



WYOMING AERONAUTICS COMMISSION

Air Service Enhancement Program & Capacity Purchase Agreement - 2021

Annual Report

Per W.S. Per W.S. §§ 10-3-602(C) & 10-7-104

Wyoming Department of Transportation
Aeronautics Division
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Executive Summary

The effects of COVID-19 continue to be felt across the travel and airline industry nationwide and here in Wyoming. While passenger traffic improved during the summer months at leisure-oriented destinations such as Jackson Hole, numerous other airports around Wyoming remain well below their 2019 levels. Wyoming recovered the highest percentage of passengers when compared to 2019 of any U.S. state due to the significant increase in summer traffic to Jackson Hole. Jackson Hole Airport welcomed three new airlines and nine new non-stop destinations compared to 2019 while total departing flights increased by more than 50% as more passengers sought open-spaces.

The Capacity Purchase Agreement (CPA) helped retain service over the course of the COVID-19 pandemic at airports that would have otherwise lost commercial service. Riverton and Sheridan increased their passenger enplanements as measured by the FAA from 2019 and were the only two airports in the contiguous U.S. to do so. Mineral extraction traffic that is typically abundant in Rock Springs and Gillette has struggled to return to 2019 levels and average fares have dropped in those markets. Through the CPA, COVID-19 related costs were able to be offset with funds from the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act. The use of CARES Act funds mitigated some of the financial exposure the CPA experienced due to the COVID-19 pandemic and allowed local communities to roll over additional funds into grants for future fiscal years in order to continue air service under the CPA.

Industry Trends and COVID-19 Impacts

The effects of the unprecedented scale of the impact of COVID-19 on the travel environment and the subsequent travel restrictions and advisories continue to resonate through the travel industry as professionals struggle to forecast what the future trends might hold. While a number of leisure destinations experienced a record year, overall travel demand remains down and overall fares and yields also remain suppressed. The largest US airline trade organization, Airlines for America, is expecting 2021 traffic to be down 30% compared to 2019 and a full recovery in passenger traffic is not likely until at least 2023 or 2024. Aircraft retirements accelerated across most legacy airlines as they sought to cut costs, reduce aircraft sizes, and mitigate redundancies. Federal relief funds allowed airlines to remain solvent and to better position themselves for the surge of summer traffic over 2021, but with business traffic lagging into the fall and the cyclical nature of leisure demand, it remains to be seen what future airline networks will look like.

Through the summer, Wyoming and its neighboring states have fared relatively better than national averages. Tourist traffic was the first and most predominant traffic to rebound as visitors pursued destinations to the rural Rocky Mountain west.

For more information on the COVID-19 impacts to the airline industry, please refer to the appendix for an analysis by Mead and Hunt.

Air Service Enhancement Program

Enclosed in this report is a summary of Air Service Enhancement Program (ASEP) expenditures for fiscal year 2021, as well as an accompanying synopsis of each project. Two communities received and expended funds in FY2021; Cheyenne and Jackson. Cody received a grant for seasonal service to Chicago starting July 2021 and ending in September which will be reported on once results are received.

Fiscal Year 2021 ASEP Grants

With the transition of Gillette, Riverton, Rock Springs and Sheridan to the Capacity Purchase Agreement (CPA), there were two grants that took place during FY 2021. One for Jackson Hole Airport and one for Cheyenne Regional Airport.

Cheyenne Regional Airport (CYS)

Synopsis: Due to the ongoing effects of COVID-19 as well as limitations to pilot scope clauses, service to Dallas / Ft. Worth (DFW) on American Airlines operated by SkyWest was suspended and service to Denver Intl. Airport (DEN) began November 11th, 2020 and continued through April 14th, 2021 to accommodate runway reconstruction over the summer. Service was originally scheduled to be reinstated in July of 2021 but is now scheduled to begin in November due to construction delays. Service to Denver enables the airport to: (1) Keep aircraft resources dedicated to Cheyenne that might not otherwise be available later; and (2) Retain TSA screening services that would otherwise be discontinued.

FY 2021	Cheyenne Regional Airport (CYS) UA
Airline	United Express Operated by SkyWest
Original Term	November 11, 2020 - May 31st, 2021
Amended Term	November 11, 2020 - April 14th, 2021
State Percent Match	60%
State Grant	\$ 527,551.00
State Dollars Expended	\$(313,345.00)
State Dollars Recovered	\$214,206.00
Local Dollar Match	\$ 351,701.00
Local Dollar Percentage Match	40%
Passengers	3,984
State Cost/Passenger	\$78.65

Table 1- Cheyenne ASEP FY 2021

Jackson Hole Airport (JAC)

Synopsis: Jackson Hole Air Improvement Resources received two ASEP grants for FY 2021. One to continue service to Dallas Ft. Worth (DFW) on American Airlines and the other to continue service on Delta Airlines to Atlanta-Hartsfield Intl. Airport (ATL). Due to the continued suppression of passenger traffic as well as a lower than expected average fare, the entirety of both grants were expended for the fiscal year.

FY 2021	Jackson Hole Airport (JAC)	Jackson Hole Airport (JAC)
Airline	American Airlines	Delta Airlines
Original Term	December 18th, 2020 - April 6th, 2020	December 18th, 2020 - April 6th, 2020
Amended Term	December 18th, 2020 - March, 25, 2020	December 18th, 2020 - March, 25, 2020
State Percent Match	40%	40%
State Grant	\$350,000.00	\$150,000.00
State Dollars Expended	\$(350,000.00)	\$(150,000.00)
State Dollars Recovered	-	-
Local Dollar Match	\$525,000.00	\$225,000.00
Local Dollar Percentage Match	60%	60%
Passengers	44,476	21,388
State Cost/Passenger	\$7.87	\$ 7.01

Table 2- Jackson Hole ASEP FY 2021

Capacity Purchase Agreement (CPA) Grants and Status

Fiscal year 2021 was the first complete fiscal year of service for the four airports participating under the CPA with service on United Express operated by SkyWest: at Rock Springs – Southwest Wyoming Regional Airport (RKS), Gillette – Northeastern Wyoming Regional Airport (GCC), Sheridan County Airport (SHR) and Riverton – Central Wyoming Regional Airport (RIW). With continued travel advisories, the CPA continues to work largely as intended, delivering more passengers through Wyoming airports while reducing the cost per passenger. The CPA helped retain commercial service at Wyoming airports that would have otherwise most likely been lost over the course of the pandemic. In Riverton and Sheridan combined, the total passenger numbers for FY2021 were up 57% compared to FY2019. For the 2020 calendar year, Sheridan and Riverton were two of the only two airports in the contiguous U.S. to gain passenger enplanements as measured by the FAA when compared to 2019. In June and July of 2021, both Sheridan and Riverton had their best month on record. As of mid-September, Riverton passed 10,000 enplanements for the first time since 2003, which will enable them to receive an additional \$850,000 per year in FAA entitlement funds for airport improvement projects.

