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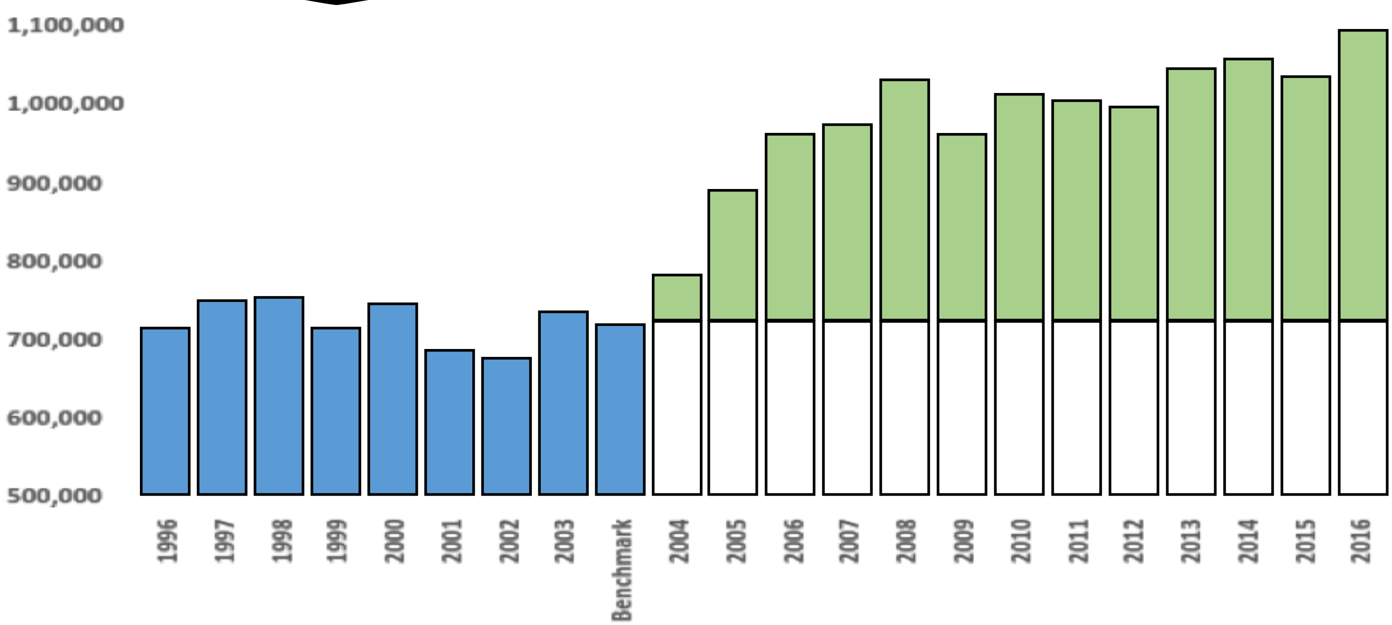
WYDOT Aeronautics Newsletter | Vol. 2, No. 1 | February 2018



Air service in Wyoming today

Air service is big business in Wyoming. It generates $1.05 billion in economic activity in the state annually and supports more than 12,000 jobs (2013 Economic Impact Study for Wyoming Airports prepared by ICF International, Kramer Aerotek and Jviation). Additionally, 90 percent of businesses rely on commercial air service, and many businesses factor in air service when determining where to locate.

In 2004, the Legislature recognized this importance and started a program called the Air Service Enhancement Program (ASEP) to help communities establish, retain or grow air service. The return on investment for Wyoming has been generous. Overall, there is $23 of economic benefit for every $1 invested by the state.

Additionally, there has been substantial growth in eight out of the last 10 years. During that time, more than 1 million people got on or off a commercial airplane in Wyoming.

With recent uncertainties nationally in the aviation industry, Wyoming and some local communities are at a disadvantage when recruiting businesses because

Airport	ASEP Investment	Total Economic Output	ROI
Cody	$2,297,924	$66,638,324	28.00
Casper	$1,953,520	$16,136,400	7.26
Cheyenne	$2,250,000	$7,839,204	2.48
Gillette	$6,651,105	$29,973,759	3.51
Jackson	$1,452,393	$376,195,556	258.02
Riverton	$128,934	$3,078,553	22.88
Rock Springs	$6,816,726	$23,421,443	2.44
All Airports	$21,550,602	$523,283,240	23.28

Footnote: Please note that Worland, Laramie and Sheridan were not on this chart because those sites were receiving Federal EAS funding. Sheridan received EAS funding in 2005 and 2006 and then was a profitable market until the pilot shortage rules went into effect after which time it lost air service. The first year that it received ASEP funding was when they regained service in 2016 (this chart is for 2004-2015).

