



Wyoming Aeronautics Division

Air Service Enhancement Program

Effectiveness of Funding

*Composed by
The Wyoming Aeronautics Commission*

October 2011

The Aeronautics Commission compiled this report in response to the DOT Budget Bill, Footnote 4. This report details the effectiveness of the Wyoming Air Service Enhancement Program (ASEP) funding. It is the Commission's intent to share the accomplishments of the Air Service Enhancement Program, its evolution and ASEP impacts at Wyoming airports. The Commission also addresses the challenges and potential opportunities Wyoming air service faces in the future.

Title 10: Article 6 § 10-3-601

Wyoming air services enhancement; legislative findings; Wyoming aeronautics commission authority to contract for services; requirements.

(a) The legislature finds that an adequate and comprehensive system of air service in Wyoming is vital for economic development within Wyoming. Competition among air service providers within the state is virtually nonexistent and, without competition, services will remain limited and unreliable and high air fares will remain a major impediment to use of air services by Wyoming residents and businesses.

(b) Benefits accruing to the state shall include, but not be limited to, increasing the minimum number of enplanements at airports facing a possible loss of federal airport improvement program funding, increasing passenger enplanements at commercial airports in Wyoming, increasing frequency or sustaining flight operations from commercial airports in Wyoming to regional airport hubs, lowering airfares for air passengers and increasing the number of routes flown within the state.

(vii) The applicant will provide reasonable assurances that within a time specified by the commission, the state shall benefit from its investment by means of commercial airports having sufficient enplanements to retain or reestablish eligibility for federal airport improvement program funding and that commercial airports in the state will receive increased revenues from established passenger facility charges as a result of increased enplanements or from other benefits.

Summary

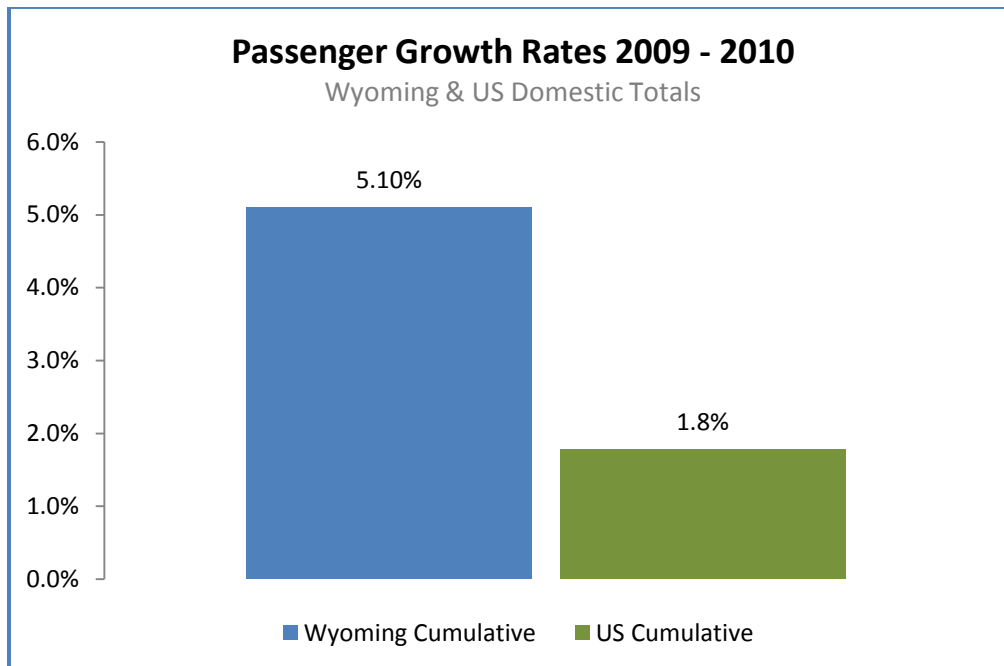
Since the Air Service Enhancement Program began, statewide leakage (passengers driving to an airport outside the state to fly to their destination) has decreased and passenger ridership has increased. Additional airlines, routes, seats and frequencies have also been implemented through the ASEP. The airlines have been receptive to pricing fares more competitively to that of hubs outside of the state, therefore, more Wyoming residents are flying local.

The airports have equally benefited from the ASEP through increased revenues from passenger facility charges, concessions, car rentals, landing fees, fuel sales and parking revenue. Through these air service enhancements, additional dollars have passed through the airports to the local communities in terms of hotel stays, dining and entertainment, rental cars and increased sales tax.



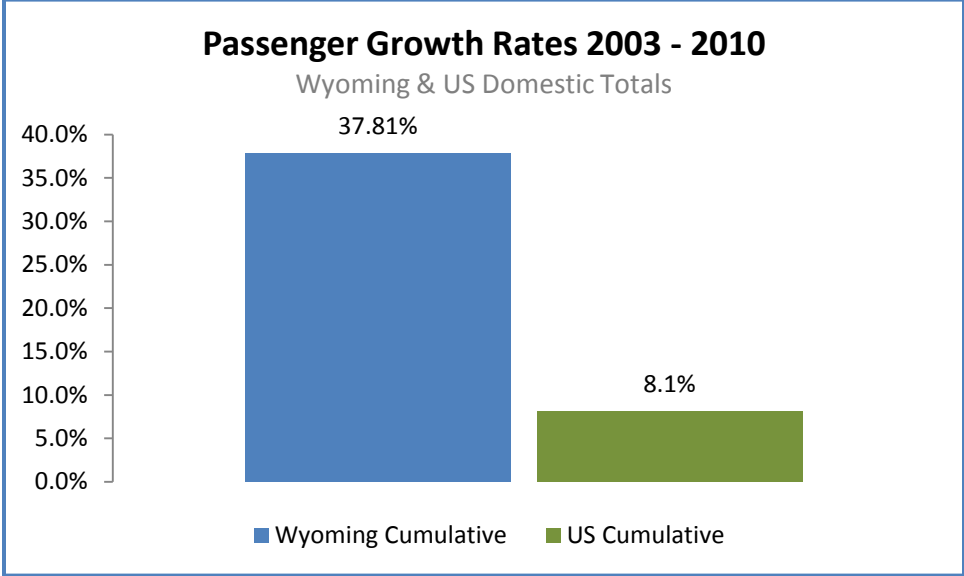
A Snapshot of Wyoming Air Service Statewide

In 2010, a total of 1,012,319 passengers passed through Wyoming airports. This is the second time that Wyoming has achieved the 1 million passenger mark (the first time was in 2008). This figure also reflects an increase of 5.1 percent from 2009 levels. This rise in passenger activity was greater than the US average passenger traffic growth rate of 1.8 percent during the same period. Since the Air Service Enhancement Program's inception in 2004, passenger traffic has increased statewide by 37.8 percent. Wyoming's statewide growth rate is nearly five times that of the US growth rate which was 8.1 percent during the same period. The Commission believes the combination of the efforts under ASEP, Wyoming's plentiful resources and periods of thriving economic health have contributed to these increases.



