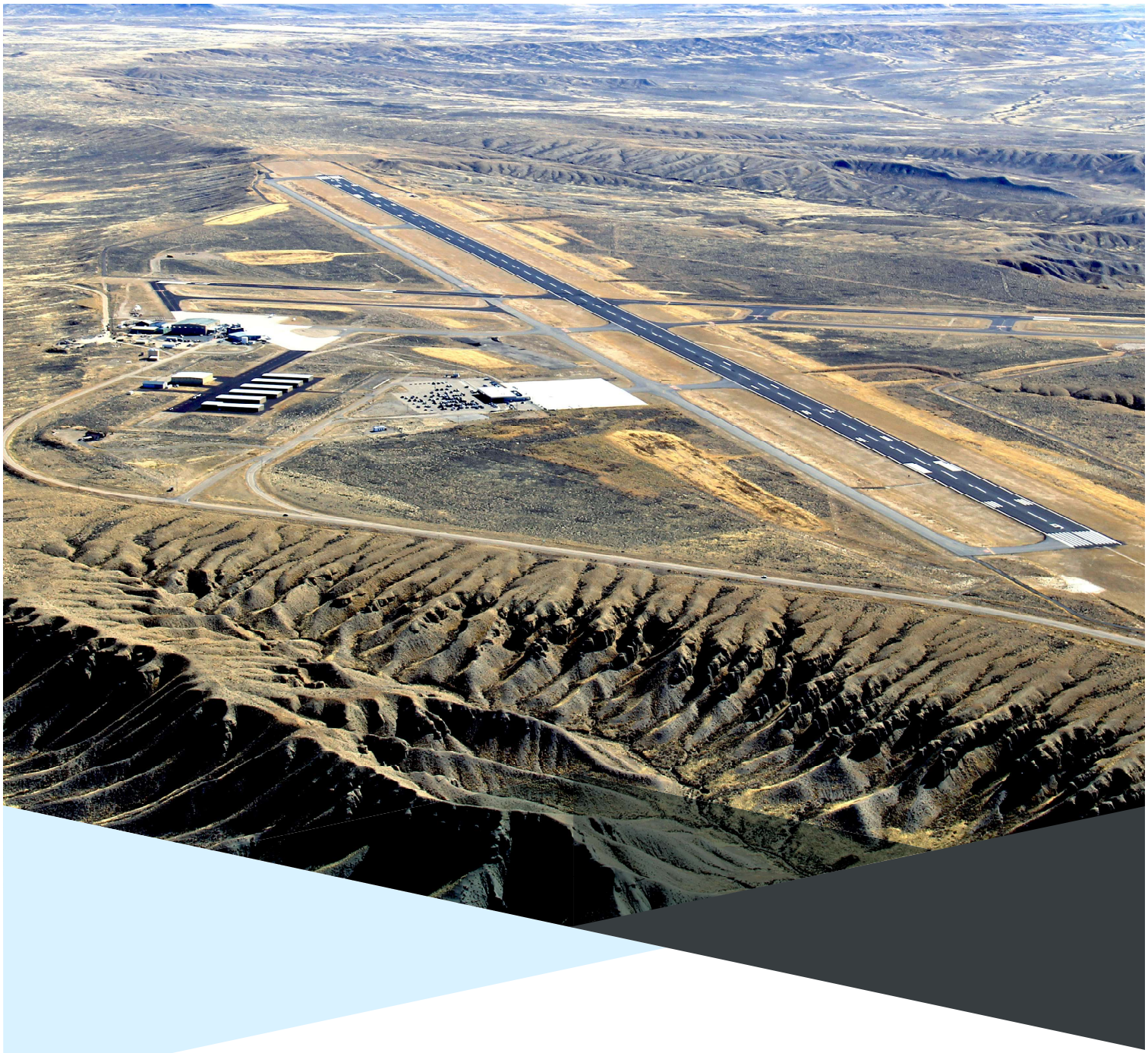

COMMERCIAL AIR SERVICE IMPROVEMENT PLAN

JULY 2018

WYOMING
DEPARTMENT
OF TRANSPORTATION

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COMMISSION AND AIR SERVICE IMPROVEMENT COUNCIL EXECUTIVE SUMMARY

The Commercial Air Service Improvement Plan, assembled by the Commercial Air Service Improvement Council and approved by Wyoming Aeronautics Commission, outlines the state's commercial air service history, state needs, community needs, the Capacity Purchase Agreement methodology, steps for how the methodology will be deployed, and a vision for the future of commercial air service in Wyoming.

Air service brings many positive impacts to Wyoming; business, tourism and government all rely on access to commercial air service. Generally, the state realizes a $24 return in economic impact for every $1 it invests in commercial air service. The 2013 Wyoming Airports Economic Impact Study showed that more than 90% of businesses surveyed indicated they rely on commercial air service on a regular basis to improve the efficiency of the business and employees.

The Air Service Enhancement Program (ASEP), created by the Legislature in 2004, has served all nine communities at one time or another. Administered by the Aeronautics Commission, it is a grant program that helps communities maintain and grow commercial air service. Over time, the funding has declined and the grant requests have increased causing the ASEP account balance to diminish. As of July 1, 2019, the ASEP will not be able to fund all grant requests.

In 2017, communities, stakeholders and the Legislature began to look at options that would address the needs of the state to secure reliable, long-term commercial air service. In 2018, the Legislature formed the Commercial Air Service Improvement Council to form recommendations for the Aeronautics Commission. This includes the attached plan for your approval. The Council also is reviewing recommendations for a Request for Proposal and community Memoranda of Understanding for consideration by the Aeronautics Commission.

The schedule is robust. We are currently on schedule to deliver a Commercial Air Service Improvement Plan to the Governor and Legislature by August 1, 2018. A status report and update will also be provided to the Governor and Legislature by November 15, 2018. Between now and November, the Council is developing recommendations for a state-compliant Request for Proposal for procuring air service to be released by the Commission this Fall; a model Memorandum of Understanding between the State and communities; and deploying substantial community engagement and outreach efforts.

On behalf of the Commercial Air Service Improvement Council and the Aeronautics Commission, we want to thank you for your ongoing support and leadership of commercial air service programs in Wyoming.

INTRODUCTION

The Council has identified four necessary key outcomes for a successful, long-term plan:

