AGENDA ITEM or FINAL CONTRACT REVIEW SUBMITTAL FORM

AgendaTitle:
Small Community Air Service Development Program Grant Application; Support Summer-Season Air Service from Gunnison to Markets in Texas; $350,000

Action Requested: Board of County Commissioners' Signature

Parties to the Agreement: Gunnison County / Department of Transporation

Term Begins: **Term Ends:** **Grant Contract #:**

Summary:
SCASD Grant Application

Fiscal Impact: $350,000

Submitted by: Katherine Haase for Scott Truex **Submitter's Email Address:** khaase@gunnisoncounty.org

Finance Review: (●) Required ( ) Not Required

Comments:

Our DUNS number is 13 311 5220; TIN 84-6000770. Please include those on the original application document.
The $350,000 is available in the RTA fund.

Reviewed by: Lnienhueser Discharge Date: 7/18/2013

County Attorney Review: (●) Required ( ) Not Required

Comments:

Reviewed by: ATrezise Discharge Date: 7/17/2013 Certificate of Insurance Required

Yes ( ) No (●)

County Manager Review:

Comments:

Reviewed by: MBirnie Discharge Date: 7/18/2013

(●) Consent Agenda ( ) Regular Agenda ( ) Worksession Time Allotted:

Agenda Date: 7/23/2013 Follow Up Agenda Date: N/A

Revised April 2013

APPLICATION UNDER

SMALL COMMUNITY AIR SERVICE DEVELOPMENT PROGRAM

DOCKET DOT-OST-2013-0120

SUMMARY INFORMATION

All applicants must submit this Summary Information schedule, as the application coversheet, a completed standard form SF424 and the full application proposal on www.grants.gov.

For your preparation convenience, this Summary Information schedule is located at http://www.dot.gov/policy/aviation-policy/small-community-rural-air-service/SCASDP

A. PROVIDE THE LEGAL SPONSOR AND ITS DUN AND BRADSTREET (D&B) DATA UNIVERSAL NUMBERING SYSTEM (DUNS) NUMBER, INCLUDING +4, EMPLOYEE IDENTIFICATION NUMBER (EIN) OR TAX ID.

Legal Sponsor Name: Linda Niehhueser, Gunnison County, Colorado

DUNS Number: 84-6000770

EIN/Tax ID: 13-311-5220

B. LIST THE NAME OF THE COMMUNITY OR CONSORTIUM OF COMMUNITIES APPLYING:

1. GUNNISON, COLORADO

2.

3.

4.

C. PROVIDE THE FULL AIRPORT NAME AND 3-LETTER IATA AIRPORT CODE FOR THE APPLICANT(S) AIRPORT(S) (ONLY PROVIDE CODES FOR THE AIRPORT(S) THAT ARE ACTUALLY SEEKING SERVICE).

1. Gunnison-Crested Butte Regional Airport	**GUC**
3.	**4.**

D. LIST THE 2-DIGIT CONGRESSIONAL DISTRICT CODE APPLICABLE TO THE SPONSORING ORGANIZATION, AND IF A CONSORTIUM, TO EACH PARTICIPATING COMMUNITY.

1. CO-03	**2.**
3.	**4.**

E. APPLICANT INFORMATION: (CHECK ALL THAT APPLY)

■ **Not a Consortium** ☐ **Interstate Consortium** ☐ **Intrastate Consortium**

☐ **Community now receives subsidized Essential Air Service**

■ **Community (or Consortium member) previously received a Small Community Air Service Development Program Grant**

If previous recipient: Year of grant(s): 2003

F. PUBLIC/PRIVATE PARTNERSHIPS: (LIST ORGANIZATION NAMES) OTHERS LISTED ON PAGE 20

PUBLIC	PRIVATE
1. The City of Gunnison	**1. Crested Butte Mountain Resort**
2. Gunnison Valley Transportation Authority	**2. West Wall Lodge**
3. Gunnison County	**3. Elevation Hotel**
4. Towns of Crested Butte & Mt Crested Butte	**4. Gunnison-Crested Butte Tourism Assoc**
5. Two local Chamber of Commerce (s)	**5. Gunnison Valley Hospital (public)**

G. PROJECT PROPOSAL: (CHECK ALL THAT APPLY)

■ Marketing	☐ Upgrade Aircraft	☐ New Route
☐ Travel Bank	☐ Service Restoration	☐ Subsidy
☐ Surface Transportation	☐ Regional Service	■ Revenue Guarantee
☐ Launch New Carrier	☐ Start-up Cost Offset	☐ First Service
☐ Study	☐ Secure Additional Service	☐ Other (explain below)

H. EXISTING LANDING AIDS AT LOCAL AIRPORT:

■ Full ILS	☐ Outer/Middle Marker	■ Published Instrument Approach
■ Localizer	☐ Other (specify)	

