

# Wyoming Aeronautics Commission Air Service Enhancement Program and Capacity Purchase Agreement

Annual Report - Revised

Wyoming Department of Transportation  
Aeronautics Division  
September 27, 2019

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## Executive Summary

2018 marked a record year for passenger traffic in the state as the state's busiest airport, Jackson Hole, grew more than 10% year over year. Not all Wyoming airports, however, are sharing in the same success. Against the continuing backdrop of a regional pilot shortage, increasing competition for air service, and changing airline industry economics, challenges remain to maintain and grow air service to Wyoming airports into the future. The passage of the Commercial Air Service Improvement Act and subsequent contract award will make significant progress towards stabilizing air service for the most at-risk communities in the state while providing a hedge against industry head winds.

## Recent Industry Shifts that Benefit Wyoming

Strategic shifts in the airline industry during 2018 have provided Wyoming a window of opportunity to enhance its air service. Airlines, in particular United Airlines, have shifted to significantly growing domestic markets and utilizing more regional jet aircraft in smaller markets. United Airlines grew more in 2018 than the entire size of some smaller carriers—adding more than 100,000 flights to their network. Markets formerly served by 19 to 30 seat aircraft, such as those in Wyoming, are now seeing 50-seat jet aircraft alongside record traffic levels at their airports. United has shown significant interest in growing their Denver operation, which grew almost 10% from 2017. Another key to United's growth into smaller domestic markets has been the retention and acquisition of used 50-seat aircraft, which have largely fallen out of favor at other airlines. The increase of 50 set jets is largely due to pilot scope restrictions of their mainline operation, which limits the number of the largest (65- to 79-seat) regional jet aircraft. A lifespan extension to a number of 50-seat jet aircraft has also allowed airlines to retain aircraft longer than originally thought which assisted the retention and prospective growth of service in Wyoming. Three to four years ago, airlines had shown a reluctance to grow into small markets, which only exacerbated problems in Wyoming, in part because of an anticipated reduction in available 50-seat aircraft. An appetite to grow, more 50-seat jet aircraft, and a growing Denver operation are providing many Wyoming communities their first opportunity in a number of years to grow with an established airline.

## Air Service Enhancement Program

Enclosed in this report is a FY 2019 Wyoming Air Service Enhancement Program (ASEP) expenditures summary and an accompanying synopsis of each project. For FY 2019, the ASEP granted \$3,474,564 to six participating communities including the addition of Cheyenne (CYS), which began service to Dallas/Ft. Worth (DFW) in November 2018. There are fewer anticipated project recoveries for this fiscal year for a variety of reasons including higher than forecasted fuel, lower than forecasted revenue in Sheridan (SHR) and Riverton (RIW), and the Rock Springs/Southwest Wyoming Regional Airport's (RKS) grant extension through September 30, 2019, in order to transition to the Capacity Purchase Agreement (CPA). An additional \$1.2 million was also granted to Sheridan and Riverton for service through January 10, 2020, before transitioning to the CPA.

## Capacity Purchase Agreement

A report on the status of the Commercial Air Service Improvement Act of 2018 and the Capacity Purchase Agreement (CPA) are also included in this report. The CPA will serve as the future air service funding mechanism for Gillette (GCC), Rock Springs (RKS), Riverton (RIW), and Sheridan (SHR) for service to Denver Intl (DEN). A contract with SkyWest Airlines was awarded by the Wyoming Aeronautics Commission and signed June 26, 2019. Gillette and Rock Springs will transition to the CPA from an at-risk

and ASEP market respectively beginning October 1, 2019. Gillette will gain an additional third flight on peak days, and Rock Springs will gain an additional third daily flight for the summer of 2020. Riverton and Sheridan will transition from Denver Air Connection to United Express, operated by SkyWest January 11, 2020. For similar estimated costs (compared to current costs) Riverton is expected to see passenger levels nearly double to 14,000 annual enplanements while Sheridan is expected to increase 60% to 16,000 annually, which will improve the state's return on investment in each of those communities.