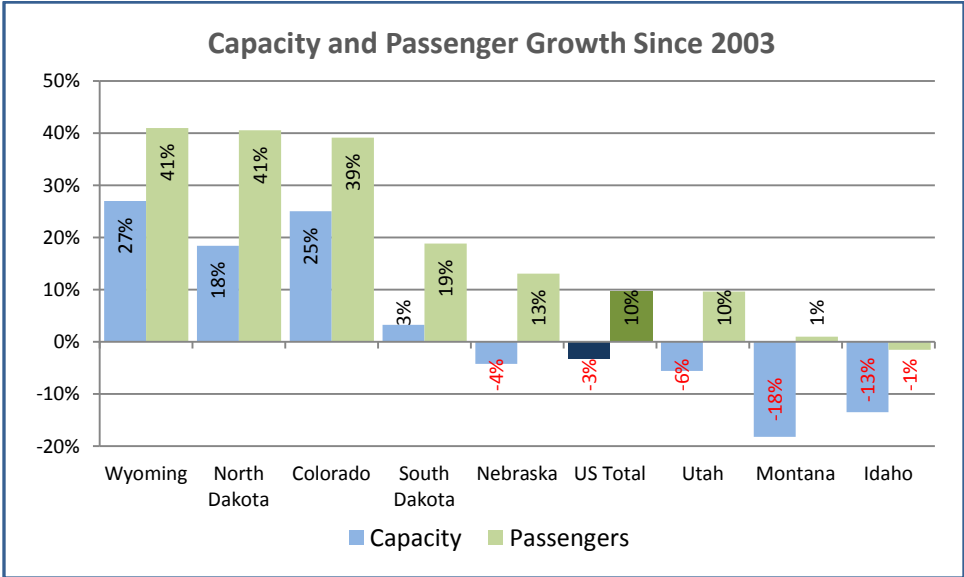
**Source Air Transportation Association and Wyoming Department of Transportation, Aeronautics Division





**Source Air Transportation Association and Wyoming Department of Transportation, Aeronautics Division

Since 2003, Wyoming has led the nation in both total capacity growth (annual seats offered) as well as total passenger growth. Several surrounding states have lost services and thus both seats and passengers during this time period.



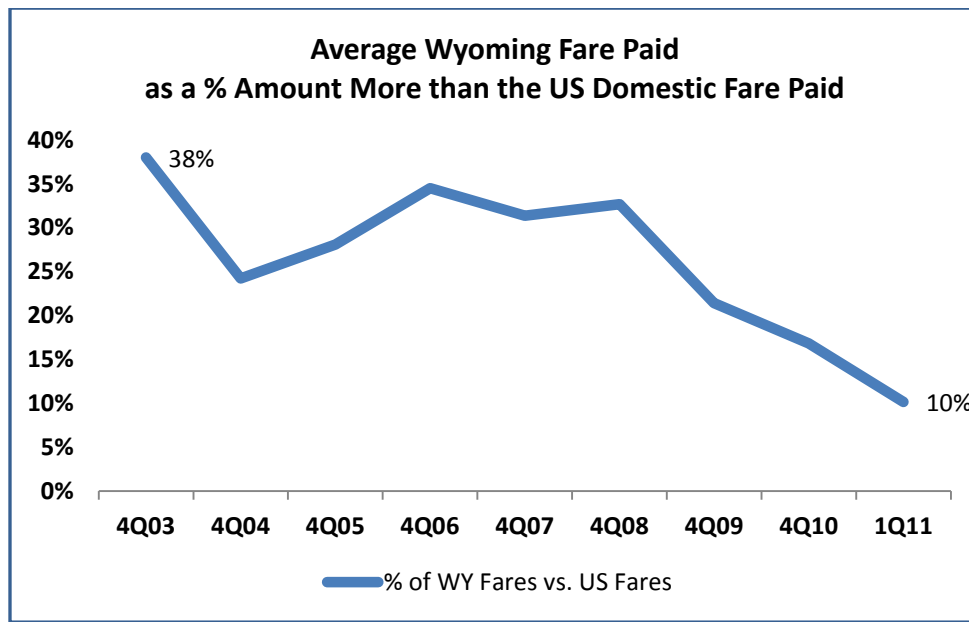
**Source Diio Mi – Market Intelligence. Data includes non-revenue customers in passenger totals reflecting the 3 point increase over Wyoming’s totals from the chart above. Similar increases are represented in other state’s totals.



Since 2003, Wyoming’s weekly seat capacity has grown from 19,000 weekly departing and arriving seats to 25,000 - an increase of 32 percent (December 2003 versus December 2010). Wyoming’s total seat capacity in July 2011 is 2 percent less than in July 2010. This drop is mainly due to capacity changes by Frontier and Northwest (now Delta) in the Jackson market (fewer flights). US industry-wide capacity is down approximately 3 percent over the same period.

In 2006, approximately 50 percent of all tickets purchased in Wyoming were used at out-of-state airports; predominately in Denver, Salt Lake City, Billings, and Rapid City. The Aeronautics Division undertook efforts to meet directly with the airlines to share the Division’s information and to discuss options—most of which related to how their pricing structures affect Wyoming consumers. These efforts are starting to pay off, and the airlines have slowly started to become more responsive in pricing their product in the state. In 2010, the retention of tickets sold within Wyoming grew to just over 65 percent. The 35 percent that are leaking to cities outside of Wyoming equates to approximately 800,000 passenger flight segments annually. This figure is revised since previous reports and represents three additional Wyoming communities that the Division was not able to obtain data for previously.

