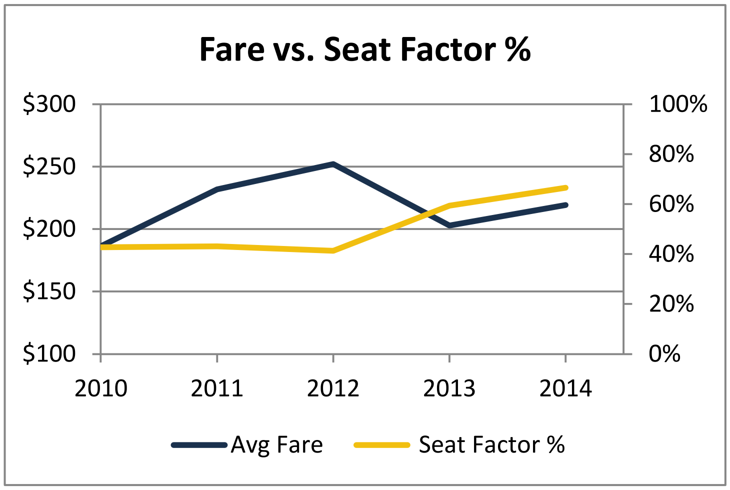


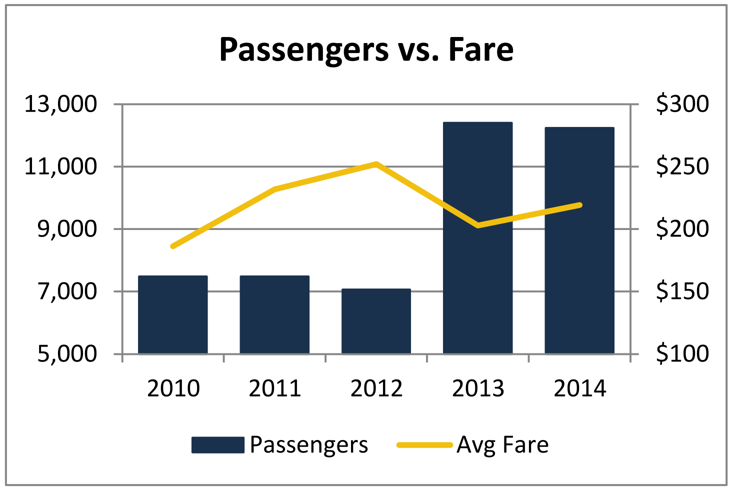


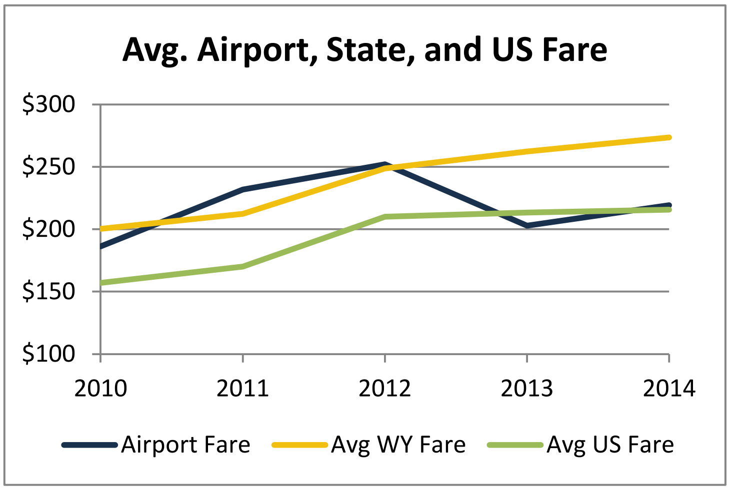


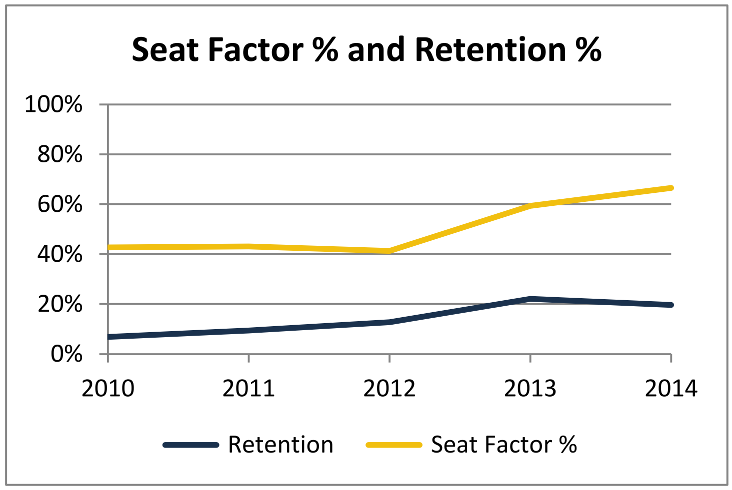
Jackson Hole Airport (JAC) saw record enplanements for 2014. Seat factor was the highest in the state at 83%. The average fare was also the highest in the state for 2014. Retention declined to 73% from 80% in 2013, as seat factor increased. Capacity and enplanements were at record highs for 2014.