## ASEP Expenditure Summary

Fiscal Year 2019

FY 2019	Cody (COD) <sup>1</sup>	Cheyenne (CYS) <sup>2</sup>	Jackson (JAC) <sup>3</sup>	Riverton (RIW) <sup>4</sup>	Rock Springs (RKS) <sup>5</sup>	Sheridan (SHR) <sup>6</sup>
State Dollars Granted	\$134,400	\$580,000	\$180,000	\$931,937	\$716,290	\$931,937
State Dollars Expended	-	\$500,927	\$180,000	\$935,260	\$572,568	\$935,260
State Dollars Recovered	-	\$0	\$0	\$0	\$143,722	\$0
State Percentage Share	40.0%	27.2%	40.0%	60.0%	60.0%	60.0%
Local Dollar Match	\$192,000	\$1,565,673	\$270,000	\$621,291	\$477,527	\$621,291
Local Percentage Match	60.0%	72.8%	60.0%	40.0%	40.0%	40.0%
Total Guarantee	\$320,000	\$2,145,673	\$450,000	\$1,553,228	\$1,193,817	\$1,553,228
Passengers	-	17,421	34,216	14,872	47,210	18,207

<sup>1</sup> Cody (COD) received \$128,000 for summer seasonal service Chicago O'Hare (ORD). Performance figures have not been finalized.

<sup>2</sup> Figures for Cheyenne (CYS) are from November 4 -June 30. The contract is still in its first year as flights are scheduled through November 3, 2019. Staff anticipates the entirety of the grant will be used.

<sup>3</sup> Jackson (JAC) was originally granted \$250,000 but was able to reduce their grant request to \$180,000.

<sup>4</sup> Riverton (RIW) (and Sheridan) were originally granted \$896,936 each for fiscal year 2019; their grant was amended in January to 1) Provide additional funds to operate through FY2019 2) Extend through January 11, 2019. Approximately \$335,000 each was allotted for operations through the remainder of FY 2019.

<sup>5</sup> Rock Springs' (RKS) grant was extended for no additional cost to the MRG from ending June 30, 2019, to end September 30, 2019, in time for the CPA to take effect Oct 1, 2019.

<sup>6</sup> Sheridan (SHR) (like Riverton) was originally granted \$896,936 each for fiscal year 2019; their grant was amended in January to 1) Provide additional funds to operate through FY2019 2) Extend through January 11, 2019. Approximately \$335,000 each was allotted for operations through the remainder of FY 2019.

## Fiscal Year 2019 ASEP Grants

### Cody-Yellowstone Regional Airport (COD)

Scope: Weekly summer seasonal service to Chicago-O'Hare Intl on United Express

Category: Growth service

Term: June 22 – September 29, 2019

Status: Ongoing

Funding:

	\$	%
STATE	\$134,400	40%
LOCAL	\$201,600	60%
TOTAL	\$336,000	100%

Synopsis: United Express will operate 15 weekly roundtrips to Chicago O'Hare over the summer season. This flight should produce at least an additional 1,600 passengers to the airport. The project is still ongoing.

### Cheyenne Regional Airport (CYS)

Scope: Daily to twice-daily flights to Dallas/Ft. Worth Intl (DFW) on American Eagle operated by SkyWest

Category: Critical service

Term: November 4, 2018 – November 3, 2019

Status: Ongoing

Funding:

	\$	%
STATE	\$580,000	27%
LOCAL	\$1,565,673	73%
TOTAL	\$2,145,673	100%

Synopsis: American Eagle (operated by SkyWest) began service with one daily flight on November 4, 2018. A second flight began in May and will continue through October 3. Through July 31, the service has served more than 21,000 passengers, and the airport passed 10,000 enplanements in early August—the first time since 2013. No project recoveries are expected from this project.