By having the CPA in place as a state agreement, funds from the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, were able to be used to offset COVID-19 related costs incurred to the agreement which were estimated to be 67% of the total costs incurred under the CPA for 2020. Of the \$4.2 million authorized to be used, \$1,320,039 was returned to the state at the end of calendar year 2020.

CPA FY 2021	Gillette - Northeast Wyoming Regional Airport (GCC)	Riverton - Central Wyoming Regional Airport (RIW)	Rock Springs - Southwest Wyoming Regional Airport (RKS)	Sheridan County Airport (SHR)
Term	July 1, 2020 - June 30, 2021	July 1, 2020 - June 30, 2021	July 1, 2020 - June 30, 2021	July 1, 2020 - June 30, 2021
State Percent Match	60%	60%	60%	60%
State Grant	\$824,089	\$1,047,831	\$765,980	\$1,096,884
State Dollars Expended (With CARES)	-\$506,372	-\$578,451	-\$614,170	-\$596,592
State Dollars Recovered	\$317,718	\$469,380	\$151,810	\$500,292
Local Dollar Match	\$494,454	\$419,132	\$306,392	\$438,754
Local Dollar Percentage Match	40%	40%	40%	40%
Passengers	36,679	20,417	21,445	29,259
State Cost/Passenger	\$13.81	\$28.33	\$28.64	\$20.39

Table 3- Capacity Purchase Agreement (CPA) Expenditures FY 2021

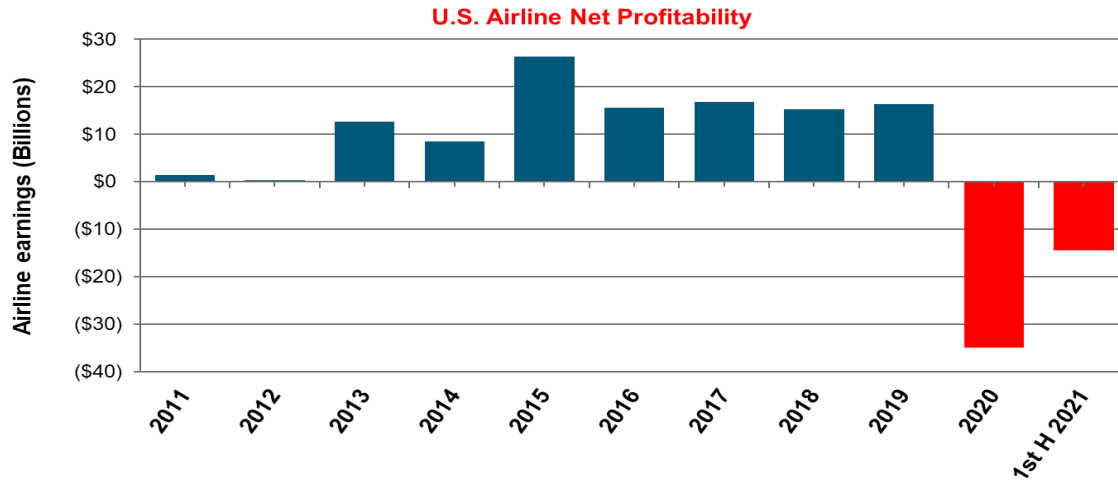
Total Cost Per Passenger		
	FY 2019	FY 2021
Sheridan	\$82.11	\$28.50
Riverton	\$100.52	\$38.33

Table 4 - Cost per Passenger at Sheridan and Riverton since entering CPA

Appendix

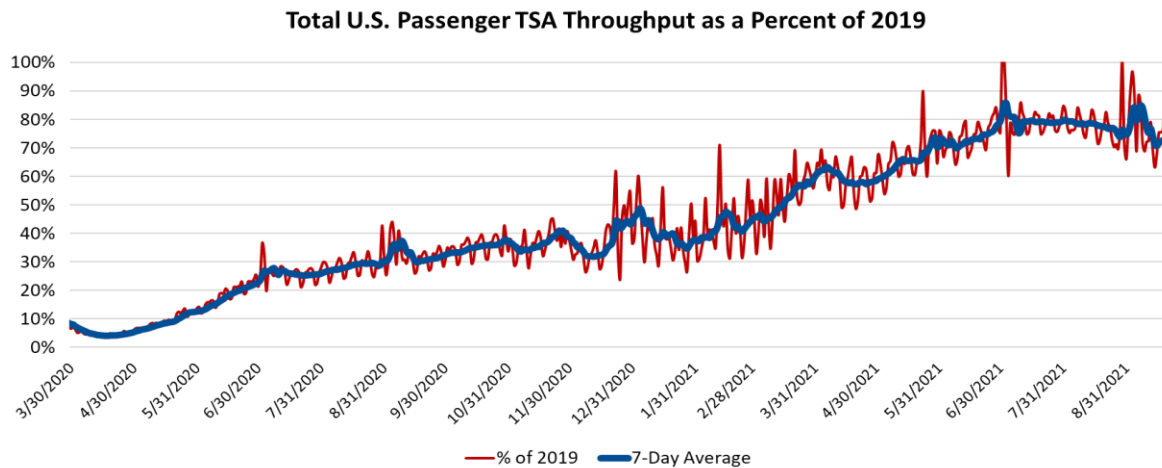
Industry Analysis – Mead and Hunt Air Service Development

September 24th, 2021



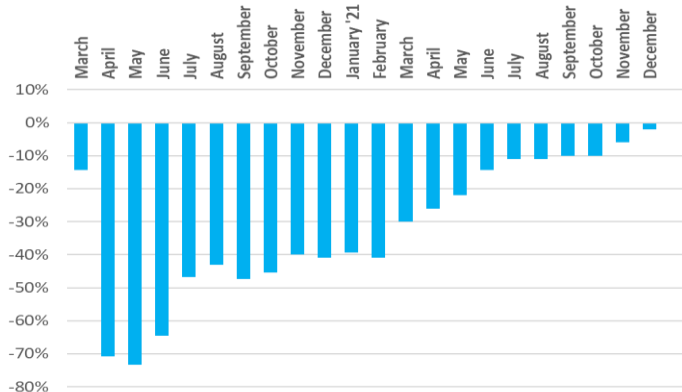
Despite the massive financial losses, the industry did see some encouraging signs of positive momentum.