I. Project Cost: Do not enter text in shaded area

Line	Description		Sub Total	Total Amount
1	Federal amount requested			$350,000
2	State cash financial contribution			$0
	Local cash financial contribution			
	3a	Airport cash funds	**$0**	
	3b	Non-airport cash funds	**$350,000**	
3	Total local cash funds (***3a + 3b***)			$350,000
4	TOTAL CASH FUNDING (***1+2+3***)			
	In-Kind contribution			
	5a	Airport In-Kind contribution**	**$0**	
	5b	Other In-Kind contribution**	**$0**	
5	TOTAL IN-KIND CONTRIBUTION (***5a + 5b***)			$0
6	TOTAL PROJECT COST (***4+5***)			$700,000

J. IN-KIND CONTRIBUTIONS**

For funds in lines 5a (Airport In-Kind contribution) and 5b (Other In-Kind contribution), please describe the source(s) of fund(s) and the value ($) of each.

K. Is This Application Subject To Review By State Under Executive Order 12372 Process?

☐ a. This application was made available to the state under the Executive Order 12372 Process for review on (date) _____.

☐ b. Program is subject to E.O. 12372, but has not been selected by the state for review.

■ c. Program is not covered by E.O. 12372.

L. Is The Applicant Delinquent On Any Federal Debt? (If "Yes", Provide Explanation)

■ No ☐ Yes (explain)

_____

_____

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The legal sponsor of this Grant Application is Gunnison County, Colorado, owner and operator of the Gunnison County Regional Airport. Ms. Linda Nienhueser, Finance Director of Gunnison County, has successfully administered numerous Federal grants for the County.

Linda Niehhueser
Finance Director,
Gunnison County Finance,
200 East Virginia Avenue,
Gunnison, CO 81230
Phone: 970 641 2203
Fax: 970 641 7643
Email: LNienhueser@gunnisoncounty.org

This document is 25 pages in length, consisting of four pages of Summary Information (cover), a one page carrier letter of support and 20 pages of application information.

Gunnison Crested Butte
REGIONAL AIRPORT

UNITED

Jim Ferea
Managing Director
Domestic Planning

July 22, 2013

Ms. Brooke Chapman,
Associate Director
Small Community Air Service Development Program
U.S. Department of Transportation
8th Flour, Room W86-307
1200 New Jersey Avenue SE,
Washington D.C. 20590

Dear Ms. Chapman,

Reference: Docket DOT-OST-2013-0120

Gunnison County, Colorado, owner and operators of the Gunnison County Regional Airport, has submitted to the Department an application for a 2013 Small Community Air Service Development (SCASD) Grant.

The Airport's application is for funding to support new, summer season, air service from Gunnison to Houston, Texas.

United Airlines supports the Grant application of Gunnison. We are evaluating new route options from our Houston hub and Gunnison summer service is one of those new route options. Availability of SCASD Grant funding to mitigate the risk of starting a new market would aid our evaluation of that route option.

We therefore ask the Department to give the Gunnison Grant application all possible favorable consideration.

Best regards,

Jim Ferea
Managing Director, Domestic Planning
United Airlines

233 South Wacker Drive, Chicago, IL 60606 (877)825-8877

A STAR ALLIANCE MEMBER

INTRODUCTION

Gunnison County, Colorado, owner of the Gunnison/Crested Butte Regional Airport, in partnership with the Gunnison Valley Rural Transportation Authority, the Gunnison Crested Butte Tourism Association and the Crested Butte Mountain Resort, herein submit an application for Small Community Air Service Development Grant funding.

The Gunnison area is a vacation and tourism Mecca with a wide range of both summer and winter leisure activities available. The area is also very isolated. The nearest airport with measurable low fare air service is at Denver, 225 mostly two lane road miles away.