## Fiscal Year 2019 ASEP Grants

### Jackson Hole (JAC)

Scope: Additional winter seasonal service to Dallas/Ft. Worth Intl (DFW) on American Airlines

Category: Growth Service

Term: December 2018 – April 2019

Status: Closed

Funding:

	\$	%
STATE	\$180,000	40%
LOCAL	\$270,000	60%
TOTAL	\$450,000	100%

Synopsis: This was the lowest grant request from the local sponsor in five years down from the originally granted \$250,000. The service took place over the winter season to enhance American Airlines' presence at the airport. The service provided an estimated 34,200 passengers over the course of the project. This was the lowest cost per passenger to the state of all ASEP projects to date.

### Riverton Regional Airport (RIW)

Scope: Daily service to Denver Intl. (DEN) shared with Sheridan County Airport (SHR) airport on Denver Air Connection (DAC). Frequencies vary by day and season.

Category: Critical service

Term: July 1, 2018 – January 11, 2020

Status: Ongoing

Funding:

	Original Grant		Grant Amendment and Extension*		
	\$	%	\$	%	
STATE	\$596,937	60%	STATE	\$935,000	60%
LOCAL	\$397,958	40%	LOCAL	\$623,334	40%
TOTAL	\$994,895	100%	TOTAL	\$1,558,334	100%

\*Apprx. \$335,000 to continue service through FY 2019 and \$600,00 through Jan 11, 2020

Synopsis: Originally granted \$596,937 in state funds, the DAC service to RIW and SHR faced headwinds of higher than anticipated fuel and lower realized revenue. Unlike typical guarantee agreements, the DAC contract did not have capped exposure as the revenue risk is born by the local sponsor and the state. An additional \$935,000 was granted in order to continue service through the fiscal year and extend through January 11, 2020, at which point United Express (operated by SkyWest) will begin operations.

## Fiscal Year 2019 ASEP Grants

### Rock Springs/Southwest Wyoming Regional Airport (RKS)

Scope: Twice daily service to Denver Intl. (DEN) on United Express operated by SkyWest.

Category: Critical service

Term: July 1, 2018 – September 30, 2019 (Amended from ending June 30, 2019)

Status: Ongoing

Funding:

	\$	%
STATE	\$716,290	60%
LOCAL	\$477,527	40%
TOTAL	\$1,193,817	100%

Synopsis: Service was originally to last the 2019 fiscal year (July 1, 2018 – June 30, 2019); however, with the transition to service under the CPA, the contract was extended to end September 30, 2019. No additional funds were needed under the extension as the market had performed above expectations.

### Sheridan County Airport (SHR)

Scope: Daily service to Denver Intl. (DEN) shared with Riverton Regional Airport (RIW) airport on Denver Air Connection (DAC). Frequencies vary by day and season.

Category: Critical service

Term: July 1, 2018 – January 11, 2020

Status: Ongoing

Funding:

	Original Grant		Grant Amendment and Extension*		
	\$	%	\$	%	
STATE	\$596,937	60%	STATE	\$935,000	60%
LOCAL	\$397,958	40%	LOCAL	\$623,334	40%
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## Capacity Purchase Agreement

### Background

The Commercial Air Service Improvement Act of 2018 (Senate Enrolled Act 40) created the Commercial Air Service Improvement Council to develop a long-term plan for improving air service in Wyoming. The council determined pursuing a CPA for “critical need” airports and preserving the ASEP for growth airports was the best course of action. The council developed a Request for Proposals (RFP) for airline service to Gillette, Riverton, Rock Springs, and Sheridan. The council also developed and approved a score sheet to use for evaluating bids.

The commercial airline selection committee, assembled for the purpose of down-selecting an airline under the Commercial Air Service Improvement Act of 2018, met April 1 - 2, 2019. The committee met for a final discussion concerning the selection of an airline that would best fulfill the RFP requirements for airline services and accomplish the plan set out by the Commercial Air Service Improvement Council created in early 2018. Understanding the sensitivities of the selection, a committee was comprised of stakeholders from across the state—a first for WYDOT procurement services. In adhering to the policy of having subject matter experts serve in the process, the committee was comprised of one WYDOT staff member, two Wyoming Aeronautics Commission members who both served on the Air Service Improvement Council, an air service expert consultant, the president of the Wyoming Airport Operators Association, and the chairman and vice chairman of the Commercial Air Service Improvement Council appointed by former Governor Mead.