Slowly, passenger traffic began to pick up starting in the summer of 2020 and accelerating in March of this year. As of June, traffic was back at close to 80% of pre-pandemic levels where it leveled off and has receded somewhat since Labor Day.



Airlines reacted to the recovering traffic levels by bringing back flights and seat capacity.

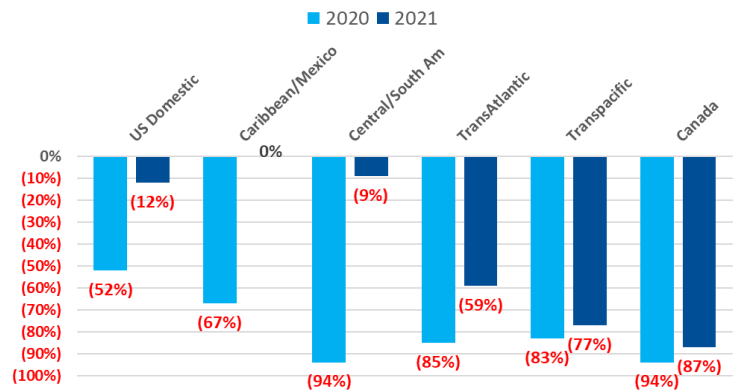
U.S. Domestic Seat Capacity Change vs. 2019 Levels



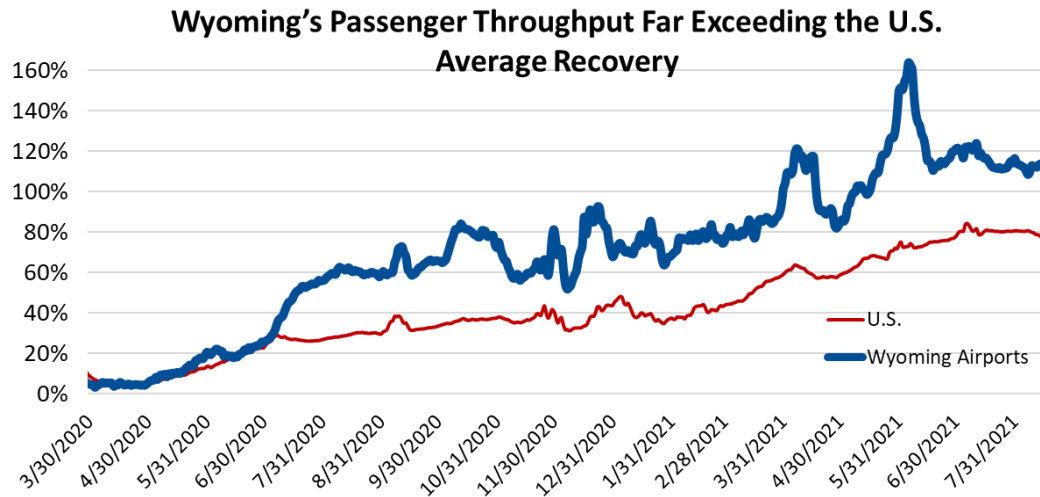
At the beginning of 2021, domestic seat capacity was down 40% from pre-pandemic levels. By summer, domestic capacity was close to 90% of 2019's capacity. In recent weeks, however, capacity restoration has flattened out at that 90% level with only the newer ultra-low-cost airlines leading the way on growth. Recent concerns about booking levels are leading the largest airlines to reconsider the pace of seat restoration.

International recovery was a mixed bag depending on the region. Long-haul international capacity was down over 80% in 2020. Even the relatively close Caribbean and Mexico market was off by two-thirds. In 2021 the Caribbean/Mexico market recovered to pre-pandemic levels while the rest of Latin America closed to less than a 10% decline. The trans-oceanic and Canadian markets were still off dramatically this past summer. The transatlantic showed about a 25 percentage-point recovery, but transpacific and Canada showed little improvement.

U.S. Seat Capacity Change Summer 2020 and 2021 vs. 2019



Interestingly, Wyoming's recovery has fared significantly better than the US on average. Passenger traffic recovery for Wyoming airports has been far ahead of the US average, partially driven by a shift of airline capacity toward mountain leisure-oriented markets but also driven by Wyoming's state and locally funded support for maintaining air service that would likely otherwise have been canceled.