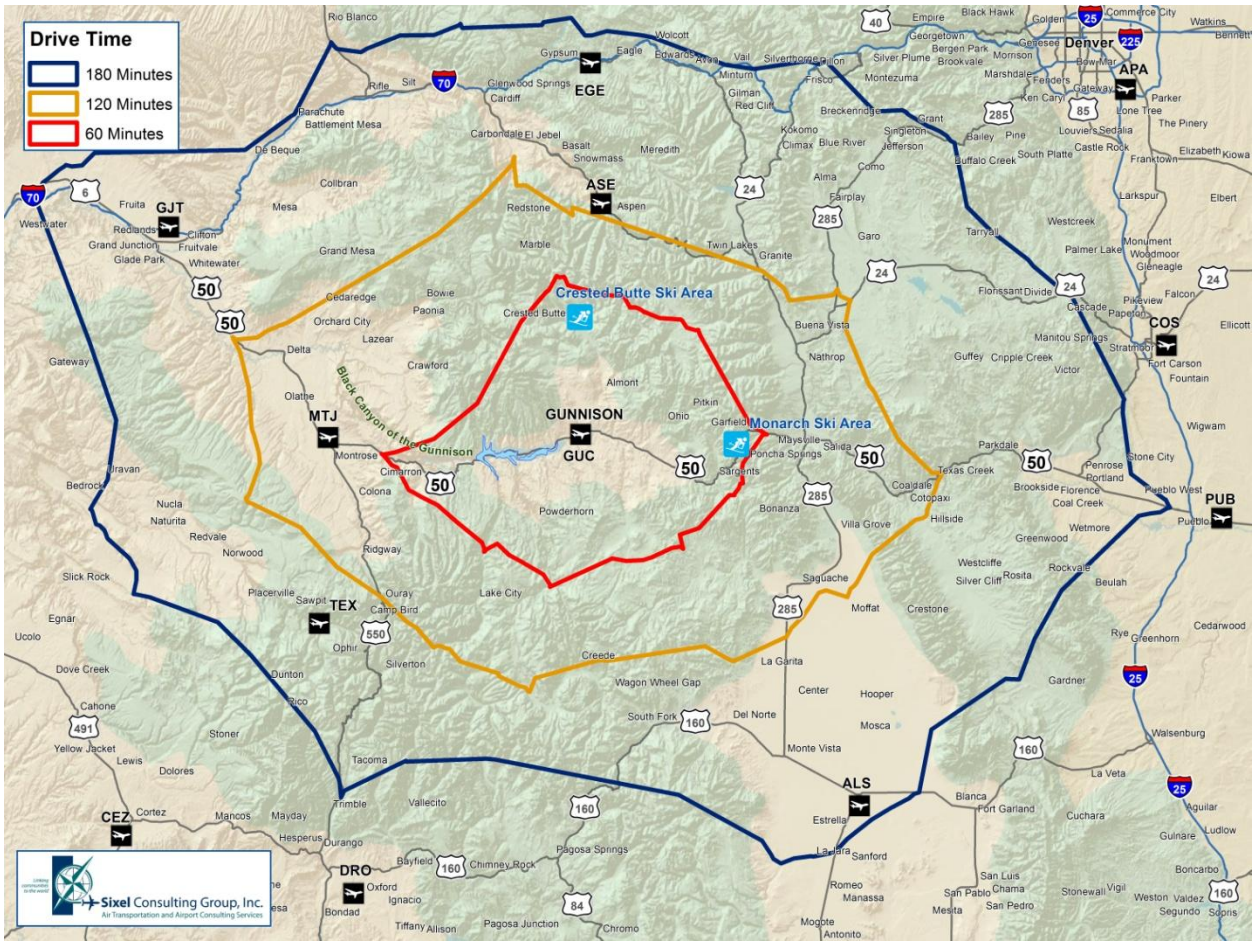
The local economy is heavily reliant on tourism. The significant isolation from major population centers and major airports makes local air service an absolutely essential consideration, critical to allowing out-of-state tourists the ability to visit. Gunnison must compete for every visitor with a wide range of other resort areas in the country, most of which are much more accessible by car or air. Yet since 2009 Gunnison air service, measured in available seats, is down 34%. This precipitous decline is far greater than the capacity changes at any other Colorado resort market airport in the same period. Furthermore, since 2009 Gunnison's average domestic fare has jumped 36%, a greater increase than at any peer airport except one. As a result, Gunnison domestic traffic is down 26% in the 2009 to 2012 period. The combination of significant capacity declines and large average fare increases hurts the local economy and the overall competitiveness of its leisure and vacation infrastructure. Compounding the overall decline in service is the extreme imbalance of current service. Fully 65% of current annual Gunnison capacity is offered between December and March.

"Since 2009 Gunnison air service, measured in available seats, is down 34%"

The Gunnison Air Service Partnership, including the entities named above and a host of others are committed to reversing the decline in local air service and the summer/winter capacity imbalance. This Grant application describes our plan for restoring lost capacity. Our proposal calls for $350,000 in DOT funding, matched by $350,000 of local cash matching funds. Our primary new service target is summer season United Airlines nonstop service to Houston. This new service would begin to address the imbalance between winter and summer capacity and bring significant economic benefit to the Gunnison area. Alternative carrier/route options for Grant use are American service to Dallas or US Airways (merging with American) service to Phoenix.

GUNNISON'S LOCATION, POPULATION AND ECONOMY

Location – Gunnison, Colorado is located in south central Colorado, along State Highway 50 and some 200+ road miles west of Denver and 61 road miles east of Montrose. As a measure of the community's isolation, Highway 50 east or west is the ONLY road in or out of the city.