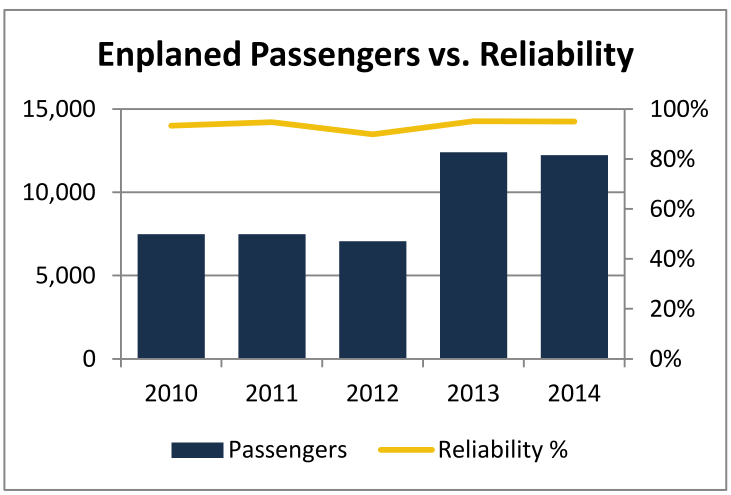
2.9-6 Laramie Regional Airport (LAR)

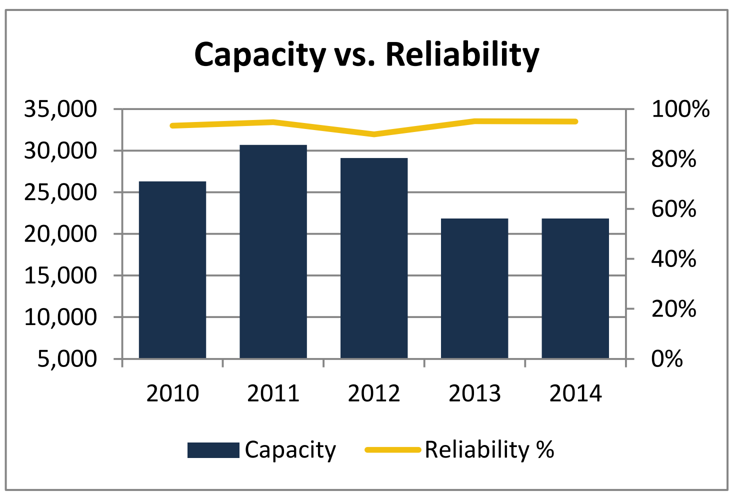






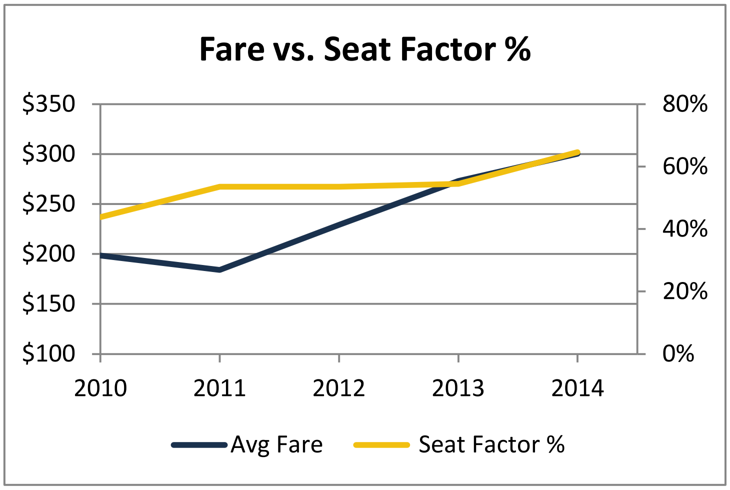


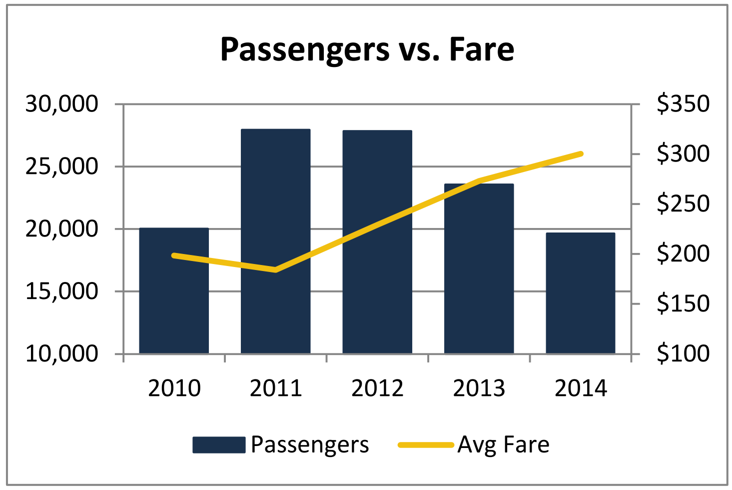


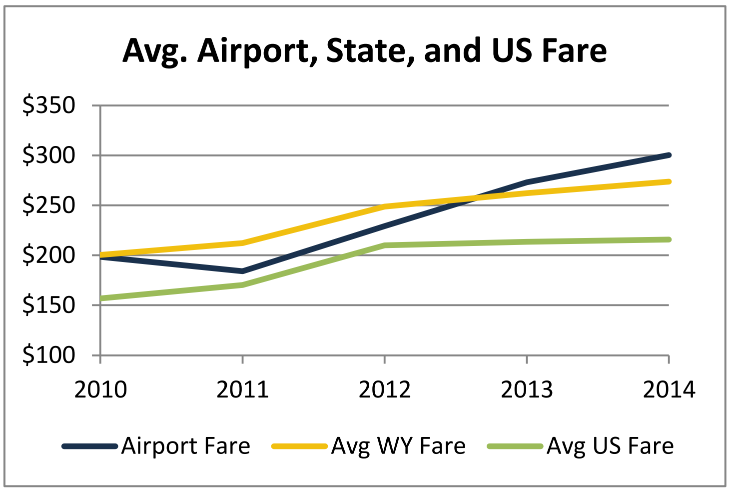


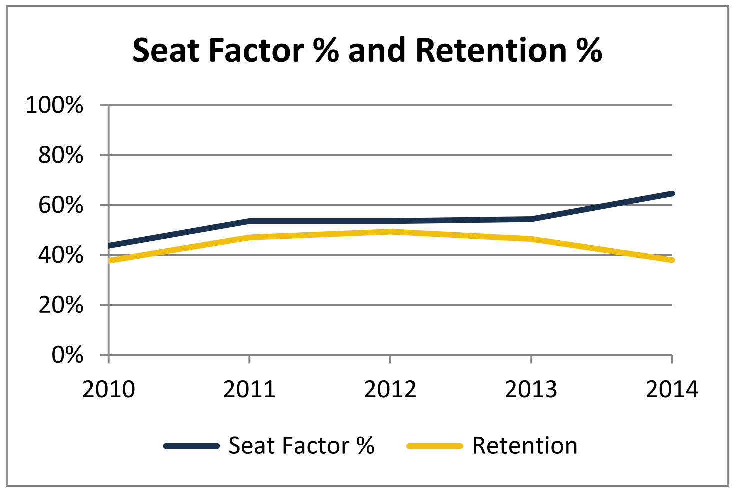
With SkyWest taking over EAS flying for Laramie Regional Airport (LAR) in late 2012, fares declined by 20%, and passengers enplaned jumped to 63%. Capacity was down with SkyWest assuming service, as larger aircraft were flown only twice a day; however, with lower airfares and better reliability, enplaned passengers increased.

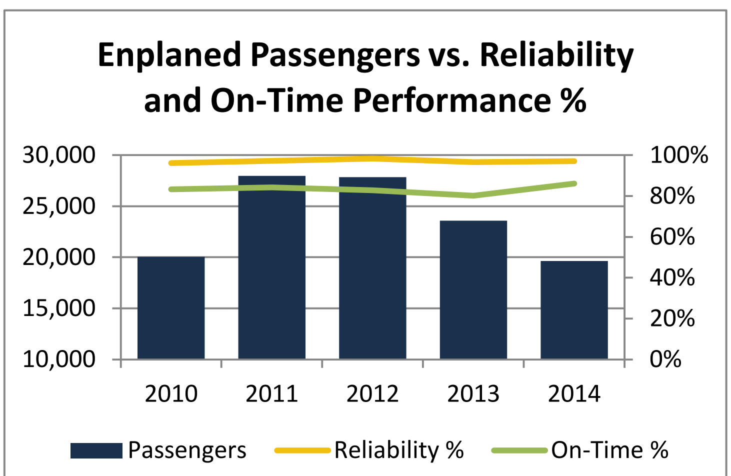
2.9-7 Rock Springs – Sweetwater County Airport (RKS)