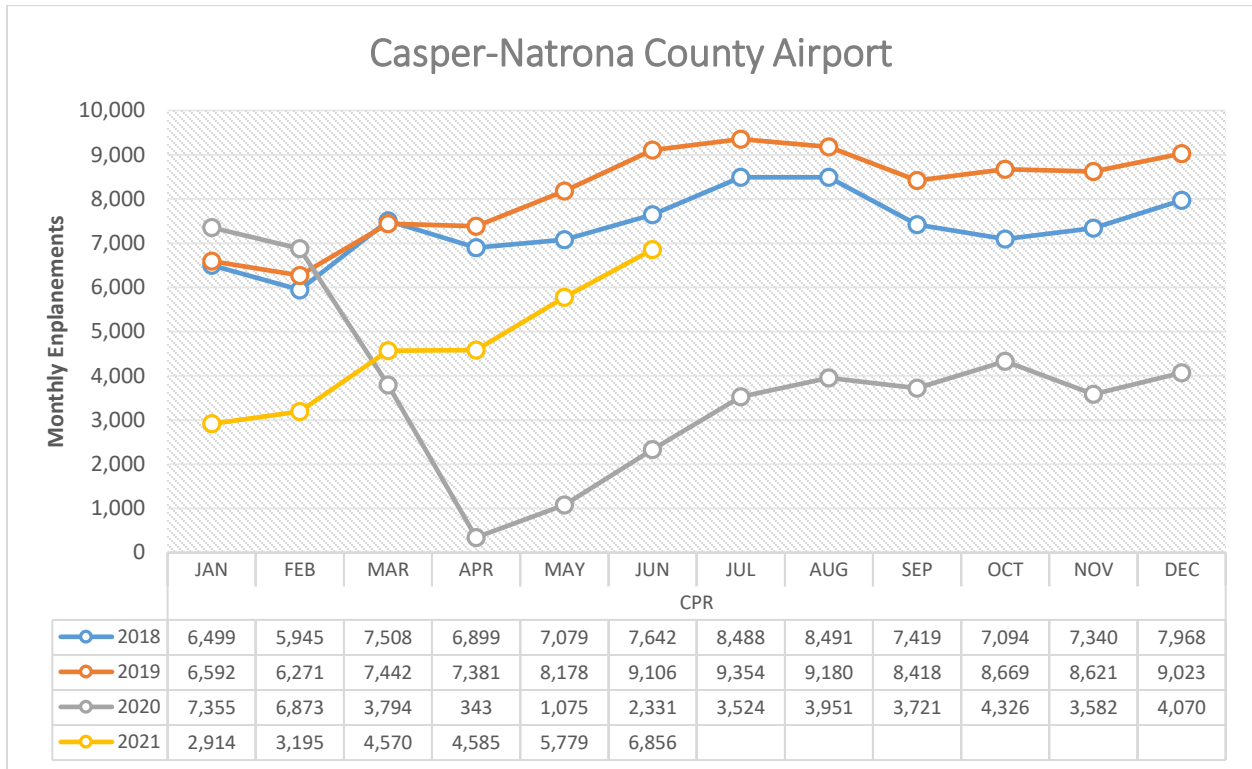


While this trend is encouraging for Wyoming airports, the airline industry still has a very long way to go to regain sustainability. The industry will continue to undergo significant changes in route networks, aircraft fleet and strategic focus as it works its way through the recovery process.

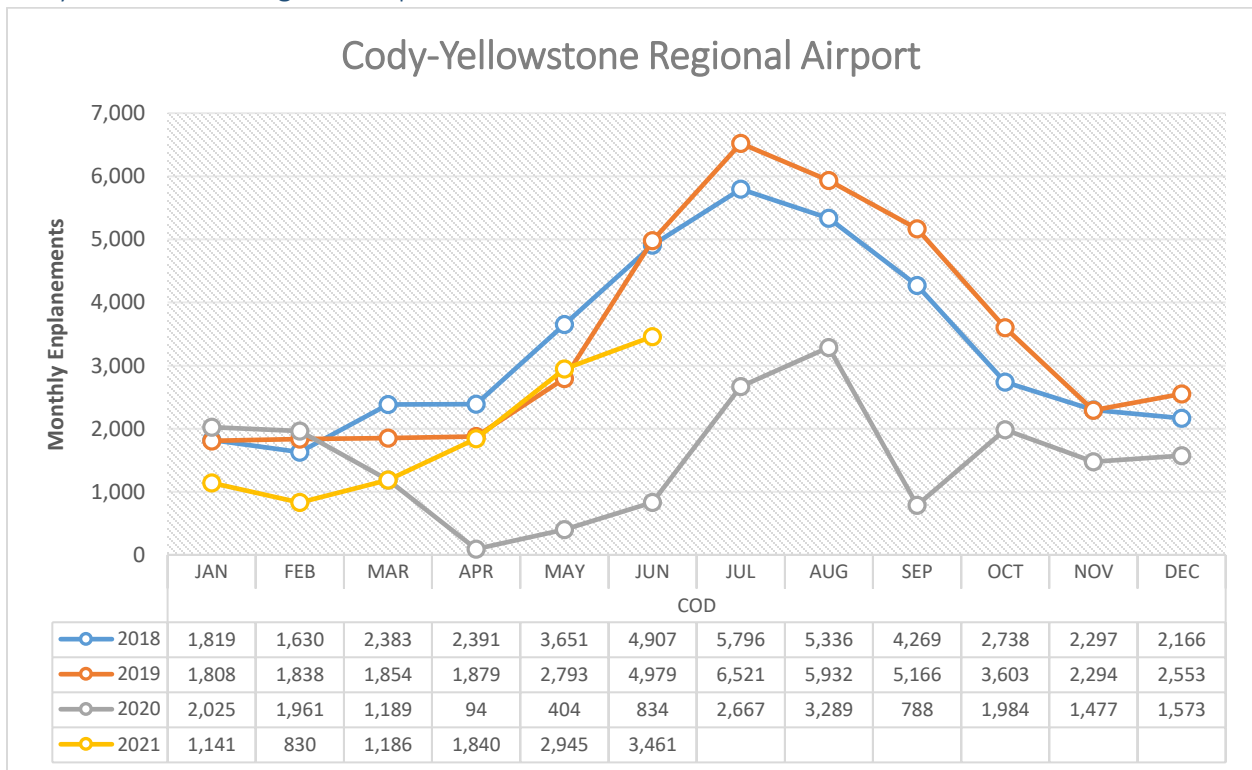
There continue to be some very clear trends in the recovery efforts so far.

- First, because leisure demand came back much faster than business demand, airlines tended to focus capacity in leisure-oriented markets (especially beaches and mountain areas) at the expense of traditional business markets.
- Business traffic which started 2021 at less than 20% of pre-pandemic levels almost doubled from the first quarter to the second quarter.
- Based on this, airlines projected business travel would continue to recover, but as summer ended and cases of the Delta variant of the virus grew, airlines saw a significant weakening of bookings and demand recovery seemed to stall out.
- The Ultra-low-cost airlines like Allegiant, Spirit and Frontier, driven by their leisure focus and low costs, brought capacity back much faster than the traditional airlines with all three ULCC airlines back above pre-pandemic seat capacity levels as of late summer.
- International travel continued as a mixed story with demand to Mexico and the Caribbean rebounding well but travel to other international destinations continuing to suffer.
- Smaller markets in the U.S. continue to struggle to hang on to the limited service they had pre-COVID, and airlines are taking a very close look at whether these markets will be sustainable going forward.