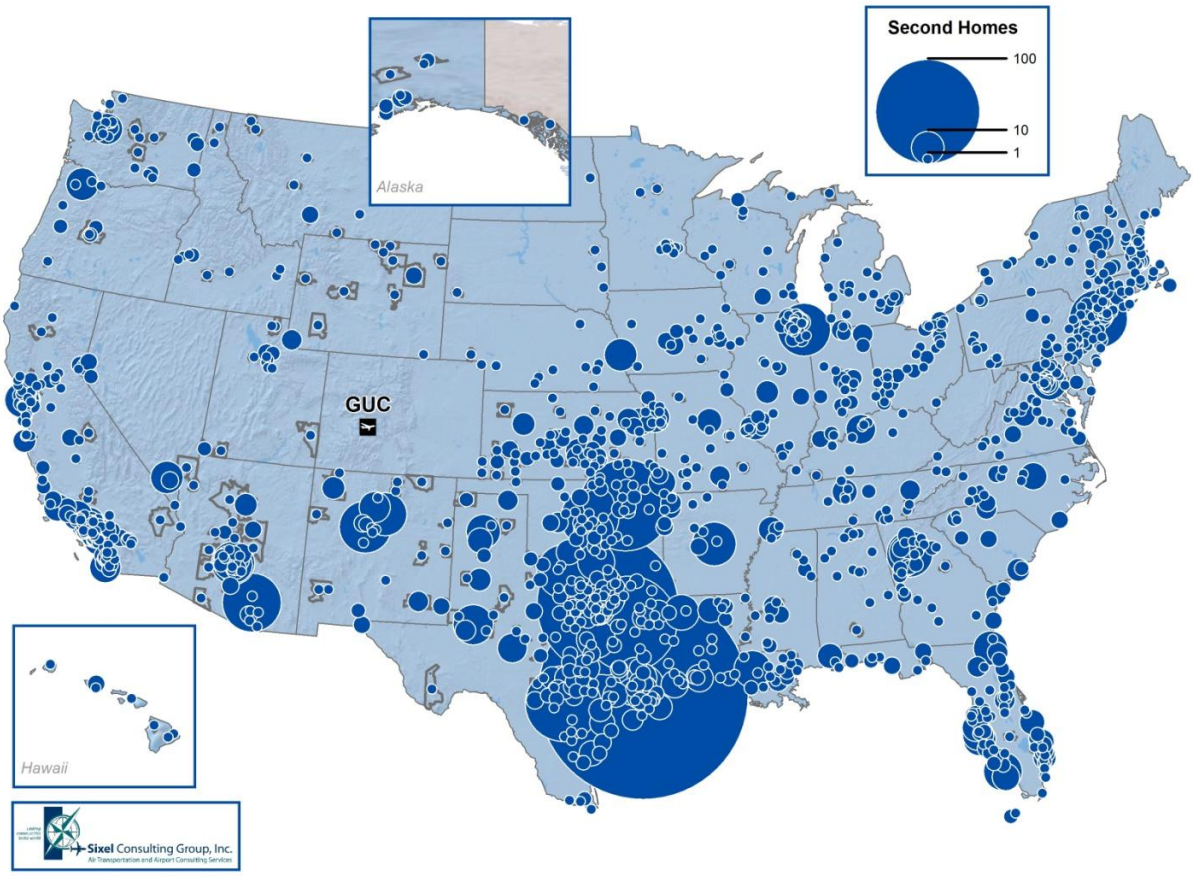
Isolation – The community's isolation from the interstate highway system and low fare air service is startling. The nearest interstate highway is two hours distance (I-70 at Grand Junction). With the exception of Montrose, which has similar air service patterns, all alternative airports are over two hours drive. The nearest airport with measurable low fare carrier service is Denver, a 225 mile drive that consumes well over four hours. Clearly, transportation, especially easy access for inbound vacationers and tourists, is a challenge for Gunnison and its tourism based economy.

GUNNISON ALTERNATIVE PUBLIC TRANSPORTATION OPTIONS

	Distance	Time
Interstate I-70 at Grand Junction	126	2:00
Interstate I-25 at Pueblo	148	3:00
Montrose Regional Airport	66	1:21
Grand Junction Regional Airport	131	2:08
Colorado Springs Municipal Airport	170	3:27
Denver International Airport	225	4:17

Population – The City of Gunnison has a population of 5,854 while Gunnison County has 15,324 residents. The City population has grown 8% since 2000 and the County 11% in the same period. The one hour drive radius has a resident population of 14,419, the two hour radius population is 111,353 and the three hour radius population is 548,503. The resident populations are complemented by significant second home season residents, primarily during either or both of the winter ski season or summer season. Gunnison County has 5,899 second homes and peak winter or summer total area population, counting second homers, can reach 25,000. About 67% of second home owners (3,978) are out-of-state. Texas residents alone have 24% (1,416) of total Gunnison area second homes and 36% of total out-of-state homes. California and Arizona account for 11% of total out-of-state homes.