### Selection

After first independently scoring and then hearing in-person presentations from both airlines, the committee decided that SkyWest Airlines best fulfilled the RFP requirements and would accomplish the Commercial Air Service Improvement Council’s vision for all airports listed in the RFP. The committee believed SkyWest offered a superior and more complete RFP reply and more service attributes that would lend to an increase in passenger ridership.

### Negotiations and Contracting

WYDOT Aeronautics staff alongside a representative from the participating communities met with SkyWest in May to discuss schedule options. SkyWest then provided schedule and cost options based on their feedback. Staff continued to work with SkyWest and the Wyoming Attorney General’s office to incorporate the Air Service Improvement Council’s core recommendations into the agreement. The items addressed are:

### Schedules

The contract specifies an early morning arrival (up to 8:30AM) for each community at the hub airport. It also specifies the airline must work with its mainline partners and hub airports to ensure sufficient gate access to accommodate this agreement and to provide a well-connected schedule. SkyWest worked with United to secure gate space under this agreement at Denver.

### On-time Performance and Reliability

The contract provides that SkyWest must operate flights with *at least* industry standard reliability and on-time performance and specifies the airline will take measures to improve performance should they

fall below par. If on-time performance continues to lag for three consecutive months, then WYDOT and the communities will not be responsible for the financial reimbursement of a delayed flight. If reliability falls below par for three consecutive months, then WYDOT will be reimbursed the average block hour costs for that cancelled flight.

#### Fares

This agreement specifies that WYDOT and its communities may have influence over local fare pricing (Wyoming to hub airport) and revenue management practices. The airline will also convey information and community comments to its mainline partners concerning beyond hub pricing. This information sharing should enable enough control to help stimulate “leisure” oriented traffic and increase overall ridership.

#### Profit Retention

Should there be a profit during a quarterly billing period, then that amount will be applied to any future service agreements.

#### Capped Exposure

Annual costs under this agreement are capped and will not exceed that cap. This cap limits the financial risk to WYDOT and communities and shifts it back to the airline.

### Benefits and Schedule Overview

#### Highlights

The CPA will provide the following benefits:

1. Additional third flight to Gillette and Rock Springs during peak travel months;
2. Similar(to existing) cost and schedule to Riverton and Sheridan with larger aircraft seating 66% more people;
3. More available seats for Riverton with a slightly reduced flight schedule in the low months of January and February;
4. Both Sheridan and Riverton will very likely exceed 10,000 enplanements (persons getting on aircraft), which will make them eligible to receive an extra \$850,000/yr in federal airport improvement funds;
5. Better flight visibility in Sheridan and Riverton (Google flights, Expedia, United.com, corporate booking engines, military travel, etc);
6. Flights fully code-shared with and marketed as United Airlines with access to all of United's partner airlines;
7. Automatic baggage transfer for Sheridan and Riverton;
8. Contractual guarantees for on-time performance and reliability benchmarks;
9. Contractual guarantees for schedule times; and
10. Reduce state cost per passenger and improved return on investment

This agreement will be phased in at different times for each community.

#### Gillette (GCC)

- Third flight on Monday, Thursday, Friday, and Sunday for the months of March-May
- Third daily flight June – August

- Third flight on Monday, Thursday, Friday, and Sunday for the months of September – October
- 20% increase in total number of available seats annually

#### Riverton (RIW)

- Overnight flight tagged with Sheridan, individual round-trip during the middle of the day
  - No mid-day flight on Tuesday, Wednesday, and Saturday for January and February to reduce costs
- Doubles annual enplanements to 14,000 (compare to 7,300 for 2018), eligibility for \$850,000 Airport Improvement Program funding

#### Rock Springs (RKS)

- Third daily flight June – August
- 3,000-4,000 additional enplanements annually