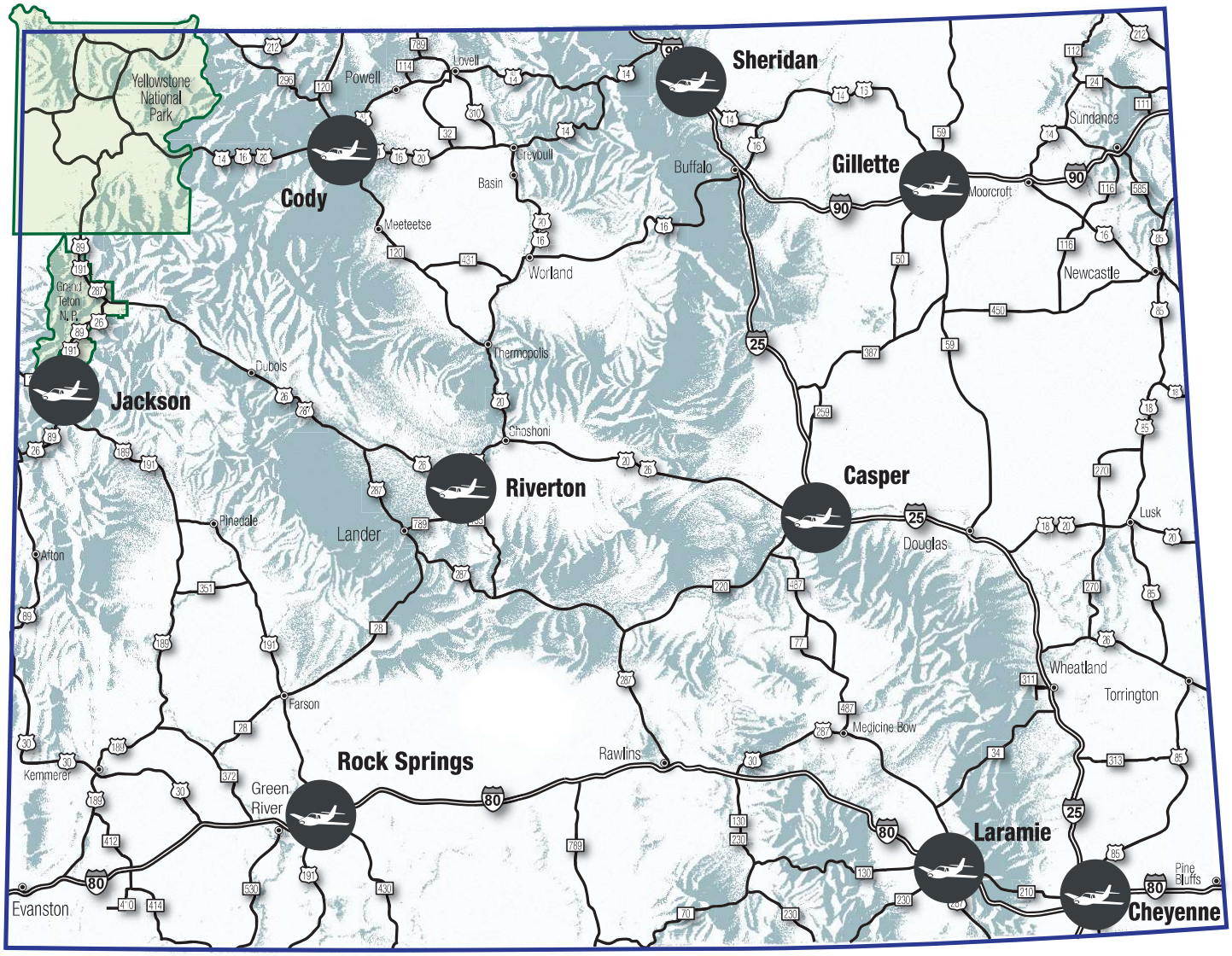
- Sustainable, reliable air service;
- A strong partnership between local, state and industry stakeholders;
- Community involvement and education; and
- Increase in air travel opportunities throughout the state.

The majority of Wyoming's nine commercial airports face challenges in retaining and growing commercial air service. A lack of qualified pilots, airline consolidation, small aircraft retirements, and funding shortfalls continue to hinder adequate air service in many small communities nationwide. Since 2013, more than 30 airports nationally have lost access to commercial air service while hundreds more have seen service level reductions.

Wyoming's current funding system, the Air Service Enhancement Program (ASEP), was created by the Legislature in 2004 to address commercial air service deficiencies and build stability throughout the state. This was recognized nationally as an innovative state initiative and has increased air travel in Wyoming. Over time, the program has seen a decrease in funding amid new challenges within the industry to provide reliable air service in rural states. In 2017, the Wyoming Department of Transportation convened a working group to discuss new concepts to help maintain and improve commercial air service in Wyoming. The stakeholders represented state and local government, industry, business partners, and private citizens. The result of those meetings was to develop a public/private partnership concept to present to the Governor and Legislature for additional funding options. The business model was designed using a Capacity Purchase Agreement that is common and successful in the airline industry; however, it is a new concept for a state to partner with an airline to achieve the same results. Once again, Wyoming is in the national spotlight as it proactively looks for ways to retain and improve commercial air service for its communities.

Also in 2017, the Economically Needed Diversity Options for Wyoming (ENDOW) Council was created and tasked with exploring solutions to expand and diversify Wyoming's economy. It found that improving and expanding commercial air service in Wyoming is an essential component of its mission. The ENDOW Council supported legislative action to fund a plan

Commercial Air Service Airports



that would augment the existing Air Service Enhancement Program. In response, the 2018 Legislature passed the Commercial Air Service Improvement Act.

The Commercial Air Service Improvement Act provides for the creation of a council to make recommendations to the Aeronautics Commission on a long-term plan that will provide sustainable commercial air service in Wyoming. It also provides funding for the plan. The Council is a diverse group of stakeholders representing all nine Wyoming commercial airport communities, the Governor's Office, the Legislature, Aeronautics Commission, local government, and state agencies. The Council has four scheduled meetings between May 8 and November 30, 2018 to discuss priorities and recommendations. This Plan is a result of recommendations that emerged from the first two meetings. A supplement to the plan will be provided to the Governor, the Legislature and the Aeronautics Commission by November 15, 2018.

In order to achieve these results, the Council ranked the following criteria as top priorities to consider for planning, implementing and evaluating a long-term plan:

- State and local fare influence;
- Airline reliability;
- A minimum of two flights per day to each participating community and up to three flights per day where it can be supported and successful;
- Community involvement;
- State/Local flight schedule influence; and
- Code sharing (allows for purchasing tickets online and having bags checked all the way through to the final destination).

COMMERCIAL AIR SERVICE
WHY IS IT IMPORTANT TO WYOMING?

Air service brings about many positive impacts to Wyoming; business, tourism and government all rely on access to commercial air service. Our diverse geography requires, and our air service enables, the quick and efficient mobility of people and goods from across the state directly into the national transportation network. Air service is globally understood and accepted as one of the leading factors to enhance economic and social development, facilitate tourism, provide employment opportunities, and increase tax revenues (ATAG, 2005). The potential loss of air service at any of our commercial airports could have adverse consequences to both economic development and economic diversity for the local community and the state.

Economic Driver

At the current funding level, the state realizes a $24 return in taxes and economic impact for every $1 it invests in commercial air service. Commercial air service as a whole also generates a $1.05 billion economic impact to the state. The benefits of commercial air service to taxpayers have been measured at each of Wyoming's airports through the economic impact studies completed periodically. Using one of the most widely accepted economic impact modeling methods found throughout the United States, this is measured through the direct and indirect impacts from airline activity and consumer spending for each arriving passenger into Wyoming. The 2016 Return on Investment Analysis shows the overall impact the state has benefited from since the inception of the ASEP in 2004:

Figure 1 Return on Investment

The analysis found that the Wyoming ASEP program has had a strong positive impact on the economies of regions surrounding participating airports since 2004.

The $21 million invested in the 60 ASEP grant programs evaluated over this 12-year period have:

1. Produced over 307,000 incremental visitors to the state with a total incremental visitor spending of over $370 million;
2. Supported over 6,300 jobs on and off airport with a total payroll of over $237 million;
3. Driven incremental state tax revenues of over $30.8 million ($9 million more than the state invested in the ASEP); and
4. Produced a total economic impact of over $523 million for an average return of $24 of economic benefit for every $1 invested.

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

In 2014, Cheyenne, Riverton, and Sheridan each lost $850,000 in federal Airport Improvement Program (AIP) entitlement funding, for a total loss of $2.6 million, due to declining service levels at those airports. Sheridan lost all commercial air service for more than seven months in 2015, and Worland lost all air service in September 2016. A loss of commercial air service removes access to a vital economic development tool for small communities, while the loss of federal AIP funding has forced airports to delay capital improvement projects that provide safety to aircraft operators, additional infrastructure, and jobs. This impact has the potential to ripple down to non-commercial airports around the state as the loss in entitlement funding will likely cause lower priority projects to be delayed or not programmed.