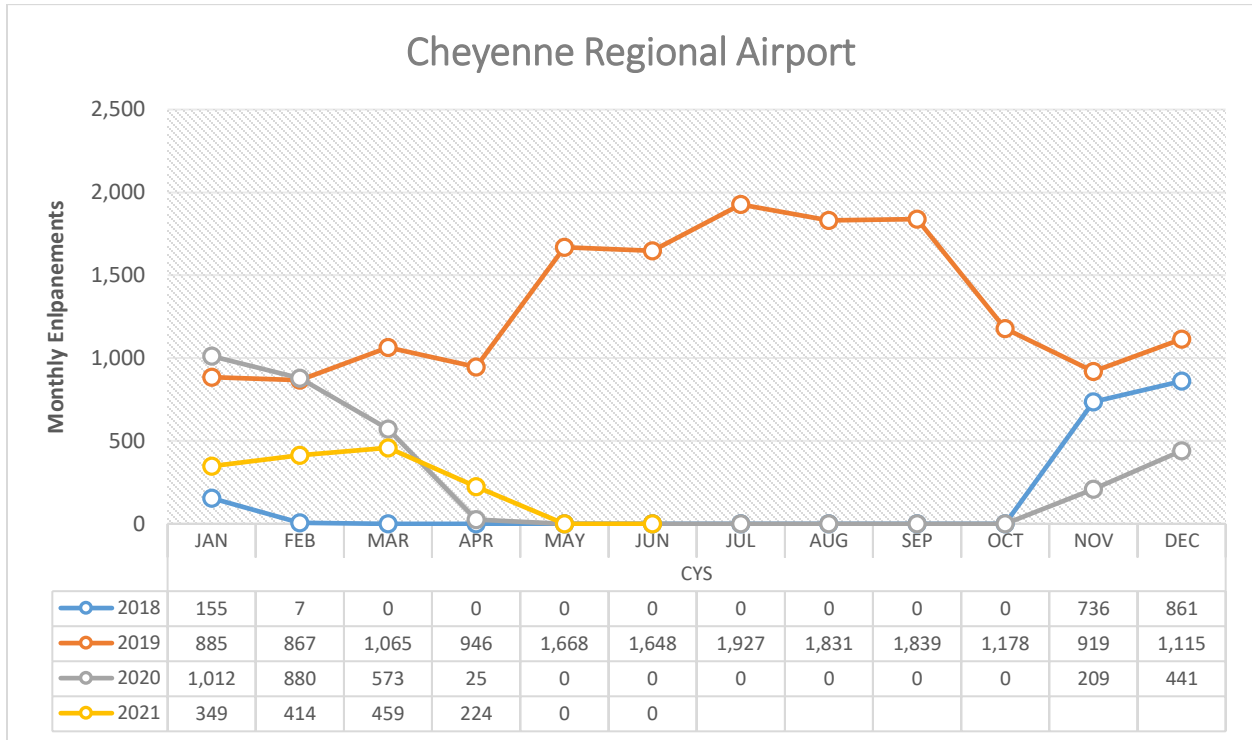
Airport Enplanement Numbers
Casper – Natrona County Airport