When analyzing air fares paid to and from Wyoming, in the 4th quarter of 2003, Wyoming paid on average 38% more for air service than did the rest of the nation. Based on our latest figures, that number has fallen to just 10% as of the 1st quarter in 2011.



**Source Diio Mi – Market Intelligence

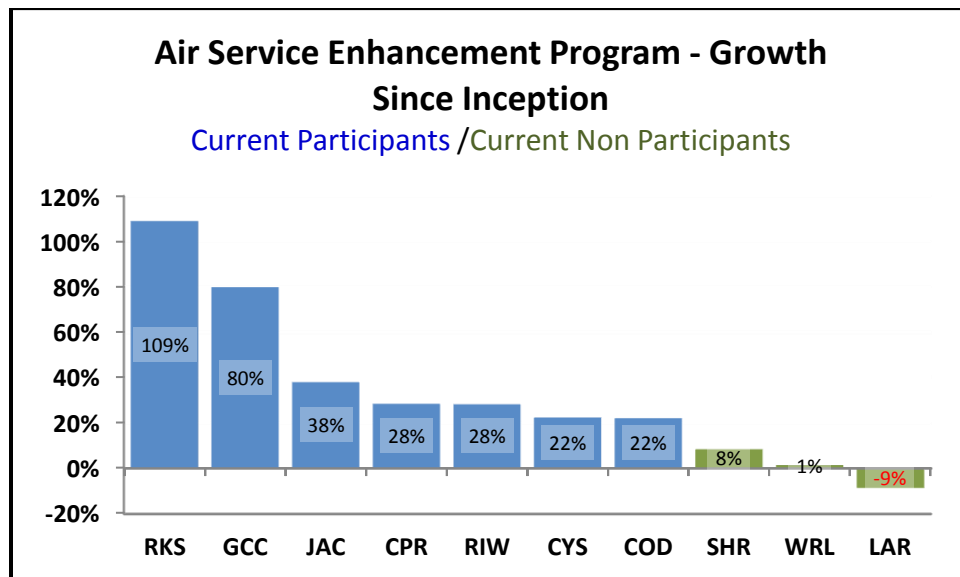


Effectiveness of Funding:

Since the program's inception in 2004, eight of the ten commercial airports have participated in the ASEP. Today, five have contracts with air service providers and are receiving support through the ASEP. Following are summaries of the total amount of support (State and local dollars) since the air enhancement began in the community, the individual airport's increased revenue and the incremental dollars that have filtered through the airport.

The Division contacted each of the Economic Development Organizations to get an understanding of how air service in the community impacts local businesses. Furthermore, the Commission highlights the importance of realizing business opportunities that may have been lost prior to the enhanced air service because of the level of air service in the community. An example of this occurred in Cheyenne when two companies ultimately decided to plant their businesses elsewhere because air service was lacking jet service in the community (see appendix for community comments).

Revenue measurements at each individual airport were calculated based on Passenger Facility Charges, Airport Improvement Plan entitlements, car rental revenues, fuel sales, concession revenues, parking revenues, terminal rental charges and landing fees. The Aeronautics Commission does not assert that the ASEP was fully responsible for total incremental revenues at the airports.

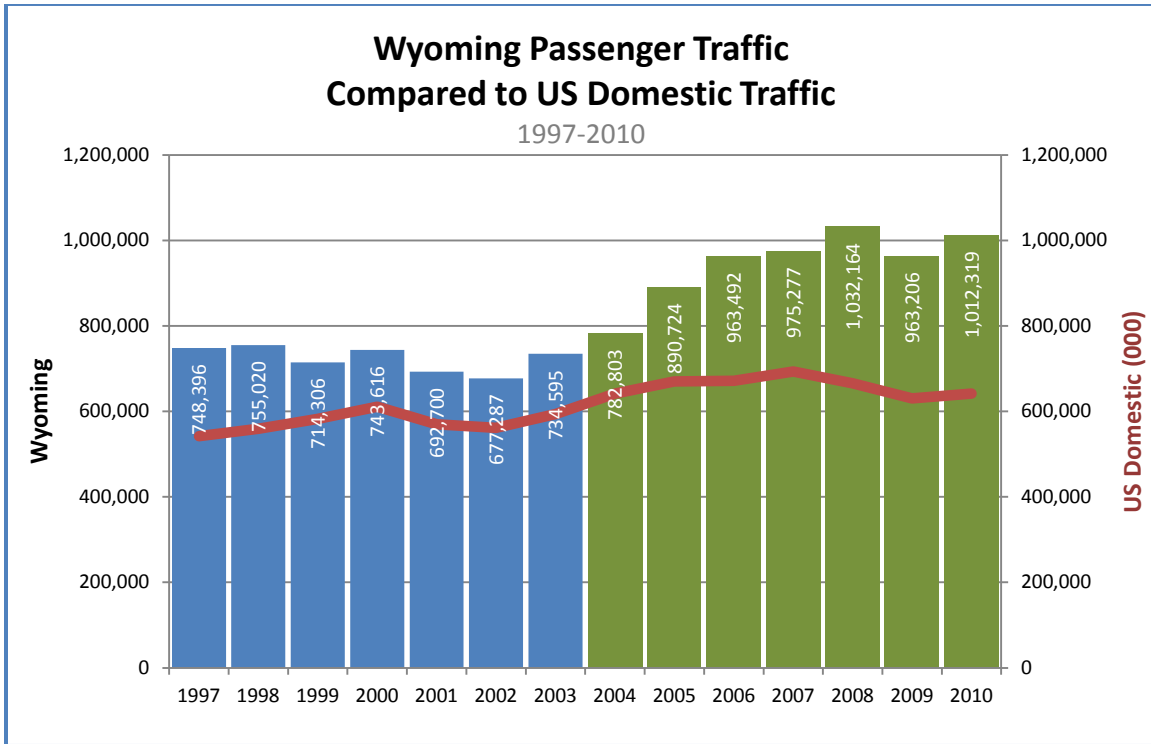


**Source Wyoming Department of Transportation, Aeronautics Division (includes revenue passengers only)

- Laramie participated in the program in 2009 to increase passenger traffic through charter initiatives. These initiatives failed after 6 months. The Commission ceased further funding mid-way through the contract term and reallocated the remaining funds back into the ASEP account.
- Both Sheridan and Worland have not participated in the program.
- Riverton participated in the program with Great Lakes Airlines in January 2005 to October, 2005. In October 2006, the community came off of the Essential Air Service



Program (Federally funded at \$394,000 annually) due to increased ridership and sustainable service through Great Lakes Airlines.