Read ASEP 301 inside

Capacity Purchase Agreement

A long-term contract, cohesive marketing plan, and investment in infrastructure will improve recruiting and retaining businesses, provide better access for residents and visitors, and encourage economic diversification.

$1.05 billion annually in economic impact

$28 Million Proposed cost

$1.3 million current yearly appropriation: to be used for growth markets
$15 million new request: to be used for new air-service program, for a total of 10 years

$15 million Total request
$2.8 million Average yearly cost
$7 million 10-year savings
Benefits

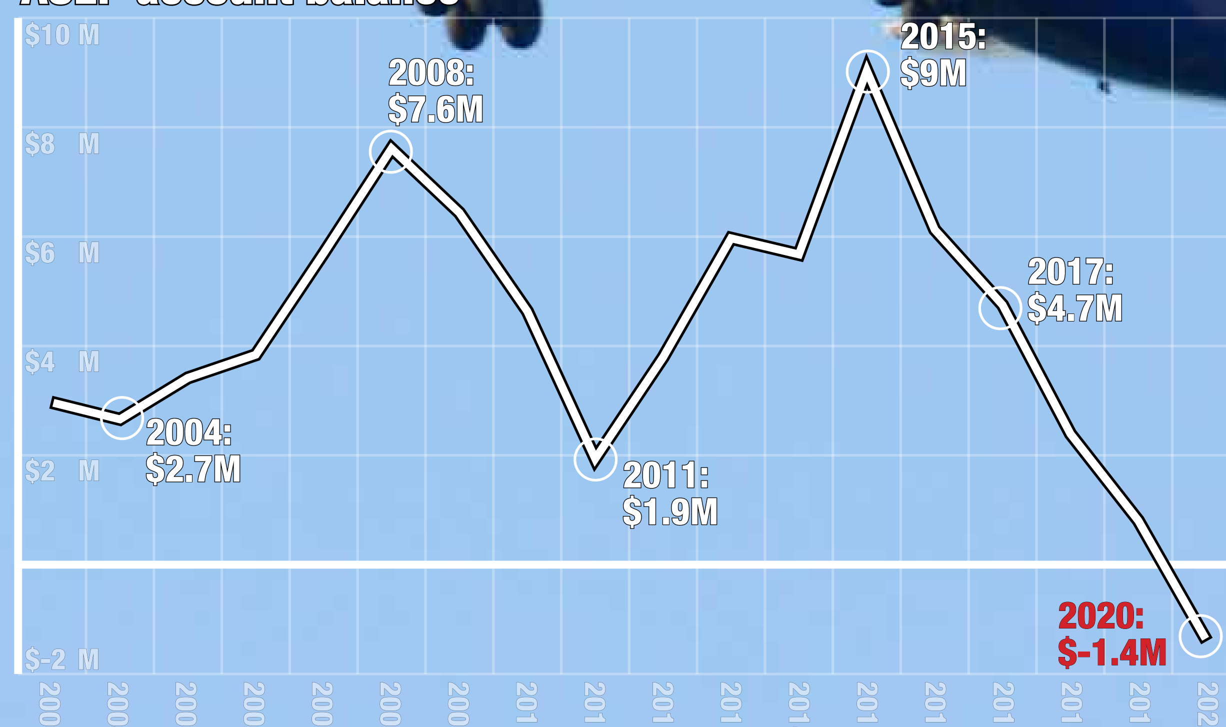
- More reliable flights
- On time flights
- More frequent flights

$35 Million Current cost

$1.3 million appropriated a year
$2.2 million carryover a year

$35 million 10-year cost
$0 10-year savings
Liabilities

- Market conditions could drive up cost



2004 The Legislature created the Air Service Enhancement Program and appropriated $3 million a year to its account from 2004 to 2009. The account was authorized to accrue interest and retain any carryover balance.

2009 From 2004-2008 grant requests from air service communities were less than the appropriations and the account balance grew to $7.6 million. The Legislature reduced the appropriation to $1.5 million a year starting in 2009.
In 2009 air service communities began to increase their grant requests exceeding the $1.5 million in annual appropriation. Carryover funds in the account were used to supplement grant requests through 2012.

2012 The Legislature approved a supplemental budget request for $4 million to help meet the grant requests.

2013 The Legislature approved a supplemental budget request for $3 million to help meet the grant requests.

2014 The State of Wyoming instituted an 8% budget cut decreasing the appropriation to $1.3 million a year.

2015 The Legislature approved a supplemental budget request for $3.5 million to help meet the grant requests.

2019 All carryover funding will be depleted and grant requests exceeding $1.3 million will be denied effective July 1, 2019.