Business Development

Tourism, energy producers, businesses, ranchers, hospitals, colleges and government agencies all reported benefiting from their local commercial air service (Wyoming Airports Economic Impact Study, 2013). The study showed that ***more than 90% of businesses surveyed indicated that they rely on commercial air service on a regular basis to improve the efficiency of the business and employees.*** Among the factors that could be considered when a business expands or re-locates, proximity to an airport with adequate commercial air service tied for first. Globally, commercial air service is explicitly linked with economic growth. A study by the University of Oregon has conservatively estimated that a 50% increase in a city's air traffic growth generates an additional stream of income over a 20-year period equal to 7.4% of real GDP. (Blonigen & Cristea, 2015) Airports also act as a catalyst for local investment and capital flow into communities. (Button & Soogwan, 2009)

The lack of reliable air service has been a major factor in companies choosing not to base employees in the state. Many current Wyoming businesses rely on air service as a necessary recruiting tool. It helps to expand the workforce and gains stability for businesses (2013 Wyoming Airports Economic Impact Study, 2013). As airports now play a larger role in the integration with our global economy, airports are recognized as especially important for retaining companies in the region as well as attracting new economic potential. (Mukkala & Tervo, 2012) There is a risk that some businesses may choose to relocate outside of Wyoming if commercial air service is removed from their communities.

Visitor Impact Spending and Enplanements

	2017 Visitor Spending	2017 Enplanements
Cody	$14,816,745.30	39,505
Casper	$28,856,059.45	96,557
Cheyenne	$248,192.64	864
Gillette	$7,393,402.90	30,155
Jackson	$558,497,763.00	342,847
Laramie	$5,188,776.32	14,924
Riverton	$1,997,971.92	7,773
Rock Springs	$4,436,826.00	17,400
Sheridan	$3,163,703.20	10,366

Connects Wyoming to the Rest of the World

Commercial air service improves the quality of life for Wyoming citizens. It broadens the options for many who seek medical needs, visit family or simply travel for vacation. People who look to relocate to Wyoming consider living in or near communities that have commercial air service and consider it a priority in their decision making. Globally, 70% of businesses report that serving a bigger market is a key benefit of using air service. (ATAG, 2005). Air service facilitates access to and from Wyoming for world trade which can improve standards of living and increase wages. (Ballard, 2008) The same report asserted there is a casual correlation between per capita income in Wyoming and air traffic.

Wyoming relies on commercial air service in all nine communities. In 2017, Wyoming airports served more than 1.1 million inbound and outbound passengers resulting in more than $624 million in visitor spending to the state (including Jackson).

BACKGROUND WHY DO WE NEED A NEW COMMERCIAL AIR SERVICE PLAN?

Current Airline Contracting Practices

Almost all nine commercial air service communities contract with airlines through a Minimum Revenue Guarantee (MRG). Under a MRG, the community is responsible for the difference between ticket sales and the airline's cost and profit. For example, an airline predicts there will be at least $1 million in ticket sales, but needs $3 million to cover costs plus make a profit. The community's MRG obligation is $2 million. These MRG contracts are negotiated for one to two years at a time but there is no guarantee the service provided will be long-term or reliable. For example, in Gillette, the airline suddenly stopped providing a third weekday flight in 2017 and ultimately controls if and when it will return. The community has no recourse to enforce reinstatement of that scheduled flight without financial incentives.

Current Funding Sources

Federal Essential Air Service (EAS)

Since 1978, the federal government has supplemented commercial air service in rural communities through the Federal Essential Air Service Program (EAS). Cody, Laramie, Rock Springs, Riverton, Sheridan and Worland have all participated at one time or another. (Figure 2) In 2006, Rock Springs, Riverton and Sheridan became sustainable markets and therefore no longer needed funding. The federal qualifying regulations changed in 2012 and only allowed for markets currently participating in the program to retain eligibility. Cody, Laramie and Worland continued to receive EAS funding. In 2016, Worland exceeded cost per passenger requirements and lost eligibility. The community was unable to contract with a commercial airline through other funding sources within 90 days, as required by the Transportation Security Administration (TSA), and TSA closed its facility at Worland. Once a TSA facility is lost, it is extremely difficult to get TSA reestablished for scheduled commercial service to return.

The EAS program funding was never intended to be long-term and every year it is at risk of being eliminated by the federal government. All flights in and out of Laramie are funded through EAS and Laramie faces a complete loss of service if that funding becomes unavailable. That would put Laramie in the same predicament as Worland with only 90 days to secure funding and an airline to retain its TSA facility. If EAS funding disappears, Cody is at risk for losing daily service during the off-peak season (October through May).

Figure 2 Federal Essential Air Service 2004-2018

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Grand Total
Cody									$352,058	$627,696	$1,380,779	$1,380,779	$938,050	$938,050	$850,000	$6,467,421
Laramie	$297,633	$397,400	$397,400	$487,516	$1,215,603	$1,215,603	$1,215,603	$1,181,572	$1,635,346	$1,635,346	$1,722,081	$2,078,554	$2,078,554	$2,182,244	$2,182,244	$19,922,699
Riverton*	$394,046	$394,046	$394,046													$1,182,138
Rock Springs*	$298,747	$390,488	$390,488													$1,079,723
Sheridan*		$336,701	$336,701													$673,402
Worland**	$353,345	$797,844	$797,844	$927,757	$1,735,814	$1,735,814	$1,735,814	$1,770,336	$1,987,148	$1,987,148	$2,327,987	$2,327,987	$2,327,987			$20,812,825
Grand Total	$1,343,771	$2,316,479	$2,316,479	$1,415,273	$2,951,417	$2,951,417	$2,951,417	$2,951,908	$3,974,552	$4,250,190	$5,430,847	$5,787,320	$5,344,591	$3,120,294	$3,032,244	$50,138,199

*Riverton, Sheridan and Rock Springs participated in the Federal Essential Air Service (EAS) program until 2006 when they became sustainable and no longer required a subsidy. In 2012, federal regulations were adopted that provided subsidies only to communities that were currently in the program. Only Laramie, Worland and Cody were eligible to continue receiving EAS funding.

**In 2016, Worland exceeded the $1,100 per-passenger subsidy and was no longer eligible for EAS funding, per the FAA Modernization and Reform act of 2012. Thereafter, Worland lost TSA service and commercial air service was discontinued.

Air Service Enhancement Program (ASEP)

In 2004, the Air Service Enhancement Program (ASEP) was created by the Wyoming Legislature to address the need for continued commercial air service and mitigate the risk of losing federal EAS funding. (W.S. 10-3-601) All nine commercial air service communities have participated in the ASEP as shown in Figure 3.

The Air Service Enhancement Program is a grant program administered by the Aeronautics Commission that helps communities pay for minimum revenue guarantees for both primary and growth service. Riverton, Rock Springs, and Sheridan are supported through the Air Service Enhancement Program to maintain two flights a day to Denver; this service is their only scheduled commercial air service (primary service); Jackson and Cody both are growing their service to a variety of destinations to increase tourism (growth service). Communities are required to pay a match for their respective grants. For primary markets the community match is 40% and for growth markets that match is 60%. Overall, the ASEP has been an effective program. It has allowed for air service and passenger growth by enabling 1 million additional passengers to fly to and from Wyoming markets, it has had a good return on investment and it allows for both primary and growth markets to participate. The ASEP also provides a safety net to several communities that would have likely lost service in recent years. Initially, the program was well-funded, but over time the allocation has been cut by more than half – from $3 million initially to $1.3 million per year. This will not allow the program to continue assisting all communities at the level needed to sustain commercial air service. Additionally, the ASEP has not proven to address the long-term goal for securing reliable air service throughout Wyoming.