**Source Wyoming Department of Transportation, Aeronautics Division

Statewide Support and Total Revenue

Air Service Total Expenditures to date:	\$11,640,172
Total Community support to date:	<u>\$ 3,855,838</u>
	\$15,496,010

Airport Incremental revenue related to air service enhancement:	\$ 3,162,142
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**This figure represents the communities of:
Casper, Cheyenne, Cody, Gillette, Laramie and Rock Springs only*

New Passengers to Fly into Wyoming since the Inception of the Air Service Enhancement Program:	498,000
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**This figure does not include Sheridan, Worland or Laramie*

Incremental Economic Dollars Filtered Through Wyoming Airports:	\$60,416,495
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**Because Jackson Hole is a destination market and has unique economic qualifiers from the other Wyoming airports, their total revenue and incremental economic dollars have been excluded from the statewide calculations.*



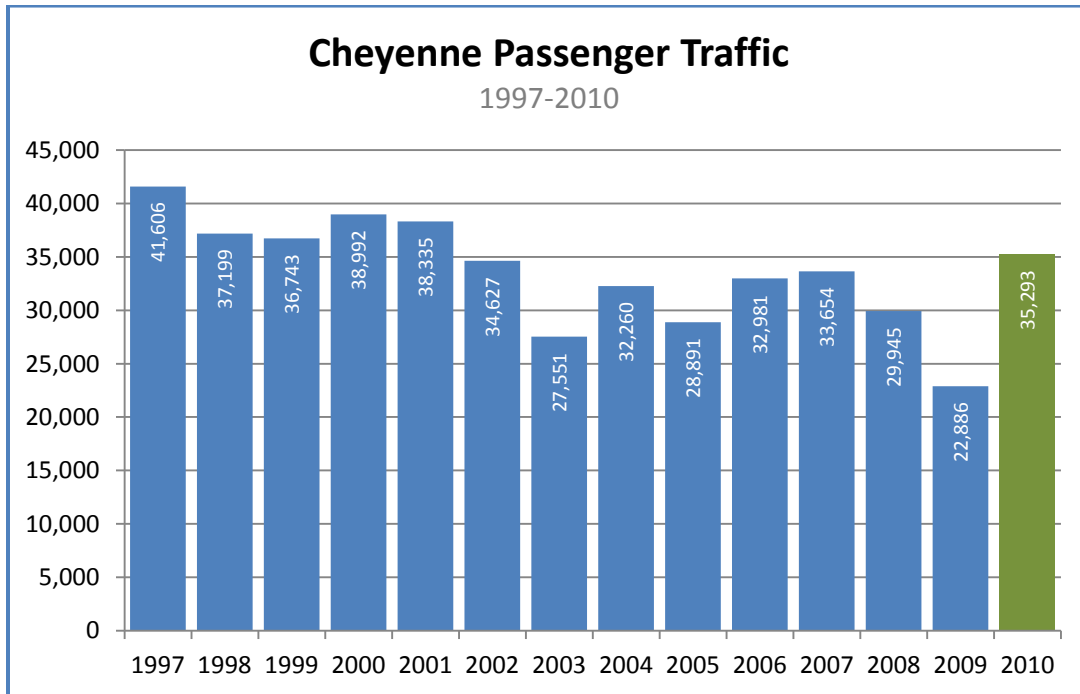
Cheyenne Regional Airport

Summary:

Air Service Enhancement: Direct service to Dallas, TX with regional jet (44-passenger) aircraft
 Frequency: One roundtrip daily
 Capacity August 2003: 685 weekly seats
 Capacity August 2010: 1,395 weekly seats

Total State support to date: \$1,400,000
 Total community support to date: \$ 500,000
 Total combined support: \$1,900,000

Total incremental revenue (airport waived fees for American's first year of service): \$ 231,539
 Total incremental economic dollars filtered through the airport: \$2,660,482



**Source Wyoming Department of Transportation, Aeronautics Division

Cheyenne Traffic 12 months prior to American Service to Dallas (August, 2009-July, 2010):

23,669

Cheyenne Passenger Traffic 12 months post American Airlines Service to Dallas:

49,921 (up 111%)

More passengers flew through Cheyenne in the 12 months (August, 2010 – July, 2011) since American Airlines began service than at any prior year looking back to 1997 (14 years).



American Airlines service to Cheyenne accounted for just over 110% of the airports growth in the past 12 months.

One of the statutory duties outlined under the ASEP is to assist Wyoming communities facing possible loss of Airport Improvement Program Entitlements. Cheyenne Airport was at risk of losing an annual \$850,000 in federal funding because their enplanements (outbound passenger traffic) were decreasing drastically. The American Airline service prevented this potential loss from occurring.

Combined added revenue since enhancement began:

Airport Revenues in 2009: \$408,000

Airport Revenues in 2010*: \$420,000

** Fees effecting revenues in 2010 included the airport restaurant closing early in the year and fee waivers to American Airlines.*

Incremental economic dollars filtered through the airport:

53%	approximate percentage of visitors to Cheyenne
25,507	new passengers segments in the past 12 months since American began service
6,759	new passengers to CYS since start of new service (53% of total / 2 segments)
4.8	average length of stay (in days) state-wide for airline passengers
\$82	average spend per day during trip to Wyoming
\$2,660,482	incremental economic dollars filtered through the airport (since July 2010)



Casper/Natrona County International Airport

Summary:

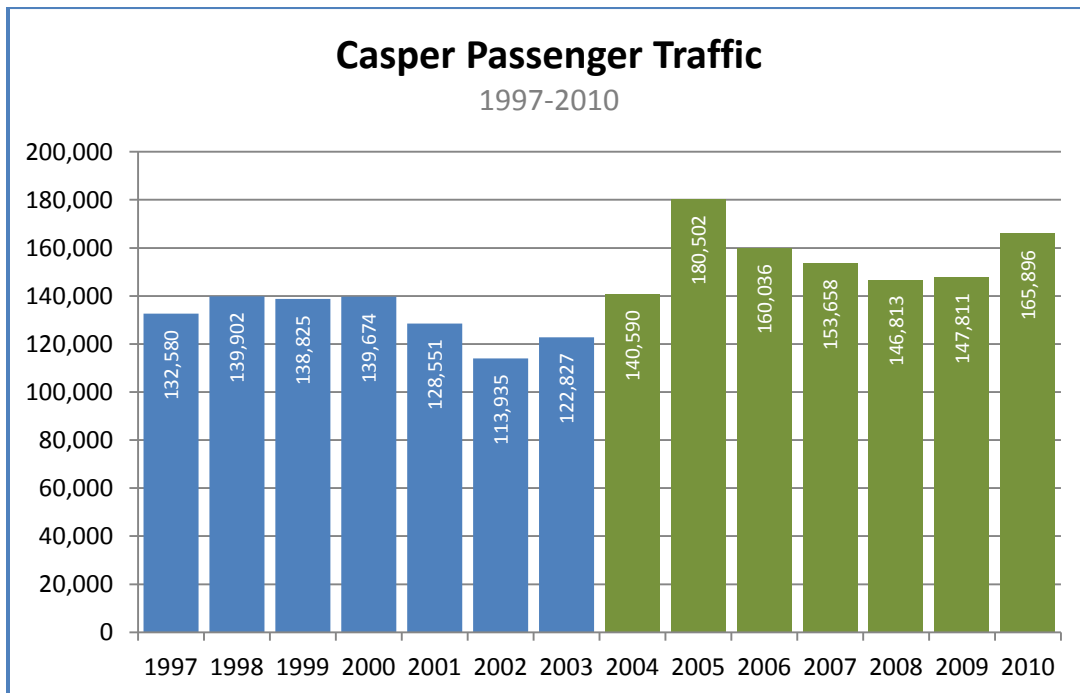
Air Service Enhancement: Direct service to Minneapolis (2004 - 2009), Chicago (2008) and Las Vegas (2009-current) (marketing support only)

Frequency:	Chicago—one daily roundtrip Minneapolis—two daily roundtrip Las Vegas—two flights weekly
Capacity August 2003:	2,557 weekly seats
Capacity August 2010:	2,600 weekly seats

Total State support to date:	\$2,012,919
Total community support to date:	<u>\$ 469,392</u>
Total combined support:	\$2,482,311

Total reallocated State funds due to positive results of the air service enhancement:	\$ 166,480
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Total incremental revenue:	\$ 518,000
Total incremental economic dollars filtered through the airport:	\$ 20,857,386



**Source Wyoming Department of Transportation, Aeronautics Division

Casper Passenger Traffic is up 35% since the Air Service Enhancement Program began in 2004.



- Jet service from Casper to Minneapolis was altered in late 2008 when oil rose to nearly \$4.00 per gallon. Northwest changed Casper's schedule and eliminated the morning flight and from that point forward the airport experienced declining passenger demand.
- Chicago service began when oil prices reached an all-time high. The airline pulled out of the market after 4 months of service.

Combined added revenue since enhancement began:

Incremental Airport Revenues in 2007	=	\$ 36,000
Incremental Airport Revenues in 2008	=	\$152,000
Incremental Airport Revenues in 2009	=	\$148,000
Incremental Airport Revenues in 2010	=	<u>\$182,000</u>
Total	=	\$518,000

Incremental economic dollars filtered through the airport:

45%	approximate percentage of visitors to Casper
235,517	new passengers segments since 2003
52,991	new passengers to CPR since start of ASE Program in 2004 (45% of total / 2 segments)
4.8	average length of stay (in days) state-wide for airline passengers
\$82	average spend per day during trip to Wyoming
\$20,857,386	incremental economic dollars filtered through the airport



Cody/Yellowstone Regional Airport

Summary:

Air Service Enhancement: Direct service to Denver, CO and Salt Lake City

Frequency:

Capacity August 2003: 877 weekly seats

Capacity August 2010: 1,190 weekly seats

Total State support to date: \$1,816,461

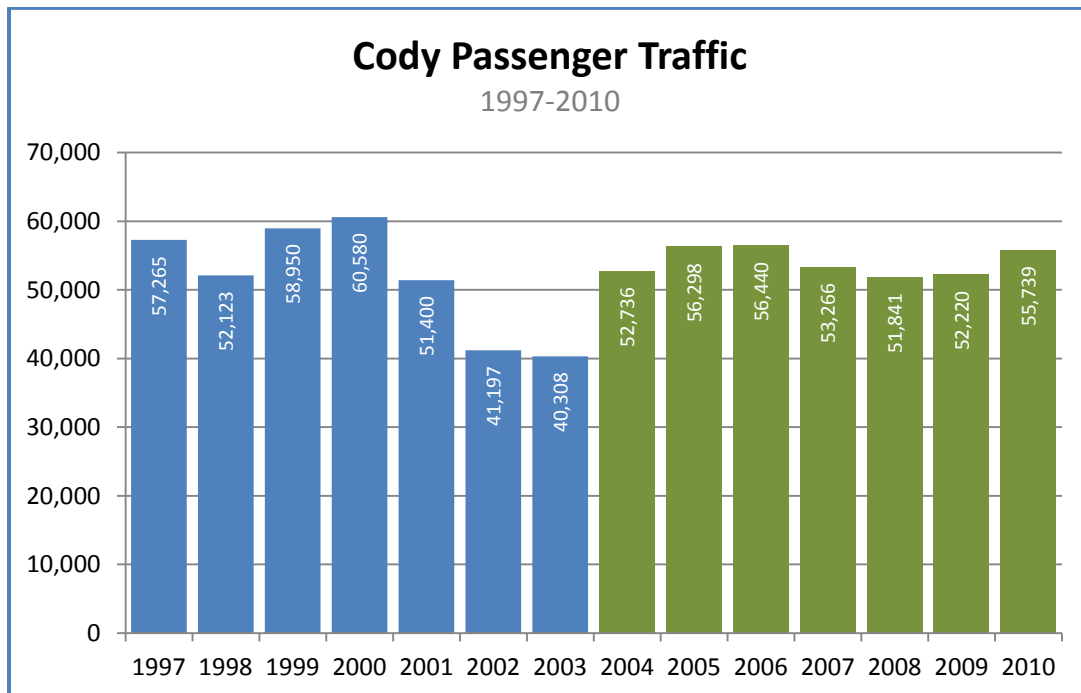
Total community support to date: \$ 396,911

Total combined support: \$2,213,372

Total reallocated State funds due to positive results of the air service enhancement \$1,718,949

Total incremental revenue: \$ 587,382

Total incremental economic dollars filtered through the airport: \$ 12,139,758



**Source Wyoming Department of Transportation, Aeronautics Division

Cody’s airport traffic is up approximately 28% since 2003 - - the year prior to the creation of the Air Service Enhancement Program.

