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News:

Airlines may reduce flights to Gunnison
United cuts number of daily flights

by Evan Dawson
(Created: Wednesday, June 27, 2007 11:37 PM MDT)

With airlines incurring losses to fly into the Gunnison-Crested Butte Regional Airport and United Airlines announcing it will cut all propeller plane service in favor of a twice-daily jet, local transportation officials are scrambling to balance flights and costs for the 2007-2008 ski season.

“I don't want American (Airlines) to lose another \$265,000,” airline transportation consultant Kent Myers said to the board of the Gunnison Valley Rural Transportation Authority (RTA) during a discussion of the coming winter's flight schedule on Friday, June 22.

This spring the RTA paid \$500,000 in performance guarantees to American Airlines to make up for American's \$765,000 loss in operational costs due to low passenger numbers on jet flights into the regional airport.

Last winter, for a flight season that ran from mid-December through mid-April, American Airlines ran daily jet flights between Dallas, Texas and the airport in Gunnison, with an additional nine flights scheduled on busier weekends. Myers said the planes were 65 percent full on average, but the flights need to be running between 70 and 75 percent full in order to prevent a loss in revenue. “We need to boost that up,” he said of passenger loads.

For next ski season, Myers proposed running one flight daily between Dallas and Gunnison on American Airlines.

For the service, the RTA would commit to paying a maximum of \$500,000 to cover any financial loss from the airline.

In the face of uncertain demand for airline travel, Myers suggested a shorter flight season on American to prevent an outstanding loss. “The big difference is we've eliminated a lot of the April flights. In fact we don't have any April flights at all,” Myers said. “That's where a substantial loss was last year-\$169,000 in April alone.”

Myers provided data that compared this year's proposed airline seats to the number of seats that were sold last year. By eliminating the month of April from the flight schedule, the season's passenger load average increased from 65 to 70 percent, according to the data. This represents 28,734 seats sold versus 40,984 available.

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RTA board member Chris Morgan asked if American Airlines would have a loss under the proposed flight schedule, provided that the demand for seats remains the same.

Myers said the airline would probably take some loss under the proposed schedule, but the RTA's performance guarantees are intended to support an airline's continued operation in a rural community.

American Airlines did give the RTA some room to increase the schedule. Myers said a new policy allows the community to add an additional segment of flights during a specific time. "My recommendation is we at least have the March seats," he said. The RTA board agreed.

With an additional weekend flight throughout March, the average load factor would drop to 67 percent, based on the data provided, but the difference could be made up by offering more flight times, according to Myers. Without an additional weekend flight, American could be overbooked on Saturdays by 33 percent, according to data.

With the flight schedule for American ironed out, the RTA then went on to discuss the winter flight season on United Airlines, offering direct flights between Denver and Gunnison. "Last year they had way too much capacity," Myers said, citing an average 52 percent passenger load for the daily jet service with an incurred loss of \$411,000, of which the RTA paid \$400,000 in performance guarantees. United also ran five propeller planes a day that incurred a loss, according to Myers, although the RTA doesn't guarantee propeller flights.

"I think the ski area would agree there were not enough passengers," said RTA board member Bill Babbitt of the low numbers.

"But the seats were there," Myers said in response.

Crested Butte Mountain Resort (CBMR) consultant John Norton said the resort's skier days were down from the rest of the market, although narrowing the explanation down to poor snow or base area construction was tough to judge.

"Colorado had an all-time recordŠ Crested Butte did significantly poorer than the market," Norton said. "Gains were given by out-of-state skiers, not a Front Range phenomena."

According to Norton, Crested Butte was down about 11 percent in skier days this year, where other destination resorts such as Telluride and Steamboat were up about 17 percent. "The company plans to fight back from a really strange ski year," Norton said.

Myers said the RTA couldn't just assume that more people would be flying to the valley to ski next winter and the flight schedule had to be limited appropriately. In the initial schedule Myers presented, United was on track to fly two round-trip jets a day—one arriving and departing in the morning and one arriving in the evening and departing the next day. The guarantee would remain the same from last year at \$400,000.

According to Myers, United offered the extra jet because there won't be propeller service this season. Myers said United is retiring a fleet of older aircraft in other markets and the propeller planes that were used in Gunnison will be sent abroad to replace the older aircraft.

Myers' data showed an estimated average 85 percent passenger load with two jet flights and the same number of seats sold as last year.

However, Myers said, United was concerned about adding flights coming out of last season, along with the possibility of Frontier Airlines beginning service to Gunnison next winter.

To alleviate United's concerns, Norton suggested notifying Frontier that it was too late for them to begin service next winter, but assuring that the community was still interested in their service.

RTA board member Skip Berkshire cautioned showing too much preference for one airline or the other. "We don't want to burn a bridge here," Berkshire said.

For additional flights, the RTA board directed Myers to first ask United for one more daily jet flight throughout the season.

If United doesn't accept the agreement, then the request would be to replace one of the weekend jets with an Airbus, a plane with twice the capacity of the regular regional jet. The RTA will hold a special meeting within the next two weeks to determine how to proceed if negotiations slow on the agreement.

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