GUNNISON COUNTY SECOND HOME OWNERSHIP BY STATE: 2012



Economy – The Gunnison area economy's primary driver is tourism, accounting for nearly half of overall economic activity. Other key sectors are education and agriculture (ranching). The city of Gunnison is a regional center for retail trade and services, education, medical services and government services. Western State Colorado University is within the city limits and is the largest local employer. There are about 2,400 students, 25% of which are from out-of-state. The City has

the only hospital in the county. In addition to being the county seat, Gunnison also has a Bureau of Land Management regional office, the administrative facilities of the Gunnison National Forest and an office of the Colorado Division of Parks and Wildlife. Mining for rare-earths and for coal occurs in the county. Local area unemployment varies by season but is about 6%.

The City and its Airport are the gateway to a stunning variety of vacation and leisure venues. The Crested Butte Mountain Resort (31 miles north) has evolved into a year-round resort area. The Ski Mountain has nearly 1,200 acres, 16 lifts, 121 trails and averages 300+ inches of snow per season. The Resort has invested over $200 million on infrastructure improvements and expansion in recent years. The Monarch Ski Area (40 miles east) has 800 acres, 5 lifts and 350+ inches of snow per season. For summer activities the Black Canyon of the Gunnison National Park is just west of the city. The county has eight designated Federal Wilderness Areas and the Curecanti National Recreation Area around the Blue Mesa Reservoir. The area is also popular with hunters in fall.

In the county there are over 7,000 hotel, motel, condominium or bed and breakfast beds. A significant portion of the retail and dinning or leisure services industry in the county depends on the occupancy rate for these 7,000+ beds.

Key tourism economic impact metrics for Gunnison include;

- A 2008 CDOT study estimated that local air service has a $55 million dollar annual impact
- The average winter visitor spends $350/day and stays 4.6 days
- The average summer visitor spends $125/day and stays 4.2 days
- Some 1,900 jobs in the county depend directly on tourism
- These jobs generated $38 million in local wages, benefits and proprietor income
- Tourism generates $5.2 million in local tax receipts annually
- Summer season (June – September) generates 44% of local sales tax revenues while winter (December to March) generates 32% of that revenue

GUNNISON VALLEY TRANSPORTATION AUTHORITY SALES TAX REVENUE BY SEASON

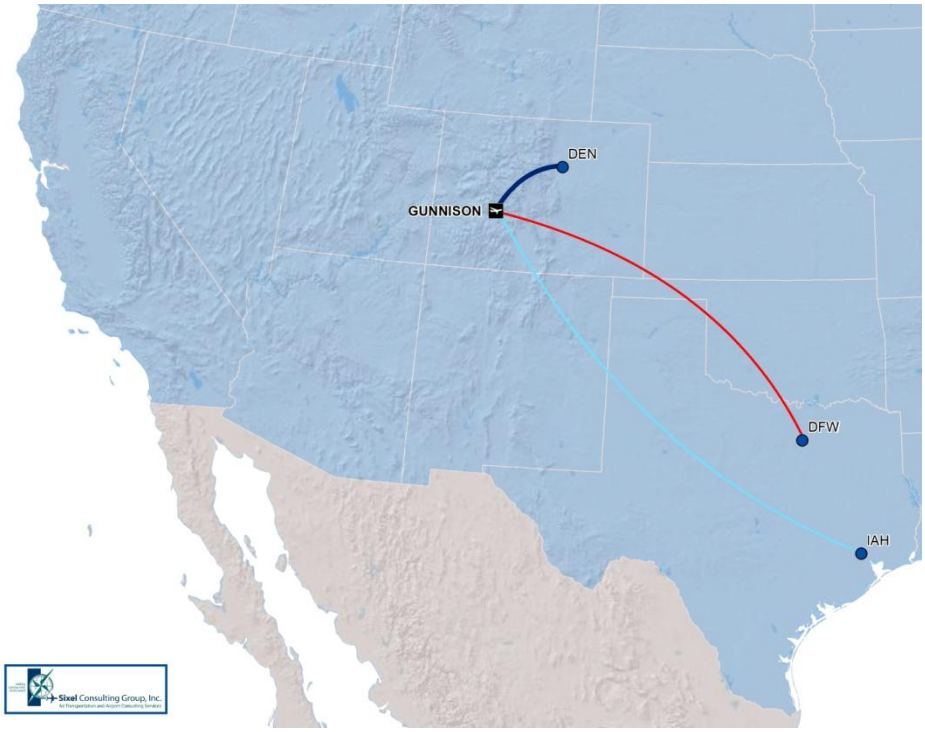
As a percent of total for the year

	2007	2008	2009	2010	2011	2012	6 Year Average	Change 07 to 12
Winter (December to March	35.9%	28.7%	35.6%	34.5%	33.1%	32.0%	33.4%	-7.0%
Summer (June to September)	39.6%	45.9%	41.6%	40.4%	45.8%	44.1%	42.8%	8.0%
Spring (April & May)	12.2%	12.3%	11.1%	13.2%	9.4%	11.3%	11.6%	-4.6%
Fall (October & November)	12.4%	13.1%	11.8%	11.9%	11.7%	12.6%	12.3%	-1.0%

This chart of local tax revenue by season shows that summer season revenue has grown while revenue in other seasons has declined in the period 2007 to 2012.