- In July, SkyWest Airlines announced their intent to leave the Cody-Salt Lake City market in September, 2011. SkyWest’s decision to vacate the market is based on both high fuel prices as well as their desire to phase out of the Brasilia fleet (operationally expensive) – the aircraft currently serving the market today.



- The Aeronautics Division along with Cody are working with SkyWest to stay in the market and working to adjust their capacity offer to Salt Lake City on a seasonal basis by operating less frequency in the slower winter months.

Combined added revenue since enhancement began:

Incremental Airport Revenues in 2004	=	\$ (1,993)
Incremental Airport Revenues in 2005	=	\$ 46,834
Incremental Airport Revenues in 2006	=	\$ 32,294
Incremental Airport Revenues in 2007	=	\$ 70,119
Incremental Airport Revenues in 2008	=	\$142,164
Incremental Airport Revenues in 2009	=	\$163,203
Incremental Airport Revenues in 2010	=	<u>\$134,761</u>
Total	=	\$587,382

Incremental economic dollars filtered through the airport:

64%	approximate percentage of visitors to Cody
96,384	new passengers segments since 2003
30,843	new passengers to COD since start of ASE Program in 2004 (64% of total / 2 segments)
4.8	average length of stay (in days) state-wide for airline passengers
\$82	average spend per day during trip to Wyoming
\$12,139,758	incremental economic dollars filtered through the airport



Gillette-Campbell County Airport

Summary:

Air Service Enhancement: Direct service to Salt Lake City, UT.

Frequency:

2 flights daily

Capacity August 2003:

969 weekly seats

Capacity August 2010:

1,505 weekly seats

Total State support to date:

\$ 2,436,468

Total community support to date:

\$ 636,632

Total combined support:

\$ 3,073,100

Total reallocated State funds due to positive results of the air service enhancement

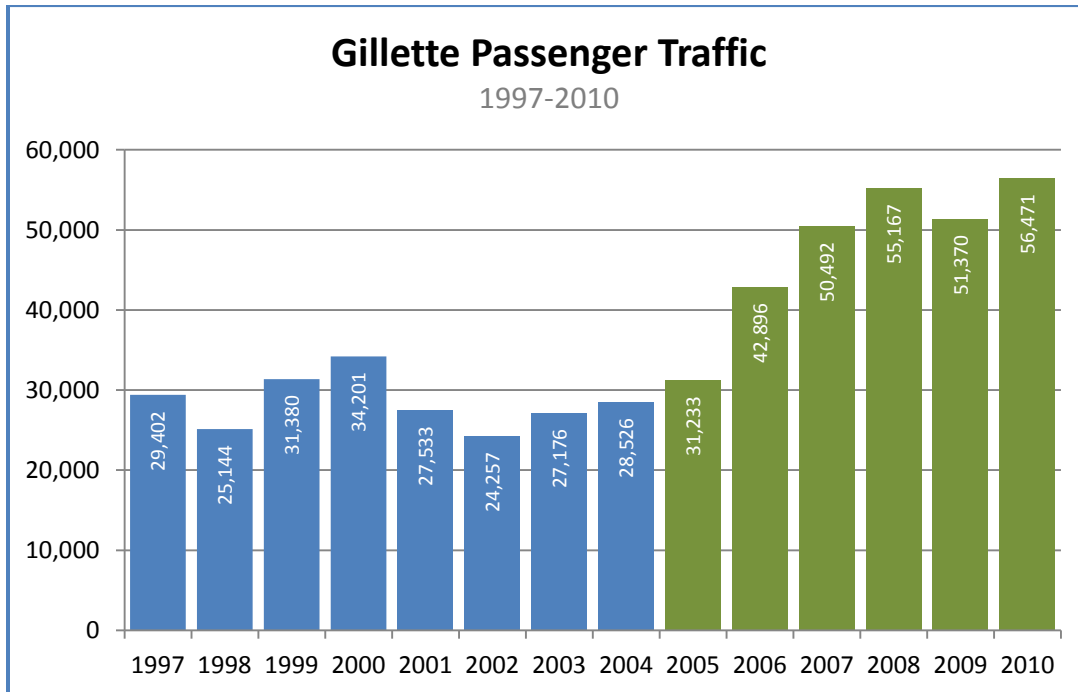
\$ 216,516

Total incremental revenue:

\$ 770,053

Total incremental economic dollars filtered through the airport:

\$ 20,857,386



**Source Wyoming Department of Transportation, Aeronautics Division

Gillette’s traffic has nearly doubled from levels achieved in 2004 – the year before they first took advantage of the Air Service Enhancement Program.

Combined added revenue since enhancement began:

Incremental Airport Revenues in 2005 = \$89,182

Incremental Airport Revenues in 2006 = \$84,508



Incremental Airport Revenues in 2007	=	\$ 66,506
Incremental Airport Revenues in 2008	=	\$193,783
Incremental Airport Revenues in 2009	=	\$129,445
Incremental Airport Revenues in 2010	=	<u>\$206,629</u>
Total	=	\$770,053

Incremental economic dollars filtered through the airport:

52%	approximate percentage of visitors to Gillette
116,473	new passengers segments since 2004
30,283	new passengers to GCC since start of ASE Program in 2005 (52% of total / 2 segments)
4.8	average length of stay (in days) state-wide for airline passengers
\$82	average spend per day during trip to Wyoming
\$11,919,381	incremental economic dollars filtered through the airport



Jackson Hole Airport

Summary:

Air Service Enhancement: Direct service to Denver, Salt Lake City, Dallas, Chicago, Los Angeles, Minneapolis and Atlanta