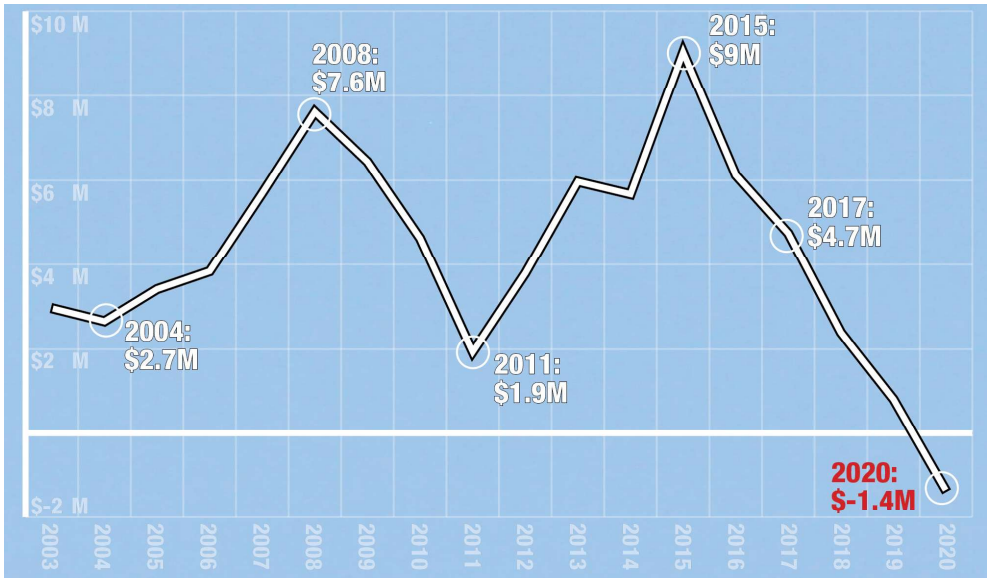
Since its inception, the Aeronautics Commission has managed the ASEP through a specific account. The ASEP account is authorized to carry over unobligated funding from year to year. By 2009, the account balance had grown to approximately $7.6 million due to requests from commercial airports being lower than the allocated $3 million per year. At that time, the Legislature reduced the ASEP funding to $1.5 million per year. Simultaneously, industry operating costs began to increase due to pilot shortages and small aircraft reductions. As a result, requests from commercial airport communities started to increase and eventually exceeded the reduced appropriation.

Figure 3 2004-2018 WY Air Service Enhancement Program to Each Community (State Support)

	State	Local
Casper	$ 2,012,919	$ 495,491
Cheyenne	$ 2,250,000	$ 544,000
Cody	$ 2,436,636	$ 685,477
Gillette	$ 7,883,106	$ 3,588,608
Jackson	$ 1,657,625	$ 1,714,609
Laramie	$ 186,045	$ 100,000
Riverton	$ 1,173,468	$ 1,124,791
Rock Springs	$ 8,378,100	$ 2,904,344
Sheridan*	$ 2,890,168	$ 2,025,956

**Commercial service was discontinued to Sheridan in April 2015. The community joined the Air Service Enhancement Program in late 2015 with a new airline provider. In 2016, Riverton joined the Air Service Enhancement Program in conjunction with Sheridan's service.*

Figure 4 WY ASEP Account Balance



Because the ASEP account was allowed to carry over any funds that were not expended in the past, the Aeronautics Commission was able to utilize those savings to meet grant requests until 2012. From 2012 to 2015, the Legislature infused another $10 million into the account through supplemental budget requests to enhance the account. However, the requested grant support has continued to exceed the standard appropriation and continues to diminish the carry over balance. In 2017, the Legislature further reduced the ASEP appropriation to $1.3 million per year.

In fiscal year 2018, Wyoming assisted 5 communities at $3.5M for the state contribution:

Community	State Share	Type of Service
Jackson	$173,956	Growth
Riverton	$1,134,44	Primary
Rock Springs	$949,151	Primary
Sheridan	$1,134,441	Primary

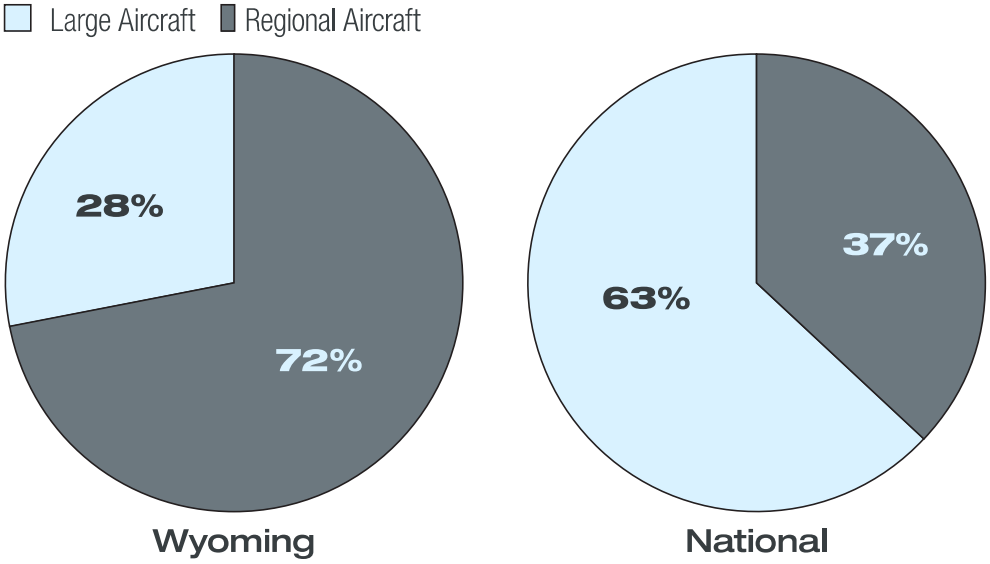
To meet all predicted grant requests, WYDOT Aeronautics Division analysis shows the carry over funds will be depleted by July 1, 2019. (Figure 4)

In February, 2016, the Aeronautics Commission approved an updated Air Service Priority Rating Model to address a projected funding shortfall

of $2.8 million through the 2019/2020 biennium. This tool, a collective effort by the Commission, airport operators, the Aeronautics Division and other local community sponsors, was designed to help the Commission make difficult funding decisions when faced with more airport funding requests than the ASEP budget could sustain. The Aeronautics Commission will need to further scrutinize grant requests from nine communities based on its priority rating model and the reduced allocation of $1.3 million per year. Denial of funding to some airports will most likely result in a total loss of air service for those communities. Growth markets such as Jackson and Cody may be impacted because they request funds to expand service, not maintain it, and would not meet the necessary rating for funding under the Priority Rating Model. Further, should Laramie or Cody lose federal EAS funding, they would suddenly be responsible for funding commercial air service and state funding assistance may not be available for an emergency situation. As stated earlier, this will also impact the Airport Improvement Program causing delays or loss of infrastructure project funding to commercial and non-commercial airports.