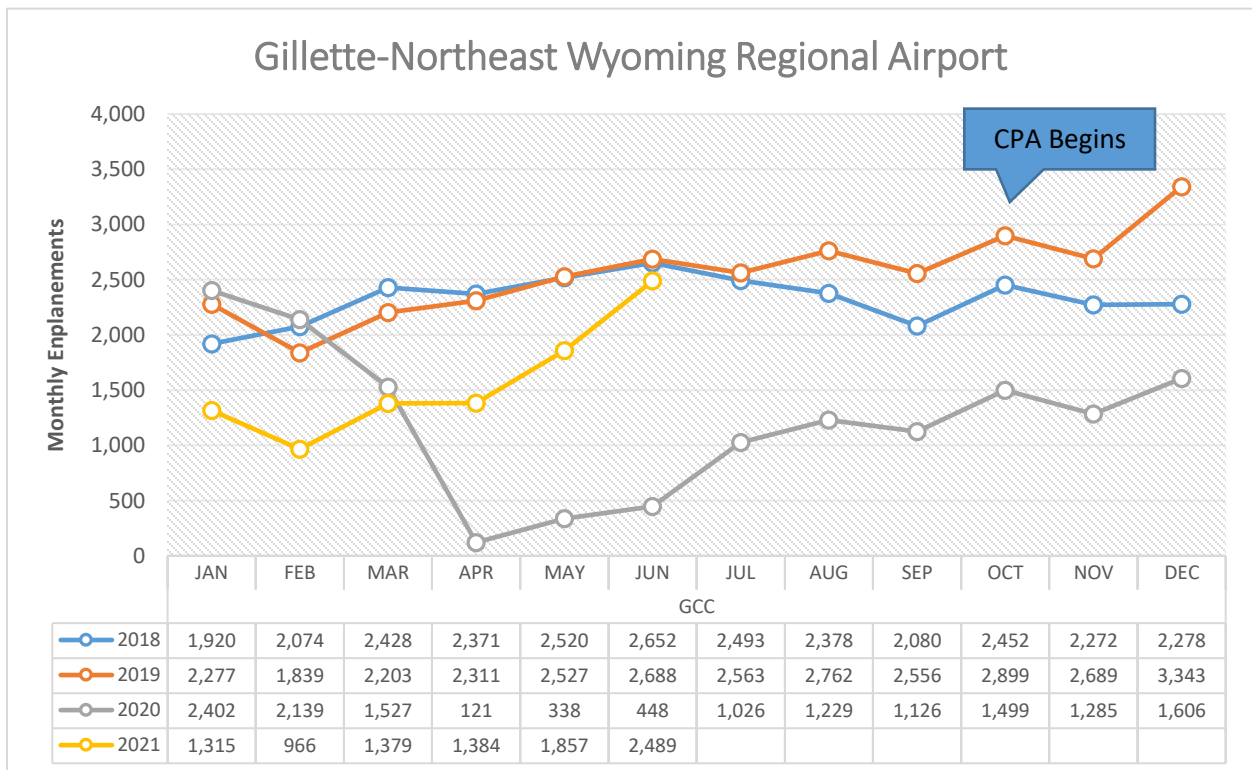
Cody-Yellowstone Regional Airport



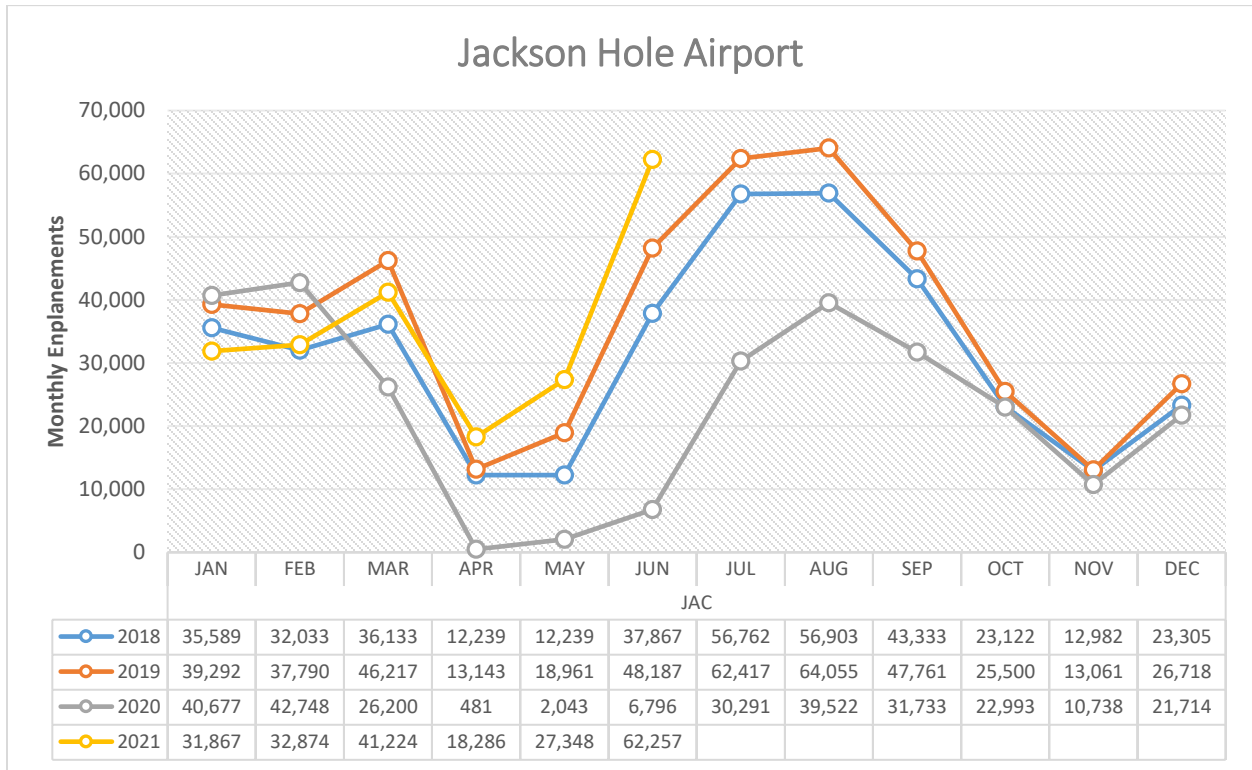
Cheyenne Regional Airport



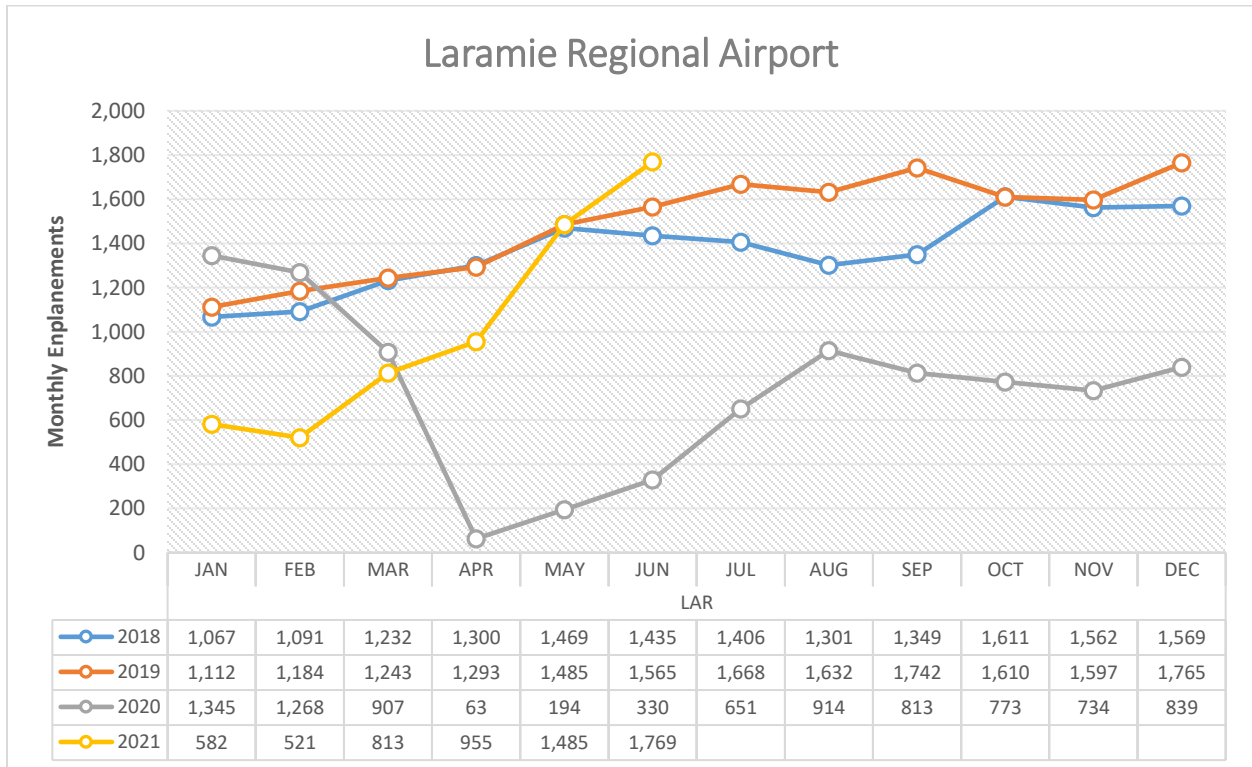
Gillette – Northeast Wyoming Regional Airport