Frequency: less than daily seasonal services

Capacity August 2003: 11,071 weekly seats

Capacity August 2010: 13,453 weekly seats

Total State support to date: \$1,092,828

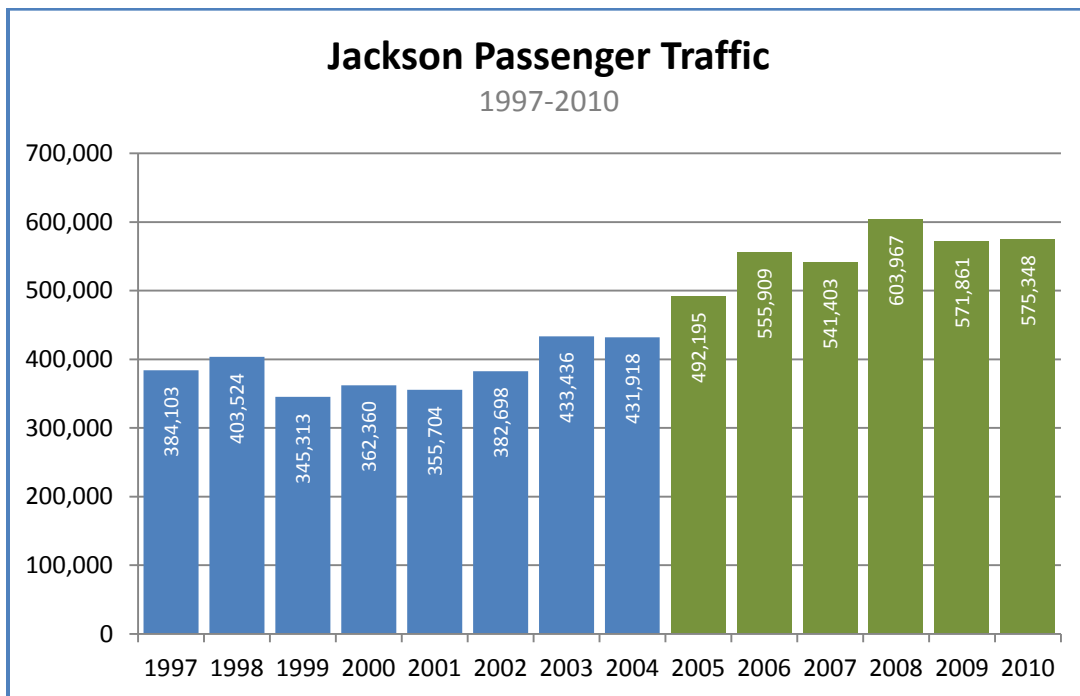
Total community support to date: \$1,092,828

Total combined support: \$2,185,657

Total reallocated State funds due to positive results of the air service enhancement \$232,172

Total incremental revenue: \$ 11.5million

Total incremental economic dollars filtered through the airport: \$135.0million



**Source Wyoming Department of Transportation, Aeronautics Division

Combined added revenue since enhancement began:

Incremental Airport Revenues in 2005 = \$2.096 million

Incremental Airport Revenues in 2006 = \$0.420 million

Incremental Airport Revenues in 2007 = \$2.340 million



Incremental Airport Revenues in 2008	=	\$3.087 million
Incremental Airport Revenues in 2009	=	\$1.060 million
Incremental Airport Revenues in 2010	=	<u>\$2.575 million</u>
Total	=	\$11.578 million

Incremental economic dollars filtered through the airport:

92%	approximate percentage of visitors to Jackson
749,175	new passengers segments in the past 12 months since American began service
344,621	new passengers to JAC since start of new service (92% of total / 2 segments)
4.8	average length of stay (in days) state-wide for airline passengers
\$82	average spend per day during trip to Wyoming
\$135,642,629	incremental economic dollars filtered through the airport

*The same figure for length of stay and average spend was used for all airports. These figures are not representative of the Jackson market, however, for consistency of the report, we kept the figures the same for all airports.



Rock Springs-Sweetwater County Airport

Summary:

Air Service Enhancement: Direct service to Salt Lake City, UT.

Frequency:

2 flights daily

Capacity August 2003:

361 weekly seats

Capacity August 2010:

1,164 weekly seats

Total State support to date: \$2,184,538

Total community support to date: \$ 535,700

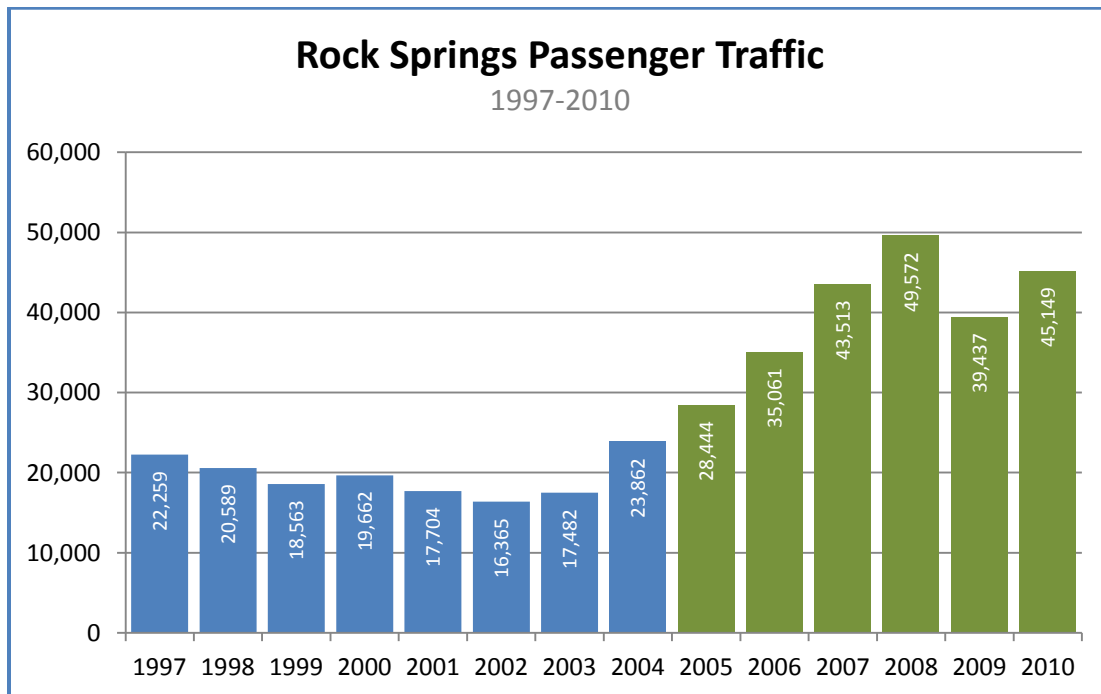
Total combined support: \$2,720,238

Total reallocated State funds due to positive results of the air service enhancement \$ 129,711