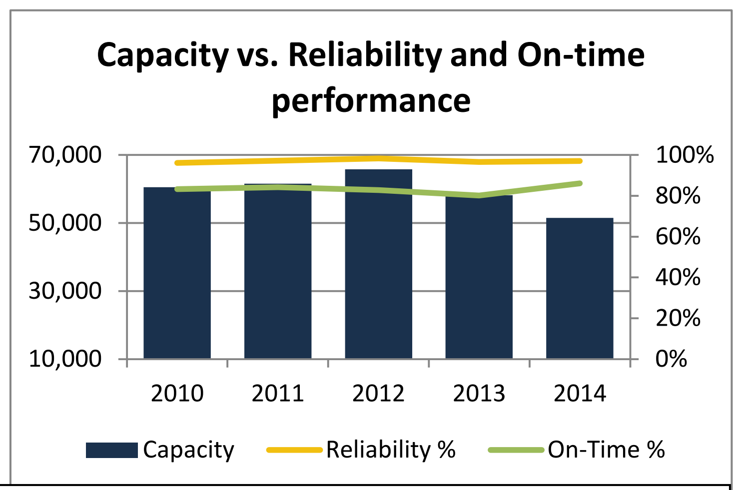






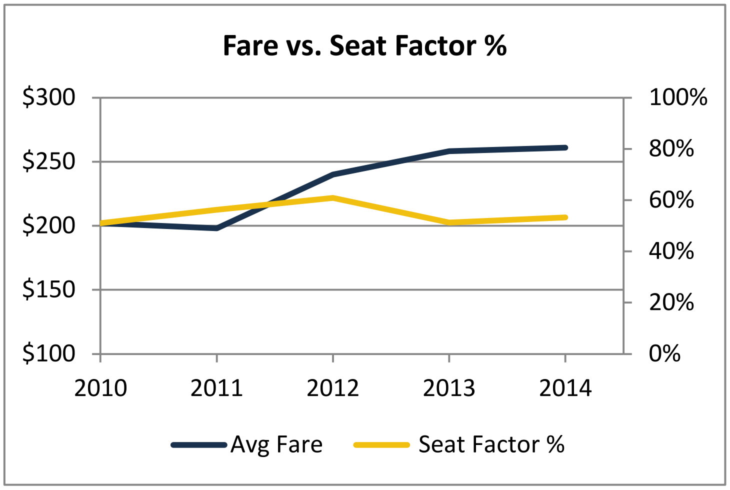


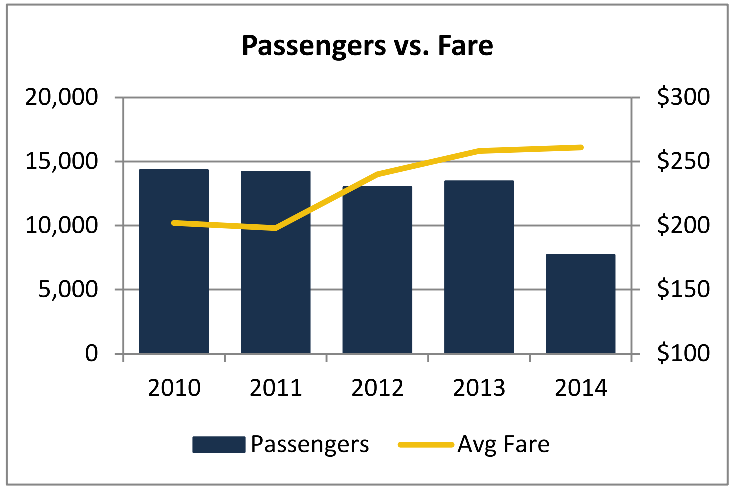


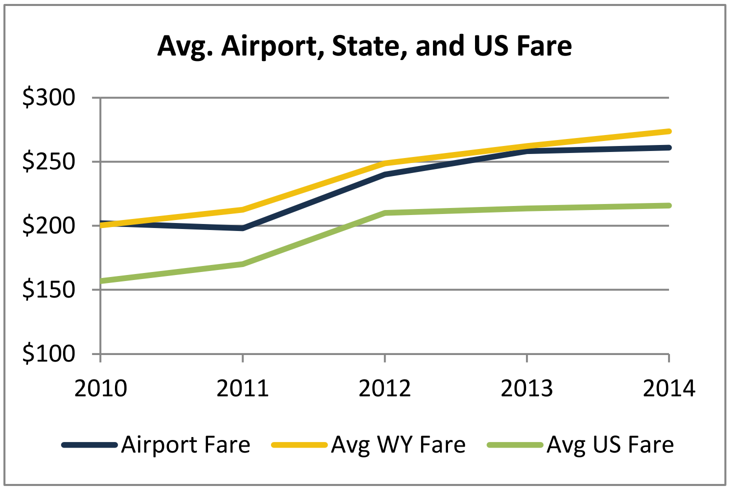


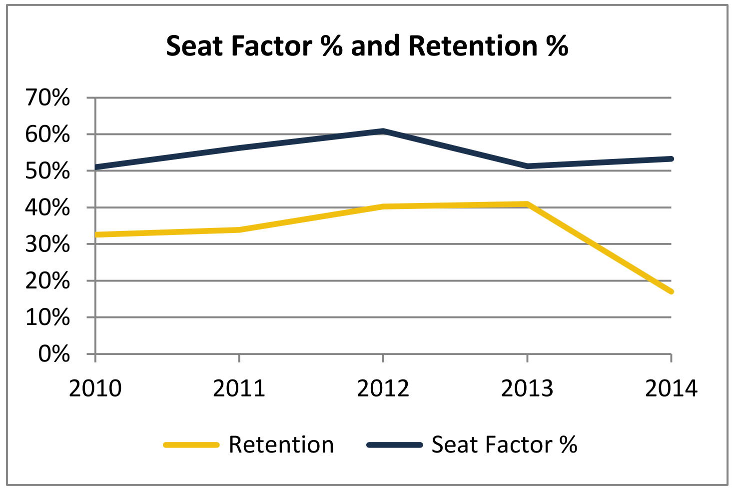
Fewer flights in 2013 and 2014 resulted in higher fares and a higher seat factor for Rock Springs – Sweetwater County Airport (RKS). Enplaned