Other realities of the current program for primary service markets that are less than ideal include:

Figure 5 Reliance on Regional Aircraft



- Wyoming's ticket prices are some of the highest in the nation. In 2017 Wyoming air fares were 49% higher than the national average, second only to Hawaii;
- Wyoming commercial airport communities typically do not have much say in local fares, routes, or schedules;
- Some airlines currently servicing certain communities are not code shared or interlined with larger airlines, meaning there is no ability to book flights on common websites and bags must be claimed and rechecked to the destination at the hub airport; and
- Wyoming does not have a long-term protection plan for the pilot shortage or the decline of 50-seat jet aircraft.

COMMERCIAL AIR SERVICE IMPROVEMENT ACT

The 2018 Commercial Air Service Improvement Act accomplishes two vital aspects for the creation of a long-term plan: Creating the Commercial Air Service Improvement Council and appropriating $15 million from the Legislative Stabilization Reserve Account to the newly created Wyoming Commercial Air Service Improvement Account.

The Council is tasked with making recommendations to the Wyoming Aeronautics Commission through a statewide plan that defines an efficient, overall approach to commercial air service and ensures reliable, long-term commercial air service for Wyoming. The Plan must be approved by the Aeronautics Commission and presented to the Governor for his approval by August 1, 2018. If approved, the Council will continue working on its recommendations to begin implementing the Plan. The Act also requires the Council to provide a supplemental status report to the Governor, Legislature and Aeronautics Commission by November 15, 2018. The Council will dissolve March 15, 2019, and thereafter, the Aeronautics Commission will assume all responsibilities outlined in the Act.

THE COMMERCIAL AIR SERVICE COUNCIL

Stakeholder input is necessary to achieve the best plan for a sustainable state-wide air service program due to the diversity of challenges in our rural state. The Council was designed to offer broad, inclusive input to provide recommendations to the Aeronautics Commission. The Commercial Air Service Improvement Act designated 9 voting members and four non-voting members representing the Legislature, the State, ENDOW, local government and commercial airport operators. Governor Mead thoughtfully selected high quality members, ensuring that all nine commercial airport communities are represented in the group.

During its first meeting in May 2018, the Council set forth its top priorities and desired end results. It then reviewed the pros and cons of maintaining a MRG program or similar model of contracting with airlines individually versus initiating a new public/private contract under the Capacity Purchase Agreement model. Ultimately, the Council supported pursuing a CPA for primary markets while maintaining the current ASEP to meet the needs of the growth markets. Community participation should be encouraged for the overall success of the State and local communities.

Representative Tom Walters, Chairman

Wyoming House of Representatives

Representative Walters was born and raised in Wyoming. He graduated from the University of Wyoming with a degree in Animal Science and Agriculture Business. Representative Walters manages a cattle ranch southwest of Casper. He serves on the Central Wyoming Fair and Rodeo Board. First elected in 2013 for House District 38, Representative Walters is in his third term in the Wyoming House of Representatives. He serves as Chairman of the Select Committee for School Facilities and a member of the House Appropriations Committee, Select Committee for Capital Finance, Air Transportation Liaison Committee, and the State Building Commission.

Senator Michael Von Flatern, Vice Chairman

Wyoming Senate

Senator Von Flatern was first elected to the Wyoming Senate in 2004 representing District 24, which includes most of the city of Gillette, and he has served ever since. He owns and operates an airplane charter and management company and has been a pilot for 25 years. Senator Von Flatern is Chairman of the Senate Minerals, Business & Economic Development Committee, Chairman of the Select Federal Natural Resources Management Committee and a member of Management Council, Senate Rules & Procedures, Air Transportation Liaison Committee, ENDOW Executive Council, Energy Council, State Workforce Investment Board and the Select Committee on Legislative Facilities, Technology and Process. He is married with two sons and four grandchildren.

Kari Cooper

Public-At-Large/Jackson

Kari Cooper is a performance-driven business development executive, including managing and executing business strategies resulting in significant organizational growth, while building company/brand value. Her career has allowed a lifetime of opportunity, working with local, regional, national and international partners, guests, governmental agencies (State and Federal), airlines and sponsors. She has worked as Executive Director for Jackson Hole Air Improvement Resources since 2007, a non-profit 501C6 working with legacy carriers (American, Delta & United) contracting airline service from major network hubs directly to Jackson Hole Airport. She also provides oversight of contracting, fundraising, grant writing, revenue management, and professional relationships. Kari has served on many boards including the Wyoming Community Development Authority, the Wyoming Office of Tourism, the Wort Hotel, Vertical Harvest, WLRA Education Foundation, and was past president for Jackson Hole Chamber of Commerce, and Ski Wyoming, and past chair for the marketing council of the Jackson Hole Chamber of Commerce.

Commissioner Sigsbee Duck, M.D.

Aeronautics Commission/Rock Springs

Dr. Sigsbee Duck resides in Rock Springs serving on the Aeronautics Commission for the District-at-Large. Dr. Duck completed his undergraduate education at Mars Hill College and Wake Forest University. He then attended the Mercer University School of Pharmacy before attending East Carolina University School of Medicine. He thereafter served a general surgery internship at the University of Kentucky Medical Center before completing his residency in otolaryngology at Emory University. Dr. Duck is currently a Clinical Instructor of otolaryngology at the University of North Carolina-Chapel Hill and at the University of Washington Schools of Medicine. Dr. Duck served as President of the Wyoming Medical Society in 2016. He has previously taken a leadership role in both Gillette and Rock Springs, serving as President of both the Campbell and Sweetwater County Medical Societies. Dr. Duck was honored to receive the 2017 Wyoming Medical Society Physician Achievement Award. In his community Dr. Duck has also served as an airport board member in both Campbell and Sweetwater Counties. As a Registered Pharmacist, he was appointed by Governor Mead and served from 2012-2016 on the Wyoming Board of Pharmacy. He served as Chief of Staff of Sweetwater County Memorial Hospital form 2014-2016, where he currently practices. Dr. Duck is a proud member of the Triological Society, an academic society within otolaryngology, having served as Western Section Vice President in 2008, and is currently President-Elect for 2018-2019. He has been married to his lovely wife, Cindy, for 35 years and they have three grown children. Dr. Duck enjoys cooking, golf, reading and aviation, holding a multi-engine instrument rating.

Commissioner Bruce McCormack

Aeronautics Commission/Cody

Bruce McCormack of Cody represents Aeronautics District 4, which includes Washakie, Hot Springs, Park, and Big Horn counties. He graduated high school in Houston, Texas, and went on to earn a B.A. in journalism from Michigan State University in 1975. He was involved in the newspaper business in Wyoming for nearly 40 years, working in Rawlins, Cheyenne and Lander, prior to moving to Cody in 1984. For 30 years he served as the editor and publisher of the Cody Enterprise, until his retirement from full-time work there in 2015. He still dabbles in news writing part time with other news agencies. Bruce is a member of the Wyoming Press Association and the Cody Country Chamber of Commerce, and has actively served on the Park County Library Board. Over the years, he's also volunteered with the Buffalo Bill Historical Center, assisted with youth ski programs, and tourism promotion in his community.

Cindy DeLancey

President, Wyoming Business Alliance & the Wyoming Heritage Foundation ENDOW/Cheyenne

Cindy DeLancey currently serves as the President of the Wyoming Business Alliance and the Wyoming Heritage Foundation. Prior to joining her current role, she served as the Director of Government and Public Affairs - Wyoming for BP's US Lower 48 onshore exploration and production business. Before joining BP, she served as the Carbon County and Prosecuting Attorney, a Special Assistant United States Attorney and the Executive Director of the Wyoming County Commissioners Association. She has been a two time nominee for the Wyoming Business Report's Women of Influence award and is a Past Chairman of the Petroleum Association of Wyoming's Government and Public Relations Committee and served as the Chairman of the Wyoming Board of Law Examiners. Cindy graduated from the University of Wyoming College of Law in 2000. Cindy and her husband Dave have been married for 16 years and live in Cheyenne with their two children, Raegen (14) and Beau (12). Cindy and Dave enjoy watching their children participate in rodeo events across Wyoming and raising and training horses.