CURRENT AIR SERVICE, TRAFFIC AND SEASONALITY

Current Air Service and Service Seasonality – Gunnison's only year-round air service is to Denver on United Airlines regional jets. This year-round service is complemented during ski season by various frequency levels of mainline equipment flights to Dallas/Ft. Worth (DFW) by American and to Houston (IAH) by United. Since April, 2010 this has been the full extent of Gunnison air service.



The year-round Denver service also varies in frequency, from up to three round trips per day during the peak of the ski season, to up to two daily round trips during peak summer months, to a single daily round trip or less during April through June and September through November.

GUNNISON SEASONALITY OF AIR SERVICE: SEGMENTS FLOWN BY MONTH FOR 2012

Route	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Total
Denver	67	85	115	60	62	50	124	116	60	62	60	84	945
Dallas	52	56	62	4								36	210
Houston	12	6	10									22	50

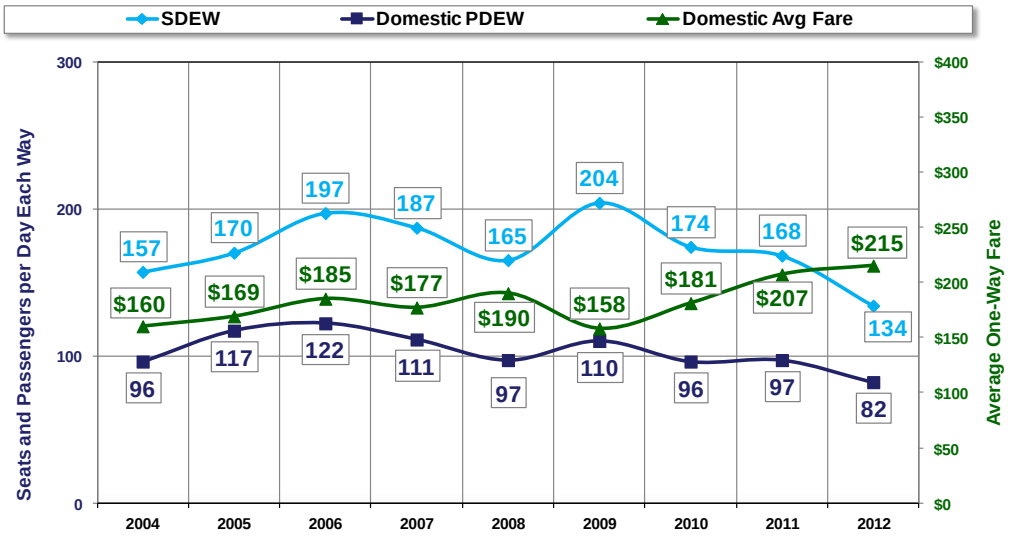
GUNNISON SEAT CAPACITY AND O&D TRAFFIC BY MONTH AS A PERCENT OF TOTAL: 2010 - 2012

All Routes	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Total
Seats	17.7%	16.4%	19.0%	4.4%	3.2%	4.8%	6.7%	6.2%	3.1%	3.2%	2.9%	12.4%	100.0%
O&D	14.7%	17.7%	19.3%	3.0%	2.5%	4.1%	7.9%	7.5%	4.3%	3.1%	2.7%	13.2%	100.0%
	Winter Peak					Summer Peak						Winter	

The seasonality of service leads to wide fluctuations in seat capacity and traffic by month. The winter peak season is December to March. There is also a modest summer peak. Fully 65% of annual Gunnison traffic demand and capacity offerings occur between December and March.

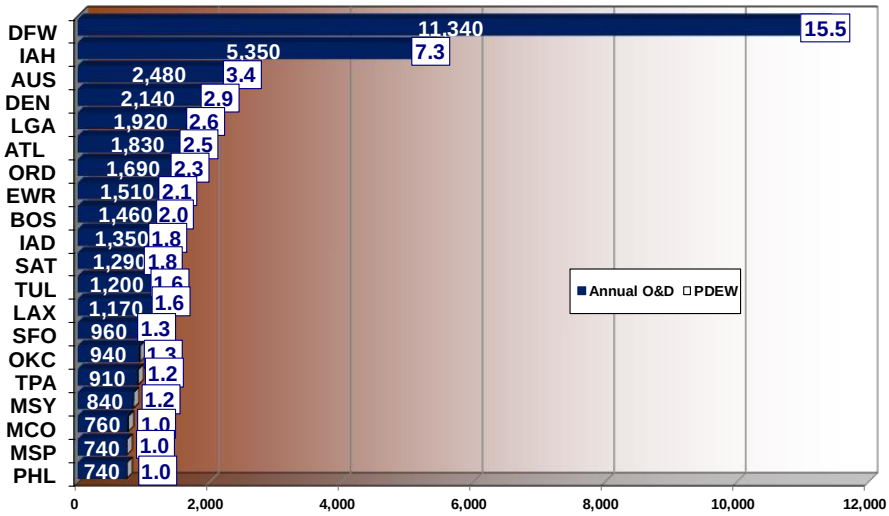
Capacity, Traffic and Average Fare Trends – Total domestic Gunnison traffic has declined 26% since 2009. This decline is driven by a 34% decline in air service (measured as available seats) and a 36% increase in domestic average fare in the same period.