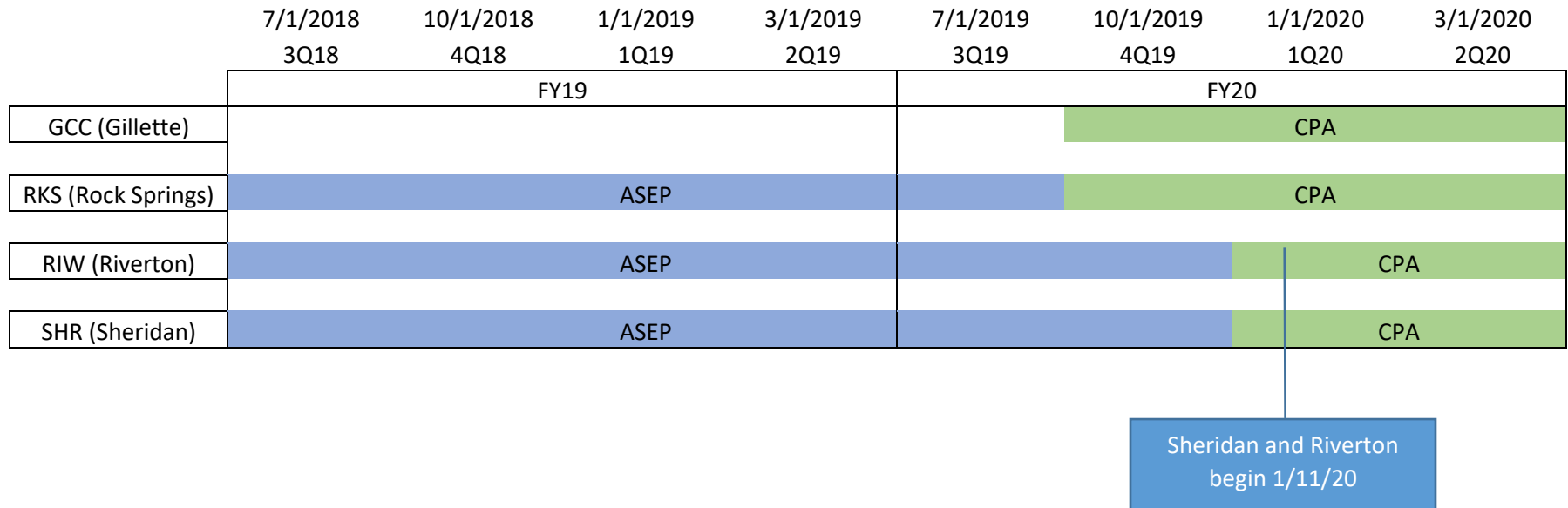
#### Sheridan (SHR)

- Overnight flight tagged with Riverton, individual round-trip during the middle of the day
- 60% increase in enplanements, 16,000 annual enplanements (compare to 10,000 for 2018), eligibility for \$850,000 AIP funding