Total incremental revenue since 2005: \$1,039,168

Total incremental fuel revenue since 2007 (includes private fuel purchases) \$ 97,757

Total incremental economic dollars filtered through the airport: \$9,643,594



**Source Wyoming Department of Transportation, Aeronautics Division



Combined added revenue since enhancement began (less fuel revenue):

Incremental Airport Revenues in 2005	=	\$ 61,422
Incremental Airport Revenues in 2006	=	\$ 129,303
Incremental Airport Revenues in 2007	=	\$ 192,466
Incremental Airport Revenues in 2008	=	\$ 264,143
Incremental Airport Revenues in 2009	=	\$ 175,636
Incremental Airport Revenues in 2010	=	<u>\$ 216,198</u>
Total	=	\$1,039,168

Incremental economic dollars filtered through the airport:

50%	approximate percentage of visitors to Rock Springs
98,004	new passengers segments since 2004
24,501	new passengers to RKS since start of ASE Program in 2005 (50% of total / 2 segments)
4.8	average length of stay (in days) state-wide for airline passengers
\$82	average spend per day during trip to Wyoming
\$9,643,594	incremental economic dollars filtered through the airport

Riverton Regional Airport

Incremental economic dollars filtered through the airport:

55%	approximate percentage of visitors to Riverton
29,526	new passengers segments since 2003
8,120	new passengers to RIW since start of new service (55% of total / 2 segments)
4.8	average length of stay (in days) state-wide for airline passengers
\$82	average spend per day during trip to Wyoming
\$3,195,894	incremental economic dollars filtered through the airport

Laramie Regional Airport

Summary:

Air Service Enhancement: Charter Initiative	
Total State support to date:	\$ 186,045
Total community support to date:	<u>\$ 100,000</u>
Total combined support:	\$ 286,045
Total incremental revenue:	\$ 16,000



Wyoming's Air Service Challenges

The key issue in Wyoming is leakage. Leakage is highly influenced by the three factors; price, schedules, and reliability. Areas of concern with service in Wyoming continue to involve high fares/fare restrictions, flight schedules that do not meet consumer needs and lack of reliable service (in some communities). The Aeronautics Division has continued to work to decrease Wyoming's overall leakage. The Aeronautics Commission understands the state's airline challenges and opportunities from analyzing years of passenger data and following trends. The amount of data and level of detail that the Division has is extensive. Having the ability to see this level of passenger data for each community gives the Division the ability to better negotiate with airlines because they "speak their language." Because most of the state's airport activity does not contribute significantly to an airline's total revenue, Wyoming airports are not examined regularly by the airlines. In fact, most of the time, unless the communities and the Division bring issues to the airline, these issues remain unnoticed.

The current combination of increased costs of the turboprop aircraft and fuel escalation challenges the ability for airlines to be self sustaining in many of the Wyoming markets. The Commission recognizes that airlines will likely not be in a healthy position in the near future as previously anticipated if fuel remains at such high levels. Current budget allocations will only support a portion of the Air Service Enhancement Program participants for one full year beyond the 2011/2012 biennium.

Conclusion

The Aeronautics Commission recognizes that several factors contribute to the overall health of air service. However, it is clear that the existence of the ASEP in Wyoming has contributed to the favorable trends currently being experienced in the state. Comparing the statewide statistics to surrounding states and national trends, Wyoming surpasses traffic and capacity trends in most cases. The focus on fares, schedules and reliability through constant communication with the airlines is the critical piece towards continual improvement of air service in the state.

As the airline industry continues to evolve and deal with the challenges of the economy and increasing operational costs (mainly from the aging turboprop fleet and fuel), the Commission will remain diligent in doing its part to continue to improve air service in Wyoming.



Appendix

Cheyenne, Wyoming

Randy Bruns, CEO, Cheyenne LEADS

"Local air service is a question that is asked by virtually EVERY prospect to the community. There were two large data center operators that told us specifically that lack of direct jet service from Cheyenne was the deciding factor in not coming to the community (prior to the arrival of American Eagle)."

Cody, Wyoming

James Klessens, CEO/President, Forward Cody Wyoming, Inc.

"Air service is the main reason that Cody has been able to successfully recruit and hold key businesses in our community. Companies like Marathon Oil, the Wild Sheep Foundation and Eleutian Technology rely heavily on reliable commercial air service. Without it, their business models would suffer."

Rita Lovell, Broker, Canyon Real Estate, LLC

"Next to medical services, air service is the most asked question as to what type of air service we have to and from Cody."

Susan and Ev Diehl, Owners, Chamberlin Inn

"We've been fortunate in years past to attract business groups from outside our state through SkyWest service."

Mary Ann Perkins, Vice President, The Perkins Corporation

"The vibrancy and growth of our economic climate is so critically tied to the SkyWest services to Cody."

Gillette, Wyoming

Ted Blair, Blair Hotels

"We are involved in the hotel business and air service is critical to our business – both from a guest standpoint as well as a corporate standpoint."

Philippe Chino, Executive Director, Campbell County Economic Development Corporation

"If air service did not exist in our community, it would impact all our industries and companies. They would find alternative airports (in our case Rapid City) but it would impact our economy tremendously. As far as recruiting new companies, it would make it much harder."



Laramie, Wyoming

Gaye Stockman, President and CEO, Laramie Economic Development Corporation

"Without question, the availability of commercial air service is critical to the ability of companies in Laramie to carry out their day to day business, but it is also critical to the companies outside the Laramie community to have the ability to fly into our community and conduct business with organizations and institutions such as the University of Wyoming, WyoTech, and City and County Government."

"It is critical not only to the recruitment efforts for potential job creation, but in the retention and expansion of existing business as well. Existing businesses rely on commercial air service to bring in their customers and, at times, potential investors."

"Without air service we would be at a huge disadvantage. The majority of the clients we work with have customers/additional locations, not only in the US, but around the world. One of the first questions we are asked when they call is, "Where is the closest commercial air service?"