ASEP 301 from the front

there is little to no sustainable, reliable, long-term air service. Additionally, challenges in the near future will continue to cause difficulties for air service in Wyoming. Some of these challenges include the pilot shortage, the limited number of 50-seat jets for rural communities, and, most significantly, the quickly depleting funds in ASEP. Other less than ideal realities of the current program:

- Wyoming airports don't have much say in local fares, routes or schedules
- Each airport contracts with their airline carrier on a one-year basis
- If there are profits realized form a certain market (ie. if Gillette's market makes money), the profits go back to the airline.
- Some airlines, like Denver Air Connect in Sheridan and Riverton, are not code shared or inline meaning if you Google Expedia and look for a flight for Sheridan, you won't see one listed. And passengers who fly from Sheridan and Riverton to Denver must get their own bags and go back through security.
- If Cody or Laramie lost Essential Air Service funding, which continually appears to be vulnerable in nature, there is no safety net or additional State funding to help those communities retain service.

Originally, in 2004, ASEP was allocated $3 million a year by the legislature. The account grew to nearly $8 million at which time the appropriation decreased to $1.5 million annually. After that, the Legislature granted additional funds to the account totaling $10 million to help meet the air service needs of the communities. Last year, the state awarded $3.5 million in grants for commercial air service to five communities, and the current appropriation is $1.3 million annually.

By July 1, 2019, ASEP will not have enough funds to meet the community requests. Inevitably, this will change air service in several markets, and, unless a new funding source is identified, it is likely several of the most vulnerable markets could lose air service around that time.

A different approach

For years large airlines have purchased capacity from regional carriers. For example, United purchases capacity on SkyWest to service smaller regional markets. Typically, these capacity purchase arrangements are long-term and mutually beneficial.

What if Wyoming and its local communities worked together to act as a large airline and purchased capacity from a regional carrier? A capacity purchase agreement would allow the state and local communities to better leverage funding for a long-term contract with an airline partner with fixed costs and more control over the number of routes and revenue aspects of the service. Having a long-term contract in place would also promote business recruitment and expansion in Wyoming and helps better diversify the economy.

By Amy Surdam, Aeronautics Administrator

Think of it like bulk purchasing: if a rancher with five different ranches across Wyoming has five different feed contracts, wouldn't it make sense to negotiate a long-term agreement with one feed provider to provide feed to all five ranches? You likely could have more say in delivery times, price and quality, and your feed provider would likely try harder to meet your needs because the contract is so large and long term. Additionally, you would build penalties and exit clauses into the contract, which would maximize performance by the provider in order to retain the contract.

The capacity purchase agreement concept has been in the works for years by the Aeronautics Division and, in the summer of 2017, was developed further after discussions and input from a series of meetings which included Wyoming leaders, the Aeronautics Commission and other stakeholders.

In December of 2017, ENDOW listed commercial air service as its No. 1 recommendation and priority for economic diversification. The associated financial request of $15 million for 10 years has been made to the legislature this session.

A separate bill proposing a council consisting of community members, leaders and experts will help finalize the marketing strategies, benchmarks and request for proposal from potential airline partners. This council would only serve one year and help ensure community engagement, consensus and success. After the council disperses, WYDOT's Aeronautics Commission (which currently governs the ASEP) would govern the new capacity purchase agreement. The current ASEP would continue for growth market support such as Jackson and Cody, which is necessary to support Wyoming tourism.

The concept implementation date would be the same date the funding in the current account is depleted: July 1, 2019.

This public-private partnership would be the first of its kind in the nation. ASEP was the first of its kind in the nation in 2004. With industry and economic changes, it's once again an opportunity to be a leader in rural commercial air service.

For more information please contact Amy Surdam or Shawn Burke at 307-777-3952.

Something new needed in air service

Against many odds, the leadership at the Wyoming Department of Transportation (WYDOT) is embarking on a new age, state-supported air service development program to maintain commercial air in the state. Across the country, and in Wyoming, maintenance of small community air service requires new thought in order to differentiate one market from all the others seeking air service in a zero-sum game.

Small community air service as we have come to know it, and depend on it, has gone through many iterations since the industry was deregulated in 1978. Whereas in the past, solutions to air service problems could often be found.

Today, solutions to the structural headwinds facing small community air service are not obvious let alone abundant. The most prevalent headwind is a shortage of pilots to fly the smaller regional aircraft designed to serve the nation's smaller markets like those found in Wyoming.

Beginning in 2017, the Regional Air Service Alliance, of which WYDOT is a member, estimates that the US regional industry will be 500-600 pilots short of flying anticipated schedules earlier in the year. This will propagate at least through 2026. Additionally, between 2017 and 2026, nearly 26,000 pilots at the largest eight US carriers including FEDX and UPS will retire.