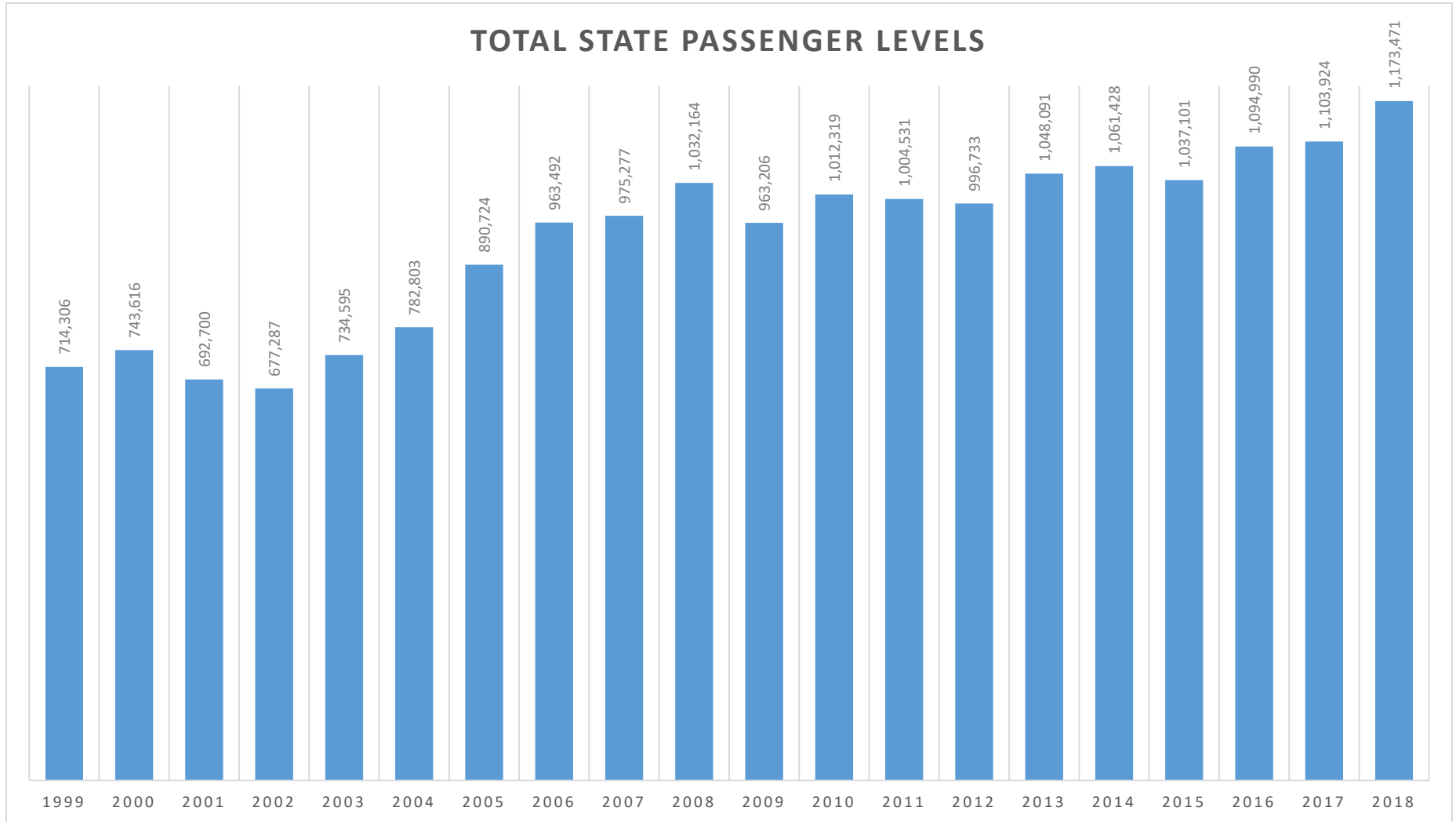
#### Award

After a competitive bidding process and selection outlined, the Wyoming Aeronautics Commission awarded a contract to SkyWest Airlines on June 24, 2019, and the contract was subsequently executed June 26, 2019.