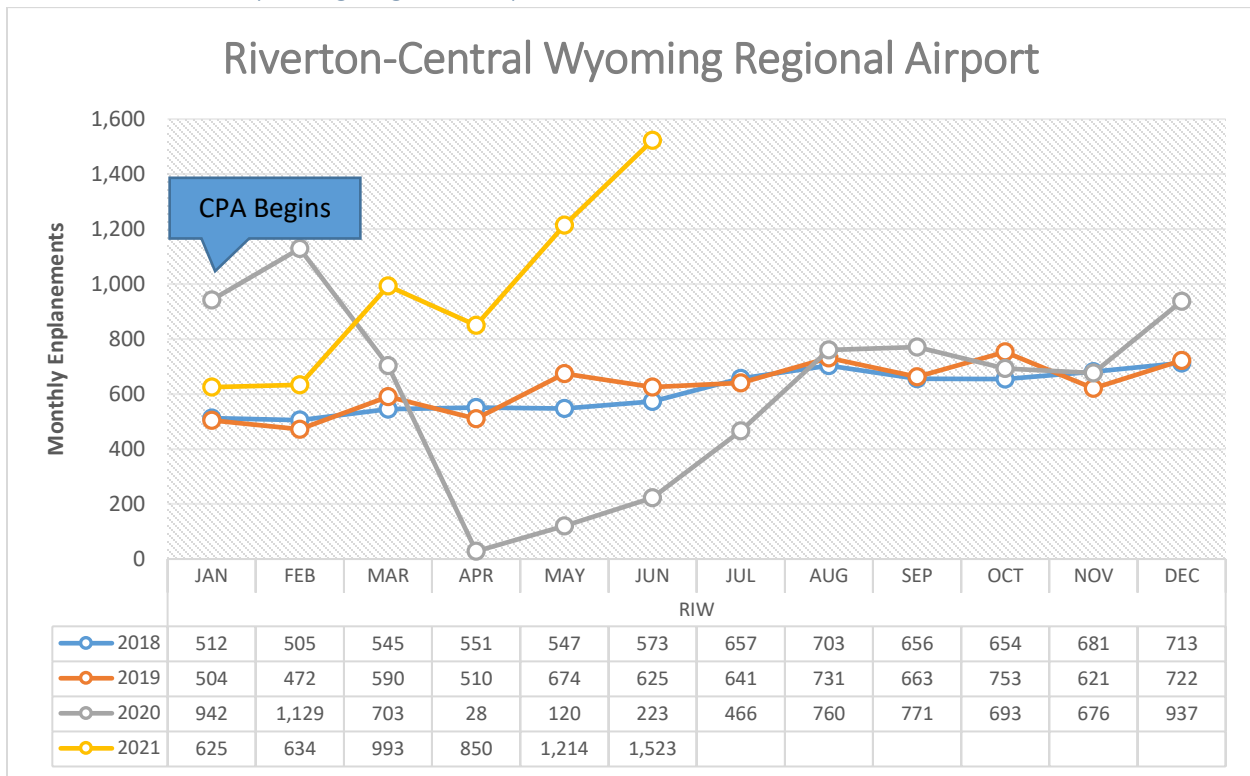
Jackson Hole Airport



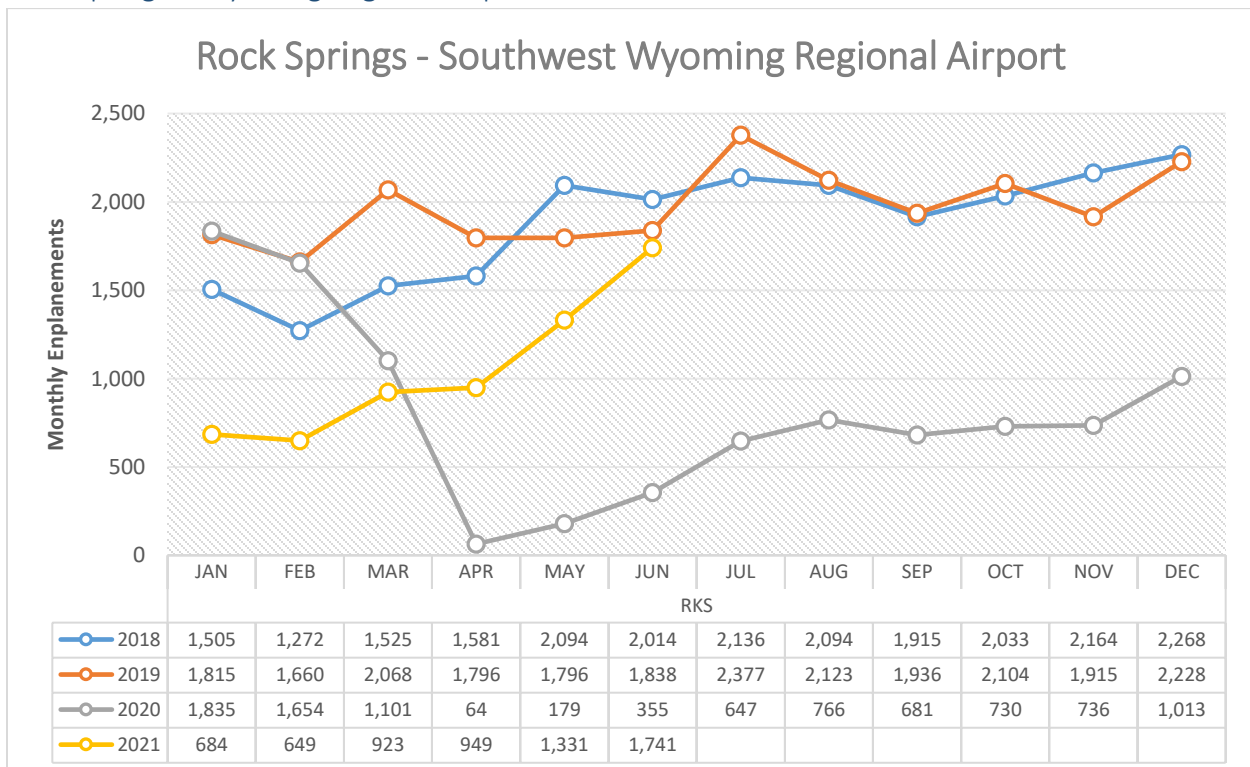
Laramie Regional Airport



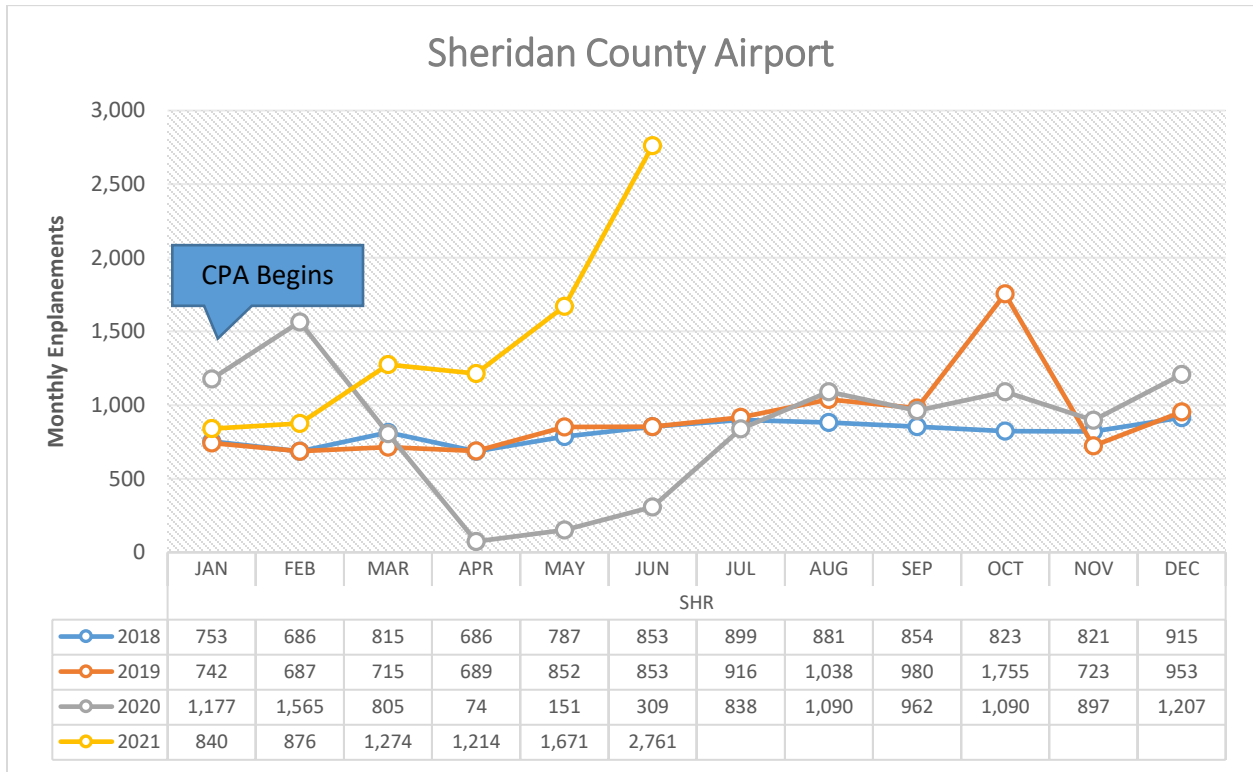
Riverton-Central Wyoming Regional Airport