GUNNISON SEAT CAPACITY, DOMESTIC TRAFFIC AND AVERAGE FARE; 2004 - 2012



Gunnison Top Markets – Gunnison recorded traffic in 169 domestic markets in 2012. Dallas and Houston (winter only) were the top two markets; Austin, Texas was the #3 market.

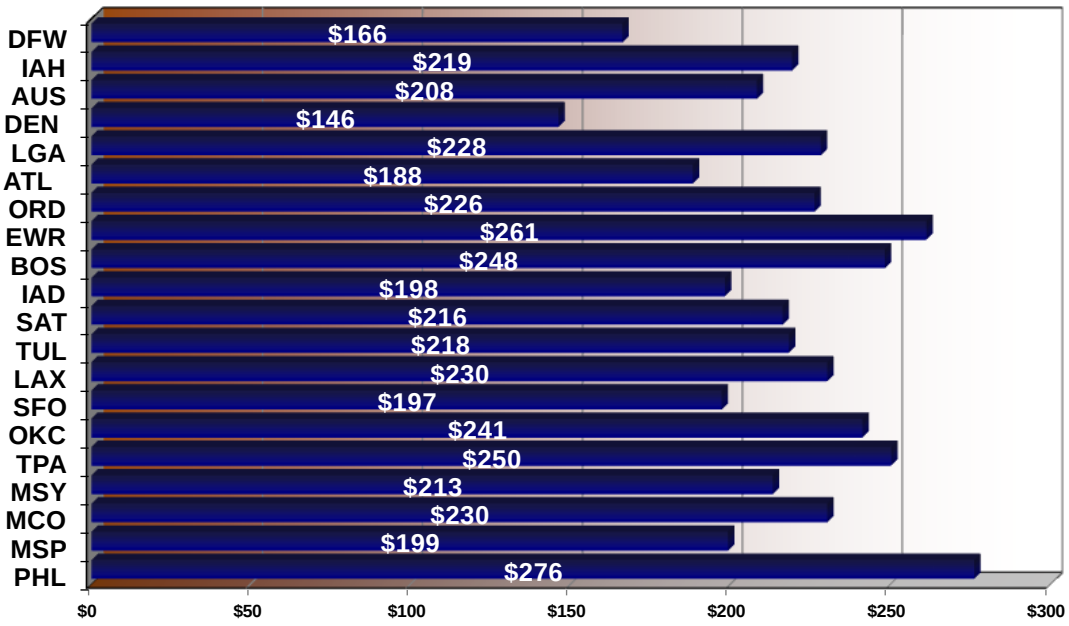
GUNNISON TOP DOMESTIC MARKETS: YEAR 2012



Seven of the top twenty markets are located in the south central U.S. while eight are in the eastern U.S. Lack of westbound service means only two are located west of Gunnison (LAX and SFO).

With the exception of Dallas, Denver and Atlanta, average one-way net fares to all of Gunnison's top markets are in the range of $200 or higher.

GUNNISON TOP DOMESTIC MARKET AVERAGE FARES: YEAR 2012



Carrier Market Shares – United Airlines, and its code sharing partner US Airways (pending merger with American) carried 60% of Gunnison domestic traffic in 2012. American carried 40% domestic traffic with only the winter season service from Dallas.

GUNNISON DOMESTIC TRAFFIC MARKET SHARE: 2012

Carrier	O&D	Share	Avg Fare
United Airlines	33,360	56%	$230
US Airways (via UA codeshare)	2,410	4%	$266
American Airlines	23,820	40%	$187
Various Interline	170	0%	$392
Total Domestic Traffic	59,760	100%	$215

Domestic Traffic Distribution by Region – Despite its location in south central Colorado, Gunnison domestic traffic is heavily oriented eastward, especially toward the South Central U.S. region of Texas, Oklahoma, Louisiana, and Arkansas.

The imbalance in traffic distribution is significant. Over 87% of Gunnison's domestic traffic and passenger revenue for 2012 was exchanged with airports in the Northeast, Southeast, South Central and Midwest regions. 44% of traffic was exchanged with the South Central region alone.