Stated another way, 26,000 pilots will be needed just to maintain the system at the size it is today – not grow the system. Moreover, there are only 17,000 pilots flying at the regional carriers today. It is the regional carriers that have historically been the source of pilots for the larger, mainline carriers. Without legislative and/or regulatory relief at the federal level, the regional industry is forecast to be on 40 percent of the size it is today by 2026. It is virtually certain that all nine of Wyoming's airports would not survive. Rather the respective communities would lose access to the commercial air transportation system as well as their potential to maximize economic development.

The headline story for much of the past decade has been a decrease in the number of departures at most US domestic airports – particularly at small community airports. The beginnings of the pilot shortage can be credited for some of the decrease. Since 2005, nearly 2 million departures have been reduced from the domestic system. This is a dilemma for smaller communities.

Business travelers prefer/need a backup in the event of a schedule disruption at the local airport. With schedule reliability a real concern for many, the decreasing number of departures only makes small community markets more vulnerable in the event there is an airport with a better schedule offering within a reasonable driving distance. The lack of reliable air service throughout Wyoming has arguably been a primary issue in keeping certain Wyoming airport a viable option from an air travel consumer's point of view.

WYDOT's leadership understands full well the winning attributes for a successful air service offering that entices both the business and leisure traveler to use the service offered. This time, WYDOT is not seeking air service for the sake of having air service.

It is about finding the right air service provider that will provide code sharing and interlining attributes as part of the package. Importantly it is also about attracting air service that is reliable and not settling for less.

Code sharing and interlining significantly improve the customer experience. The practice gives the consumer the ability to buy one ticket to the desired destination as well as check their bag all the way through without having to check it again at the connecting airport.

Without code sharing and interlining, the economics of the service are challenged to provide the utility that customers in larger markets are afforded each day. Further, these service attributes mitigate the risk any new service faces by giving the service the very best chance of being successful – and hopefully sustainable without state support – over the long term.

Herein lies the rub. If the local communities with commercial air service do not use the service, then the community and the region the airport serves will most certainly lose the service. Given the constrained market conditions in the industry, the aircraft assigned to the market not using the service will be moved to an alternative market that will use the service.

A lot of arduous work has gone into finding the right solutions that will bring the right connections and the right service attributes to make the service successful. If WYDOT is successful in procuring funds to support the air service program, then the real work begins. And the work begins with the customers that would naturally use the nine commercial air service airports. The mantra becomes: "USE IT OR LOSE IT".

William Swelbar, Research Engineer, MIT International Center for Air Transportation, and Chief Industry Strategist, Delta Airport Consultants, Inc.

WYDOT AERONAUTICS

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What's next:

WAOA Legislative Reception
Little America, Cheyenne
5:30-8 p.m., Feb. 21

Aeronautics Commission Meeting
WYDOT Headquarters
Auditorium, Cheyenne
8:30 a.m., Feb. 22

New resources

Check our online calendar

WYDOT's Aeronautics Division is now offering a calendar of its public events. See what the division has going on at https://goo.gl/RCUsvE.

Sign up for updates

We've started a subscription list for the newsletter. Check it out and make sure you get updates at: https://goo.gl/forms/s7uPI5sHXaWzRUyZ2.

Check us out on FB Wyoming Aeronautics Division and Twitter @flywyo!

What's up?

WYDOT staff picked for advisory board position

Christy Yaffa

WYDOT Aeronautics Planning and Programming Manager Christy Yaffa has been selected to serve on the Embry Riddle Business Industry Advisory Board.

Yaffa started with WYDOT as an assistant airports planner in 1994 after graduating from Embry Riddle Aeronautical University with a degree in aviation business administration. She also served as the department's interim Aeronautics Division administrator during 2016 and 2017.

State competing for place in federal unmanned aerial systems program

Earlier this month WYDOT Aeronautics Division, on behalf of the State of Wyoming, submitted an application to the Federal Aviation Administration (FAA) for the Unmanned Aerial Systems Integration Pilot Program (UASIPP). According the Information Screening Request sent out by the FA, the "Program is expected to provide immediate opportunities for new and expanded commercial UAS operations, foster a meaningful dialogue on the balance between local and national interests related to UAS integration, and provide actionable information to the Department of Transportation (DOT) on expanded and universal integration of UAS into the national airspace system (NAS). The purpose of the Program is to foster mutually beneficial partnerships with government, UAS operators, and other stakeholders to accelerate the safe integration of UAS into the NAS."

Should Wyoming be one of the five applications selected to participate in the program this summer, it would provide immediate opportunities for the state and local communities to attract UAS businesses into the state for testing, application, and economic opportunities.