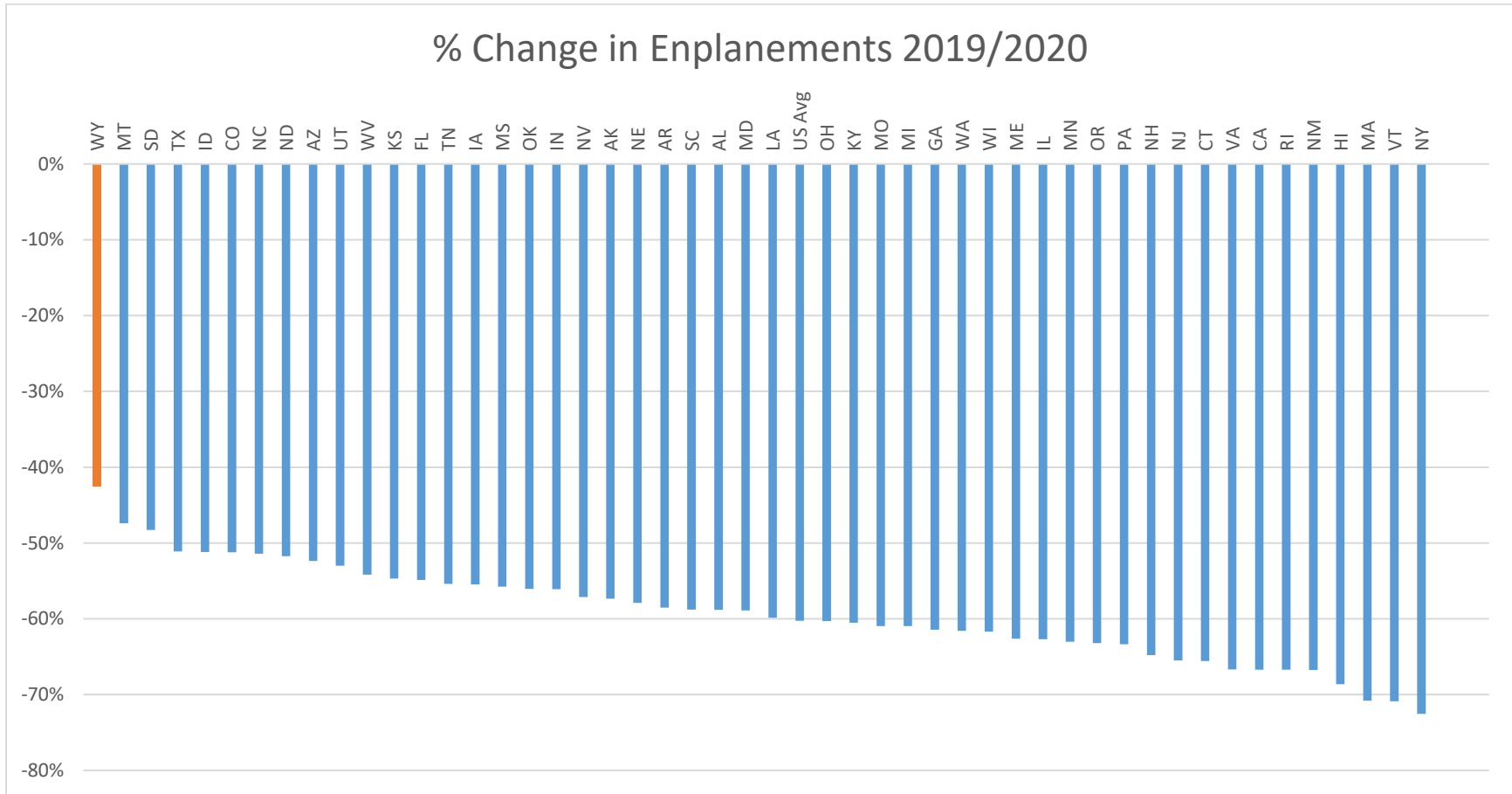
Rock Springs – Wyoming Regional Airport



Sheridan County Airport



Percentage Change Year-over-year of All US States



Source: 2020 FAA Preliminary Enplanements Report

Total Wyoming Passengers