## Transition Timeline

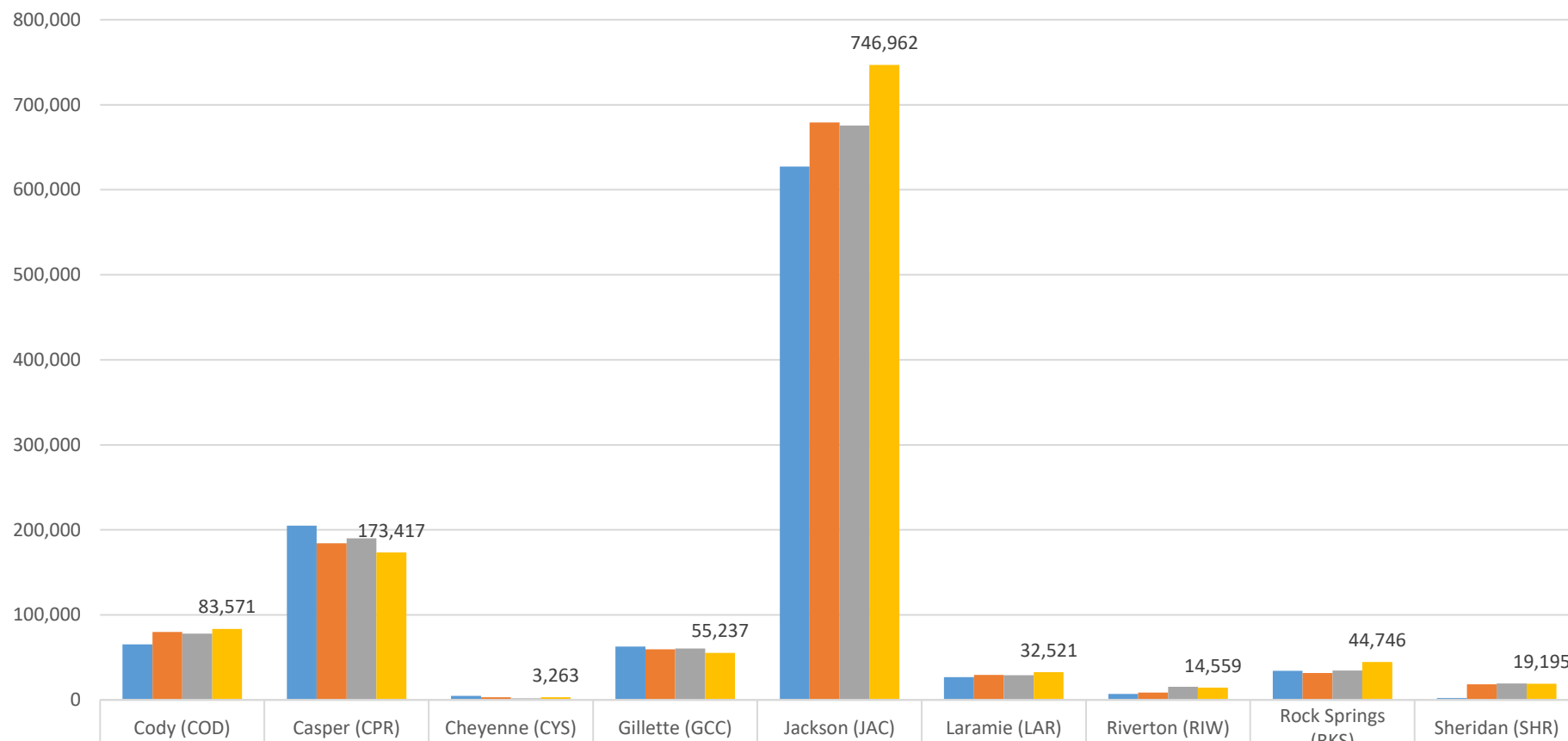


Appendix:  
Statewide Passenger Levels



Above: 2018 was a record year for passengers in Wyoming.