passengers and retention have decreased since 2012, with the continued reduction and eventual suspension of Salt Lake City International Airport (SLC) service in January of 2015. We expect retention and enplanements to stabilize due to the introduction of jet service in February of 2015.

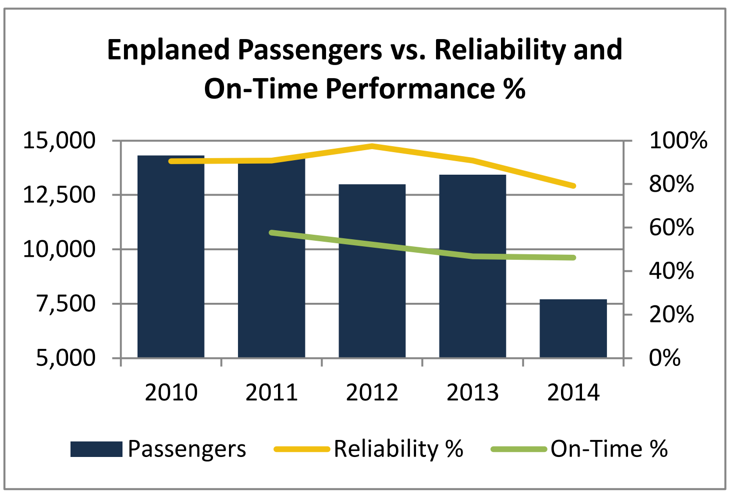
2.9-8 Riverton Regional Airport (RIW)