Cy Lee

Executive Director, Wind River Development Fund; ENDOW/Fort Washakie

Cy Lee is an enrolled member of the Northern Arapaho Tribe and lifelong resident of the Wind River Reservation. With 15 years of service to the Northern Arapaho Tribal Government, his career of service began with 10+ years working several management positions within the Tribal housing department and culminated with an additional four years serving as both Tribal Administrator & Chief Financial Officer in a dual role. Mr. Lee now serves in a full-time capacity as the Executive Director of Wind River Development Fund (WRDF), a certified community development financial institution (CDFI). As a nonprofit 501c3, WRDF specializes in serving both Fremont County and Hot Springs County with small business loans and technical assistance with direct services geared towards entrepreneurship and economic growth. In a part-time capacity, beginning November 2, 2017, Cy began serving as the Tribal Liaison for the Arapaho Tribe to the Office of Governor Mead.

Devon Brubaker, A.A.E.

Airport Director, Southwest Wyoming Regional Airport
Public-At-Large: Critical Need Community/Rock Springs

Devon Brubaker has served as the Airport Director of the Southwest Wyoming Regional Airport since May 2015. With over 12 years of airport management experience, Devon has extensive experience in numerous airport capacities including operations, maintenance, finance, planning, air service development, marketing, and community relations. More recently, he has lead the successful efforts of reducing RKS's Minimum Revenue Guarantee by 45%, reducing air fares to over 130 worldwide destinations by nearly 50% and increasing passenger numbers at RKS by 12% in 2017 and 14% so far in 2018. His strong relationships in the community and around the state have allowed him to lead Southwest Wyoming Regional Airport to a much stronger future. In addition to his airport duties, he serves as the Chairman of the Sweetwater Economic Development Coalition, President of the Ray Lovato Recycling Center and as a Board Member to Sweetwater County Travel and Tourism, Rock Springs Urban Renewal Agency, and the Wyoming Airport Operators Association.

Jay Lundell, A.A.E.

Airport Executive Director, Gillette-Campbell County Airport
Wyoming Airport Operators Association

Jay Lundell is the airport executive director of the Gillette-Campbell County Airport, and has held this position since July of 1993. Jay holds a Bachelor's of Science degree in Business Management from the University of Mary. Jay is an Accredited Airport Executive certified by the board of examiners of the American Association of Accredited Airport Executives. Jay currently serves as President of the Wyoming Airport Operators Association. Jay is a licensed commercial pilot with instrument, flight instructor, and multi-engine ratings and has logged more than 4,000 flight hours, and has served as a designated Federal Aviation Administration written and flight test examiner.

John "Lars" Baker

Mayor, City of Riverton
Wyoming Association of Municipalities/Riverton

John L. "Lars" Baker began his service as Mayor of the City of Riverton in 2015. Prior to his mayoral election, he additionally served for six years as a member of the Riverton City Council. Lars' nine years of municipal service has enabled his significant participation on boards and commissions that steer the direction of Riverton and Fremont County. Of note, he served as Riverton's liaison to the Riverton Regional Airport Board, City of Riverton Planning Commission, Fremont Air Service Team (FAST), and Fremont County Association of Governments. This past year, Lars served on the Board of Directors of IDEA, Inc., an economic development organization dedicated to the stability and future of Fremont County.

One of Lars' early priorities as Mayor of Riverton was to improve commercial air service opportunities in Fremont County. He understood that improved connectivity would lead to improved economic opportunity. Consequently, Lars worked to redefine and reinvigorate FAST. Thanks to this effort, FAST was appropriately positioned in 2016 to recruit Denver Air Connection to Riverton Regional Airport.

In 2016 Lars was selected by the Aeronautics Division of the Wyoming Department of Transportation to serve on the Ad Hoc Committee to establish a priority rating model for the Air Service Enhancement Program. His efforts served to protect the state's investment of funds and to ensure applications were equitably reviewed and awarded.

Lars graduated from the University of Wyoming with a BS in Wildlife & Conservation and a Master's of Public Administration. After serving as District Supervisor for 38 years, Lars retired from the Fremont County Weed and Pest Control District in 2014. He is credited for developing the majority of its policies and expanding its service capabilities.

Lars has been married for 52 years and has six children, four of whom still live in Wyoming. He has been a resident of Fremont County since 1975 and has personally used the commercial air service at the Riverton Regional Airport many times for business and leisure travel.

Commissioner Steve Maier

Wyoming County Commissioners Association/Sheridan County

Steve Maier has many years of experience as a pilot, a career of working with local and state government, and is currently a member of the Sheridan-Johnson County Critical Air Service Group (CAST). Commissioner Maier has worked tirelessly since 2015 on promoting reliable, convenient, and affordable air service in Sheridan and Johnson County. CAST has managed local air service since 2015, contracting with Denver Air Connection. CAST provides 13 flights per week to DIA by directly managing the schedule, marketing, booking and completing similar operational responsibilities. As of 2018, the air service is the most reliable in the United States, with only one canceled flight in two years, and an on-time record of 95%. The Fremont Air Service Team joined with CAST in 2017 to jointly provide similar service.

CAPACITY PURCHASE AGREEMENT WHAT IS IT?

A Capacity Purchase Agreement (CPA) is a proven, successful business model used in the airline industry between major carriers and smaller, regional carriers. In this case, the state would contract with one airline to purchase air service capacity to participating communities, in bulk for the longest term possible with options to extend the contract up to 10 years. The airline would own and operate the planes, employ the pilots, and conduct maintenance programs. Participating communities would be responsible for marketing and have some influence over fares and scheduling. The CPA would help establish reliable daily service to a major hub, stronger control over the financial sustainability of the service, online booking capability, a code-sharing arrangement with a major carrier providing connection opportunities beyond the hub and the ability to have bags checked all the way to the final destination.

What are the Advantages of a Capacity Purchase Agreement?

Without a long-term, reliable contract in place, commercial air service in Wyoming communities will be costly and difficult to maintain. While the CPA is a proven business model in the industry, it has not been used in a public/private partnership. Wyoming's concept to do this is being watched closely across the nation. Many states facing similar issues are intrigued by this concept and, if they pursue it as well, may become competitors for airline services if Wyoming is not the first to secure a CPA. Due to the pilot shortage and other industry challenges, airline resources are limited and in high demand. A delay in securing these resources could prevent the State from pursuing this option in the future and negatively impact all nine communities. By proactively seeking the first public/private partnership with an airline, Wyoming stands to gain the most optimal resources and advantages.

Stability

In the current Air Service Enhancement Program, communities contract annually with airlines through a Maximum Revenue Guarantee (MRG) contract. Airlines have the ability to discontinue flights not under contract at any given time. A long-term CPA could require the airline carrier to perform to industry standard reliability rates through incentives, penalties, indemnification, and termination clauses. It would eliminate the time and effort spent each year renegotiating individual contracts for participating communities.

Additionally, commercial airports not able to meet 10,000 enplanements per year face losing up to $850,000 in annual federal funding for infrastructure projects through the Airport Improvement Program. This impact threatens important infrastructure needs, business development opportunities, jobs and safety. Stability of air services through a long-term CPA, would enable airports to better plan their capital improvement projects with less risk.