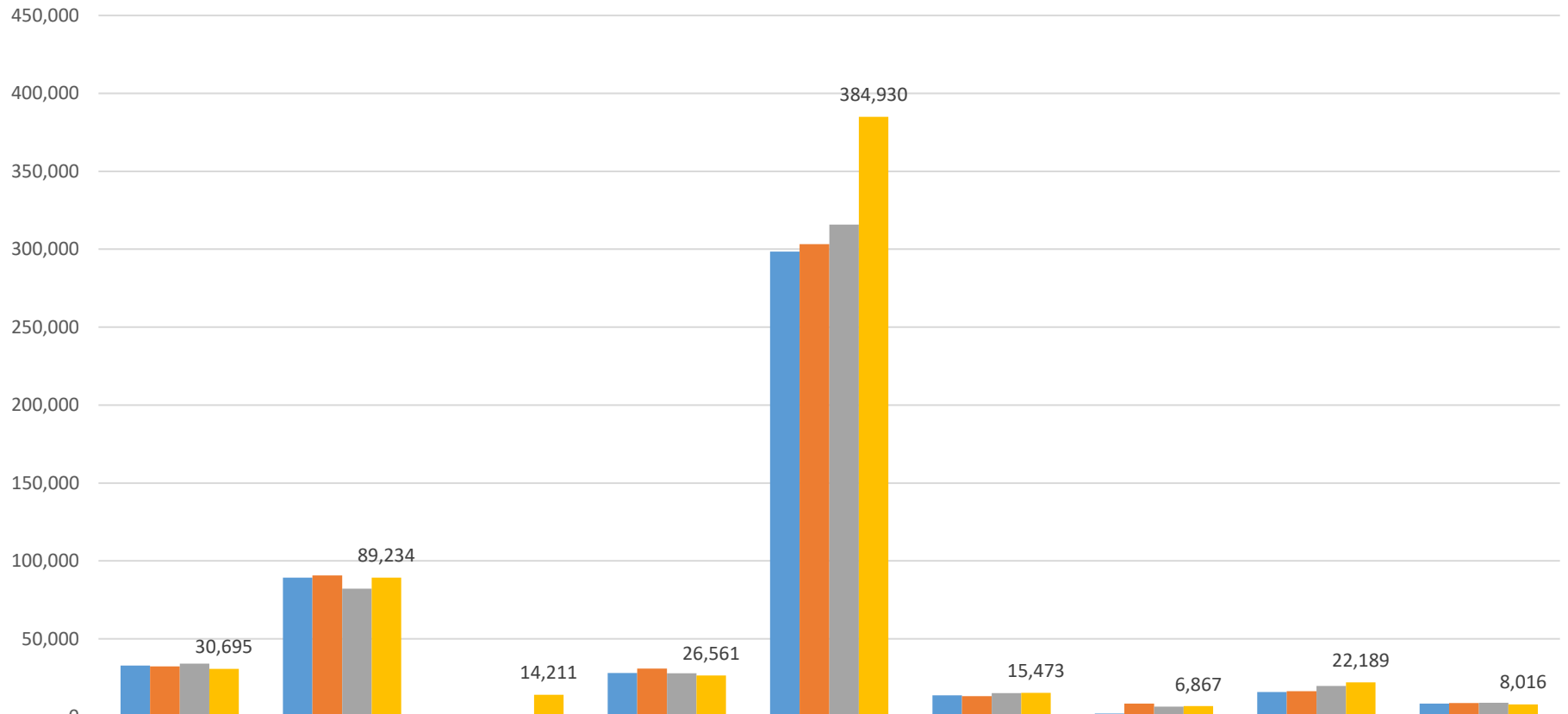
WY Passenger Levels by Airport (Through 2018)



	Cody (COD)	Casper (CPR)	Cheyenne (CYS)	Gillette (GCC)	Jackson (JAC)	Laramie (LAR)	Riverton (RIW)	Rock Springs (RKS)	Sheridan (SHR)
2015	65,478	205,078	4,642	62,664	627,397	26,700	7,216	34,248	2,168
2016	79,931	184,172	3,199	59,613	679,162	29,280	8,675	31,687	18,458
2017	77,873	189,924	1,725	60,414	675,575	29,068	15,504	34,448	19,393
2018	83,571	173,417	3,263	55,237	746,962	32,521	14,559	44,746	19,195

Above: 2018’s growth was largely supported by Jackson (JAC), which grew 10.5% YoY.

### Wyoming Passenger Levels by Airport (First six months of the calendar year)



	Cody (COD)	Casper (CPR)	Cheyenne (CYS)	Gillette (GCC)	Jackson (JAC)	Laramie (LAR)	Riverton (RIW)	Rock Springs (RKS)	Sheridan (SHR)
2016	32,953	89,273	916	28,197	298,499	13,726	2,137	15,952	8,477
2017	32,383	90,752	1,548	30,999	303,170	13,334	8,530	16,420	8,771
2018	34,067	82,283	37	27,902	315,743	15,229	6,554	19,725	9,004
2019	30,695	89,234	14,211	26,561	384,930	15,473	6,867	22,189	8,016

Above: The first six months of 2019 are above 2018 numbers for several airports. 2019 will likely be another record setting year.