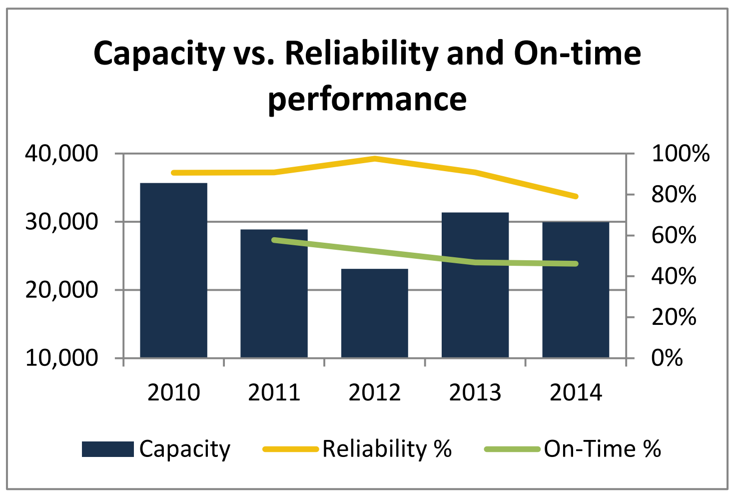






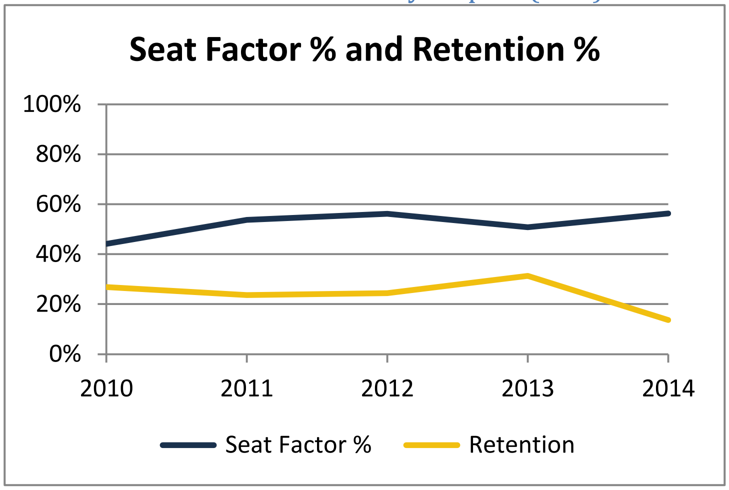


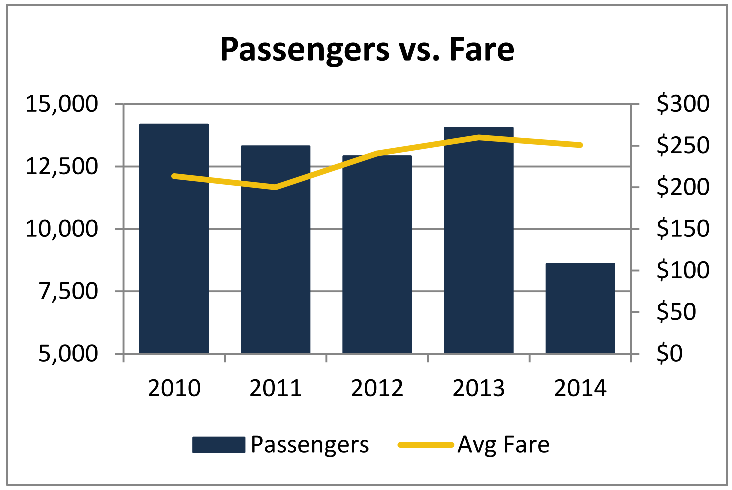


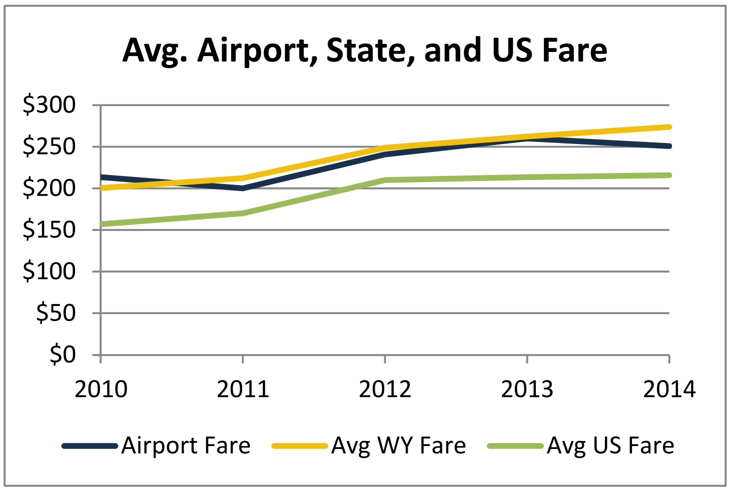


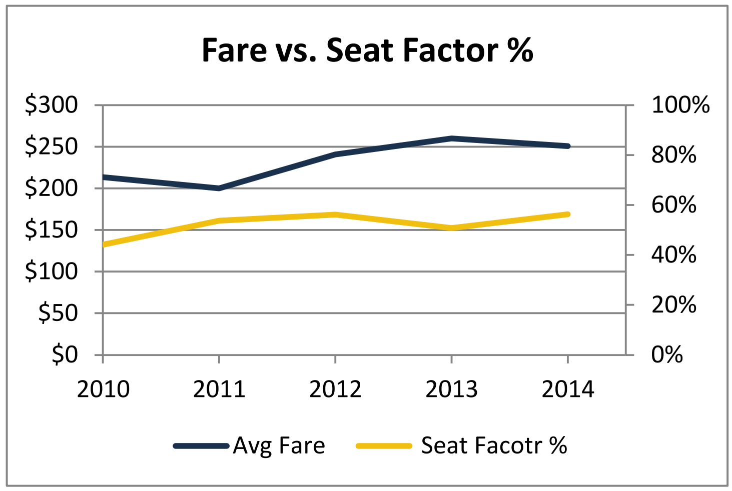
Riverton Regional Airport (RIW) has felt the effects of the pilot shortage, as passengers