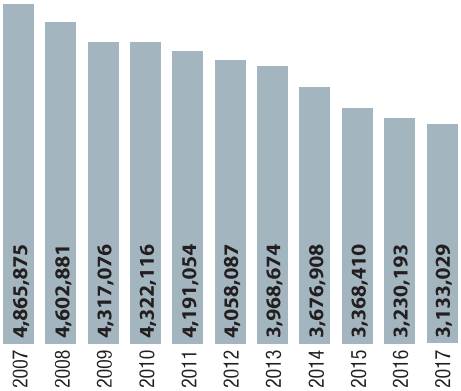
Mitigation of Industry Challenges

The airline industry has been struggling nationally with challenges that have increased the cost and decreased reliability in rural states. By entering into a CPA, Wyoming can mitigate some of the risks. The predominate factors to consider when developing a long-term, viable plan are:

Pilot shortage: A pilot shortage has already negatively affected flight operations across the nation and is expected to peak by 2020. As major airlines lose pilots due to retirement, they will recruit many regional carrier pilots. Airlines prefer to use the limited crews they have on more stable, developed routes with larger aircraft. If they can have a crew fly a 50-seat jet or a 70-seat jet, they opt for the latter to maximize revenue from use of the same crew. Further, recent federal regulations have increased pilot flight hour requirements to the point where it is cost prohibitive for new pilots and the workforce is declining.

Regional Aircraft: The 50-seat aircraft has been identified as the most practical option for Wyoming communities based on known operating costs and revenue potential. As these aircraft are being phased out in the industry, supply will be limited and in demand by all rural air service communities in the nation.

Decline of regional aircraft - Annual US Operations



Population Size: Wyoming communities are great but small. There are much bigger communities that have lost service and TSA status. This has been detrimental to those communities. By contracting for service to multiple communities, we gain negotiating advantages and economies of scale that make our CPA more viable.

Competition: Wyoming needs to be competitive. Other rural airport communities are vying for the same limited airline resources and service.

Economic Impact

If the proposed Plan were to be in operation in FY 2020, the economic impact of air service is estimated to be just over $43 million for the participating communities. That is a 30% projected increase in state economic benefit, with 42% projected reduction in state taxpayer dollars. Neither figure includes the impacts of Jackson.

RECOMMENDATIONS

Priorities

At its May meeting, the Council reviewed air service priorities and grouped them into two tiers. The first tier ranks the most important aspects needed for a successful Plan and CPA with an airline. The second tier lists likely outcomes from success in the first tier.

To achieve these results, the Council ranked the following as top priorities to consider for planning, implementing and evaluating a long-term plan:

Tier 1

Code sharing/Interline agreements (allowing for tickets to be booked online and bags delivered to final destination);

State/Local flight schedule influence to the extent possible;

State/Local price influence;

Airline reliability;

A minimum of two flights per day to each participating community and up to three flights per day where it can be supported and successful;

Community involvement.

Tier 2

Sustainable, reliable air service;

A strong partnership between local, state and industry stakeholders;

Community involvement and education; and

Increase in air travel.

Funding

2019 Legislature Needs to Approve State Funding for CPA

The 2018 Legislature appropriated $15 million from the Legislative Stabilization Reserve Account to the newly created Wyoming Commercial Air Service Improvement Account with further Legislative approval. The Council recommends the funding be fully released to the Aeronautics Commission to allow it to continue the contracting process with an airline and implementation of the CPA.

State funding for Capacity Purchase Agreement for Critical Communities

The CPA will replace the ASEP funding for critical commercial air service. The current plan contemplates that communities will need to join the CPA to receive state funding.

State Funding for ASEP Continues for Growth Markets

The Council recognizes the long-term plan must meet the needs of all nine commercial airports. While the Capacity Purchase Agreement addresses issues in primary markets such as Gillette, Riverton, Rock Springs and Sheridan, the ASEP must stay intact for the growth markets. Tourism is Wyoming's No. 2 industry and continued support of the tourism markets is essential. For every $1 the state invests in Jackson there is a $258 return on investment (ROI) and for every $1 the state invests in Cody there is a $28 ROI for Wyoming. The Council recommends the state continue its $1.3M annual allocation to the ASEP account for investment in the growth markets (Jackson, Cody and potentially other markets). The current ASEP requires a minimum 60% local match and up to 40% state match for growth markets. The Council supports maintaining the same match formula and requirements for growth market community grants.

Community Match for CPA

The current Air Service Enhancement Program requires primary service communities to pay a minimum 40% match. The Council recommends using the current match formula - 60% state and 40% local for those communities that participate in the CPA. This match formula will apply to all participants regardless of whether or not they have two daily flights or three.

Marketing

The Council recommends a marketing plan be required from all participating communities in the CPA and the ASEP. Council members representing the primary commercial air service markets expressed a desire to allow them flexibility to market at the local level. The communities are familiar with their customer base and each has individual needs and goals. The Aeronautics Division currently provides a funding source to assist communities with their marketing plans. The Airport Improvement Program offers grants with a 50/50 match up to $25,000 for marketing. The Division does not provide marketing assistance in addition to this funding. The Council discussed looking at elements that could assist local communities in their execution of marketing plans. The state should be a resource to assist communities with support by the Wyoming Office of Tourism to create the best foundation for success. It recommends reviewing options to increase the marketing funding to air service communities. As the Council proceeds to discuss community MOUs in greater detail, it will consider viable marketing options.

Benchmarking

There are a variety of measurements that collectively allow for appropriate oversight and accurate analysis of sustainable service. The Council considered the current efforts of the Aeronautics Division to measure success and recommends continuing with that effort to show how the Plan is performing in comparison to the Air Service Enhancement Program. The current success benchmarks are:

- Enplanements
- Revenue projections
- Leakage/retention rates
- On-time performance and reliability
- Average airfares

The Council supports a transparent scoring system enabling the state and participating communities to accurately measure where they stand at any time. It is recommended the communities be involved in the process of determining the benchmarks. The Council will further explore a structure that will guide the state and communities in its discussion on the community MOUs.

Timeline Wyoming Commercial Air Service Improvement Plan

March 2018	April-June 2018	July-August 2018	September-October 2018	November-December 2018	January-March 2019	March 2019
March 14 - Governor signs SEA0040	**April 18 -** Governor appoints Council	**Aug. 1 -** Long-term Commercial Air Service Plan due to Governor and Legislative Committees		**Nov. 15 -** Status Report to Governor and Legislative Committees	**Jan. 8-March 10, 2019** Legislative General Session	**March 15 -** Council dissolves Execute airline contract
	May 8-9 Council Meets in Sheridan (2 days)	**July 17-18** Council Meets in Riverton (2 days)	**Sept. 10-11** Council Meets in Rock Springs (1 day)	**Nov. 28-29** Council Meets in Gillette (1 day)		
	1. Elect Chair/ Vice Chair 2. SEA0040 Review 3. Long-term Strategy 4. RFP Criteria 5. Sheridan Community Outreach Event	1. Community MOUs 2. Approve Final Plan 3. Riverton Community Outreach Event	1. Community MOUs 2. Status Report 3. Rock Springs Community Outreach Event	1. Airline Audit Process 2. Airline Accounting 3. Process 4. Gillette Community Outreach Event		

Community Involvement

Communities in Wyoming have unique needs and it is essential they be involved in the process to the extent possible. It is the local level expertise that will enhance the air service in that community. The Council supports building strong relationships between the state, the airline and communities to encourage the best possible outcomes. The Commercial Air Service Improvement Act restricts any action that would be adverse to existing operations in the state. Communities which participate should do so willingly and be included in the process going forward.