enplaned dropped 42% in 2014, and air fares remained on par with the state average. Amid Great Lakes staffing issues, reliability and on-time performance dropped, resulting in fewer passengers enplaned, and a 24 point drop in retention.

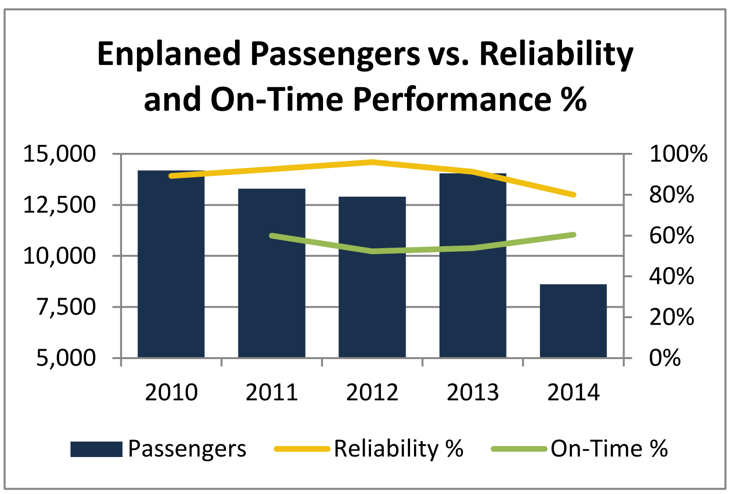
2.9-9 Sheridan County Airport (SHR)

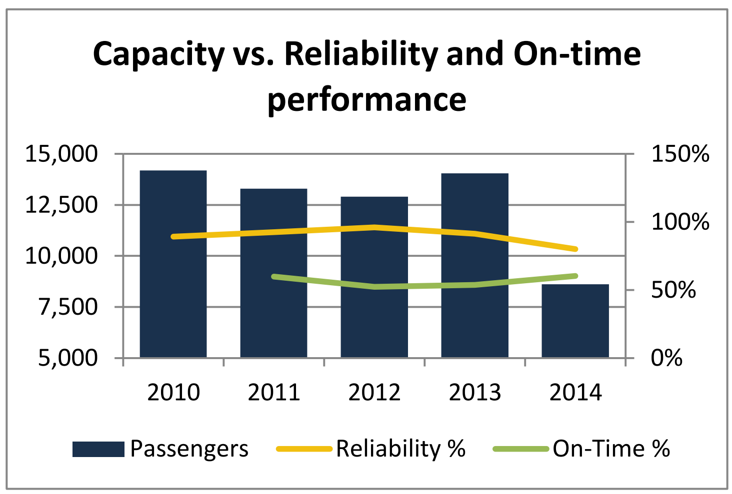






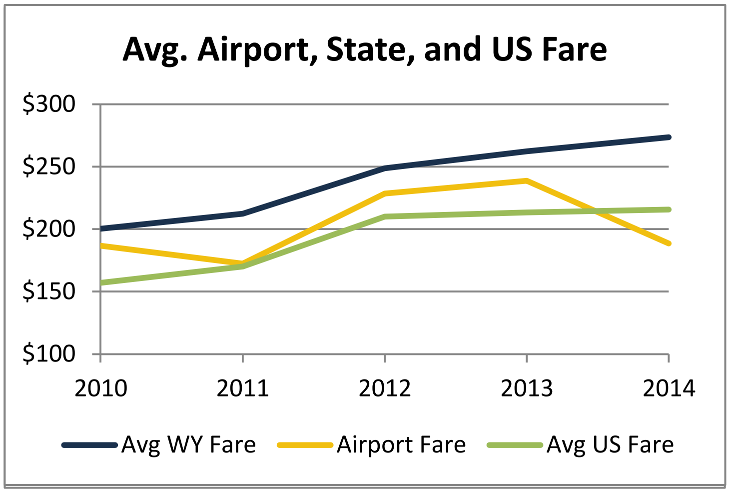


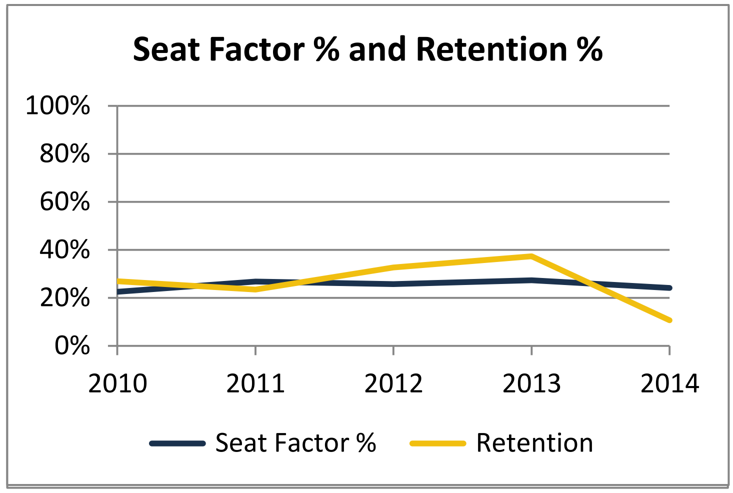


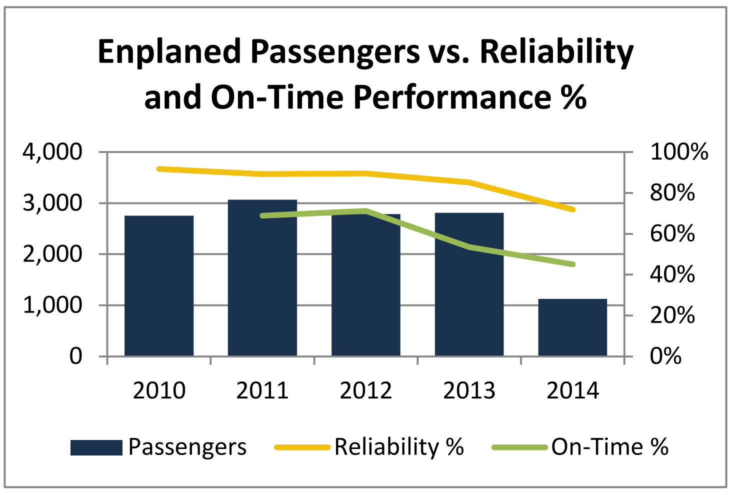


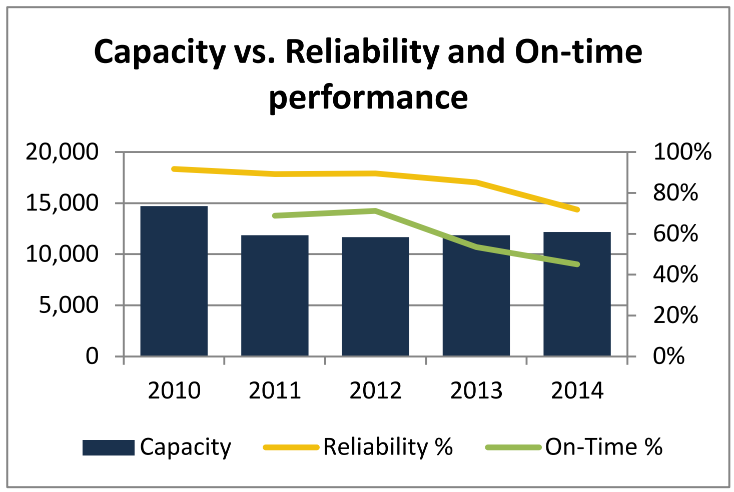
Like other cities served solely by Great Lakes airlines, enplaned passengers at Sheridan County Airport (SHR) dropped severely in 2014. With the continued pilot shortage, 2014 saw large drops in reliability and on-time performance, resulting in drops in retention and enplaned passengers. Air service was discontinued to Sheridan County Airport (SHR) on April 1, 2015.

2.9-10 Worland Municipal Airport (WRL)









Similar to Riverton Regional Airport (RIW), Worland Municipal Airport (WRL) has seen a large drop in passengers as a result of cutbacks put in place by Great Lakes Airlines. Retention rates are down 26 points for 2014, amid cutbacks and operational issues. Passengers continue to seek reliable alternatives at other airports outside of Cheyenne Regional Airport (CYS), or they choose to not fly at all.