Profits

Sustainable partnerships are critical to the success of commercial air service. The state's Capacity Purchase Agreement would support communities and should structure profit and cost sharing requirements in a similar manner as they contributed to the programs.

The Capacity Purchase Agreement methodology is envisioned to temporarily help communities achieve sustainable critical commercial air service. The Air Service Enhancement Program currently has two parts: critical air service support and growth air service support. The capacity purchase agreement methodology will only affect critical air service support portions of the current program. The growth air service of the current program would not be affected.

The Commercial Air Service Improvement Council will continue to work through details of the cost and profit sharing. These will be discussed and articulated through the Memoranda of Understanding with communities, a request for proposal document, and contractual documents.

Securing an Airline Timeline

There is an aggressive timeline for the executive branch, legislative branch and Council to fully implement air service in the state by September 2019. The Council encourages all decision makers to maximize the long-term intent of the CPA by securing the best possible resources and maximizing the state's position to secure rural air service.

Request for Proposal

Based on the priorities outlined above, the Council discussed considerations it felt were important to include in a Request for Proposal (RFP) for the initial outreach to airlines. Some of those recommendations are:

- "Right-sized" regional aircraft.
- Longest period possible with renewals up to 10 years.
- Code share (ability to purchase tickets online through common websites).
- Quality of Service.
- Ability to add future capacity, destinations and flights.
- Flight Schedules.
- Financial Fitness.

If the Governor approves this Plan, the Aeronautics Commission will then be authorized to move forward with issuing the final RFP which will take into consideration the Council's recommendations for requirements.

Legislative Recommendations

The Commercial Air Service Improvement Act tasks the Council with addressing legislative needs, including budgetary needs. W.S. 10-7-105 creates an account and allocates $15 million from the Legislative Stabilization Reserve Account to be "expended only on contracts and other expenses necessary to implement the Commercial Air Service Improvement Plan . . . only after further legislative authorization."

The Council recommends the 2019 Legislature authorize the full amount to the account which will allow the Aeronautics Commission to secure the best possible contract and air service provider for Wyoming.

Looking to the Future

Wyoming's top three economic drivers are Energy, Tourism and Agriculture. Each of these industries relies on a strong transportation system which includes commercial air service. We need to continue to support our economy and communities. The Air Service Enhancement Program was an innovative concept in 2004. It was designed for communities that wanted to have basic commercial air service and to grow commercial air service when they needed. Today, we need to update it, improve its efficiency, and bring Wyoming back to the forefront of rural commercial air service. We need to explore every opportunity to diversify our economy and provide the best possible means for our citizens and businesses to access the national transportation infrastructure. Currently, the Capacity Purchase Agreement model offers an opportunity to stabilize our commercial air service while reducing costs to the public.

That said, the conversation must be ongoing. Reflecting on what has been successful and what we need to do in the future to sustain commercial air service, the Council supports a solution that is good for all of Wyoming. The first phase of the plan should focus on stabilizing the most vulnerable, primary service airports such as; Riverton, Sheridan, Rock Springs and Gillette. But it doesn't end there because other communities will have the opportunity to join as well. The plan also provides a safety net for those airports dependent, either fully or partially, on the federal Essential Air Service funding, such as Laramie and Cody.

After establishing the initial program, working with communities to ensure appropriate oversight, and making sure there is cost-effective, basic commercial air service in our state, the Aeronautics Commission and Legislature need to ensure communities can grow air service, communities are secured from the degradation of federal funding, and a cost-effective business platform exists for other airports to join.

In the future, the Aeronautics Commission should explore options to expand to other cost-effective "hub" airports beyond the initial location, creating more opportunities for other communities to benefit. If successfully implemented, we could also look at better connecting Wyoming communities. These can be future priorities, but the first step, establishing a CPA-based model in Wyoming, will be critical to our success as a state.

RESOURCES

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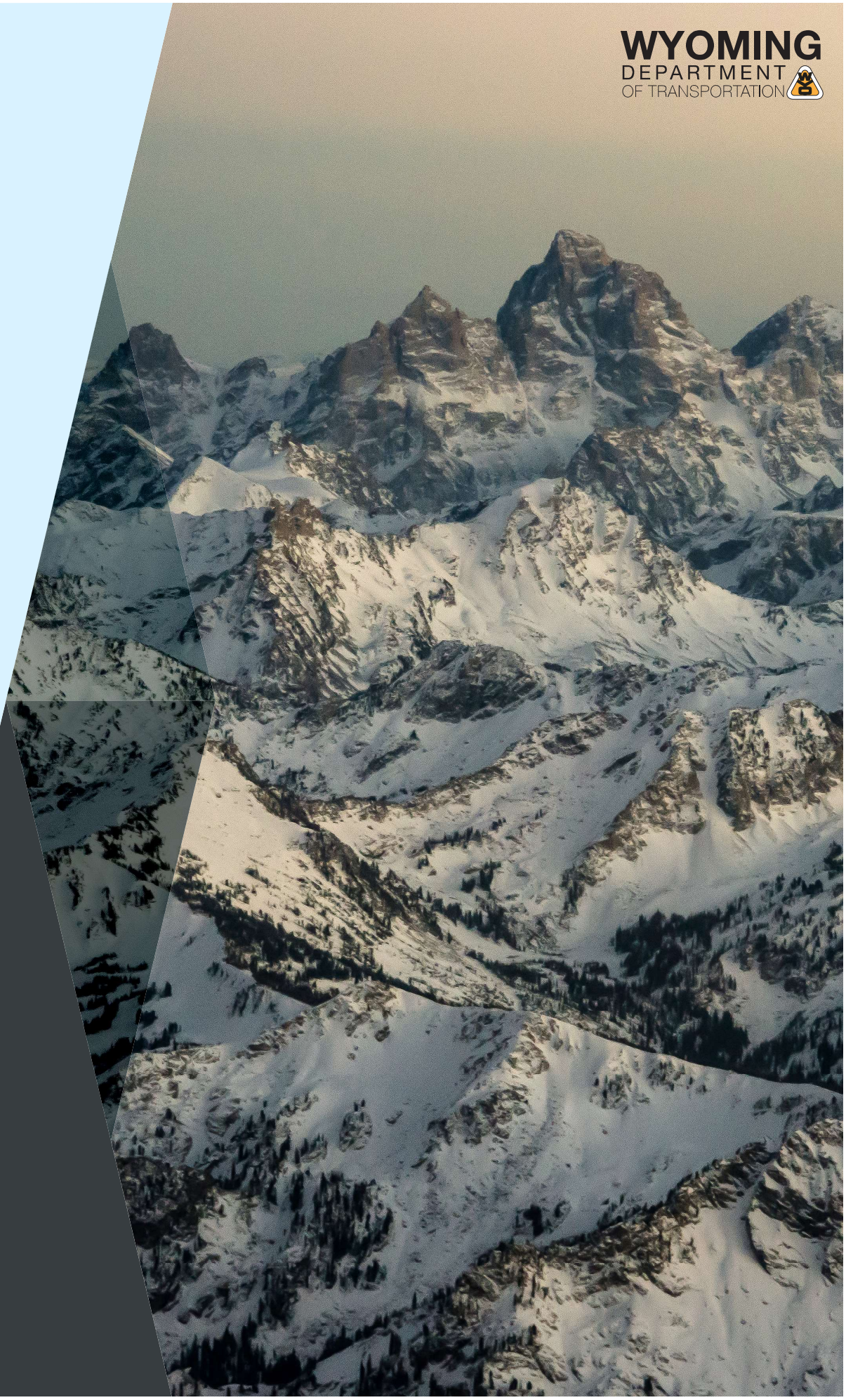
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