GUNNISON DOMESTIC TRAFFIC AND REVENUE BY REGION: 2012

Region	States	O&D	Share	Revenue	Share	Avg Fare
Northeast	ME, VT, NH, MA, RI, CT NY, PA, MD, DE, VA, WV, OH	10,590	18%	$2,542,097	20%	$240
Southeast	NC, SC, TN, GA, AL, MS, FL	9,440	16%	$2,202,208	17%	$233
South Central	OK, AR, TX, LA	26,130	44%	$5,141,441	40%	$197
Midwest	MI, WI, MN, ND, SD, NE KS, IA, MO, IL, IN KY	5,790	10%	$1,306,506	10%	$226
Intermountain	MT, ID, WY, UT, CO, NM	2,580	4%	$423,876	3%	$164
Far West	WA, OR, NV, CA, AZ, AS, HI	5,230	9%	$1,223,640	10%	$234
Total	50 States	59,760	100%	$12,839,768	100%	$215

GUC reported DOT domestic traffic and revenue by region for year 2012

There is a clear correlation between availability of nonstop air service and traffic in the Gunnison market. Seasonal Dallas and Houston service generates 47% of total annual market seats and the South Central U.S. (Texas, Oklahoma, Arkansas and Louisiana) generates 44% of domestic traffic. Due to a complete lack of westbound service the Far West region garners only 9% of domestic traffic.

GUNNISON CAPACITY BY ROUTE: 2012

Route	Seg Flown	Seats	Seats/Seg	% of Total
DEN (UA)	945	52,014	55.0	53.3%
DFW (AA)	210	39,360	187.4	40.3%
IAH (UA)	50	6,184	123.7	6.3%
Total	1,205	97,558	81.0	100.0%

Alternative Airports – Gunnison's isolation is very apparent. Unless one has an all-terrain vehicle and favorable summer weather, there are only two highways in or out of the city; State Highway 50 either east or west.

GUNNISON ALTERNATIVE AIR SERVICE AIRPORTS

	Distance	Time	2012 Avg Fare	Airline Options
Montrose Regional Airport	66	1:21	$238	American, Delta, United, Allegiant
Grand Junction Regional Airport	131	2:08	$212	American, Delta, United Allegiant, US Airways
Colorado Springs Municipal Airport	170	3:27	$180	American, Delta, United, Allegiant
Denver International Airport	225	4:17	$151	Ten Domestic and Six International

GUNNISON AIR SERVICE DEFICIENCIES AND NEEDS

Air Service Deficiencies – The Gunnison area economy is primarily driven by tourism, with world class winter and summer leisure venues and activities nearby. The region's isolation means that air service is critical to capturing tourism visits and dollars. Yet Gunnison airline capacity, measured in available seats, has declined 34.5% between 2009 and 2012 while average domestic fare is up 36% in the same period. As a result domestic traffic has declined 26% since 2009.

GUNNISON CAPACITY DECLINE: 2009 - 2012

Year	Carrier	Segments	Change	Seats	Change
2009	American	217		40,788	
	United	1,892		89,721	
	Delta	215		18,409	
	Total	2,324		148,918	
2010	American	238	9.7%	38,517	-5.6%
	United	1,332	-29.6%	77,099	-14.1%
	Delta	125	-41.9%	11,688	-36.5%
	Total	1,695	-27.1%	127,304	-14.5%
2011	American	378	58.8%	28,258	-26.6%
	United	1,291	-3.1%	94,383	22.4%
	Total	1,669	-1.5%	122,641	-3.7%
2012	American	210	-44.4%	39,360	39.3%
	United	996	-22.9%	58,248	-38.3%
	Total	1,206	-27.7%	97,608	-20.4%
American 2009 vs. 2012			-3.2%		-3.5%
Delta 2009 vs. 2012			-100.0%		-100.0%
United 2009 vs. 2012			-47.4%		-35.1%
Total 2009 vs. 2012			-48.1%		-34.5%

Both American and United show dramatic year by year shifts in capacity while segments flown continue to steadily decline due to shifts in the size of aircraft offered on certain routes. For example, American operated DFW service in 2011 with primarily large regional jets while in 2012 the service was primarily 757s. This will shift again in 2012-2013 with the use of A319 gauge equipment. However, the change in total segments flown and seats offered from 2009 to 2012 is inescapable, a massive decline.

Many small and medium sized airports have suffered capacity and traffic declines along with fare increases in recent years. However, Gunnison's air service declines are more measurable

than those of its peer group, other Colorado mountain airports that serve mostly leisure and resort communities.

COLORADO MOUNTAIN AIRPORT AIR SERVICE CHANGES: 2009 - 2012

	Seat Capacity			Domestic Traffic			Avg Domestic Fare		
Airport	2009	2012	Change	2009	2012	Change	2009	2012	Change
Aspen	693,036	666,207	-3.9%	385,490	365,570	-5.2%	$204	$264	29.4%
Durango	426,324	484,899	13.7%	280,060	349,050	24.6%	$168	$202	20.2%
Eagle	538,728	567,547	5.3%	338,850	295,020	-12.9%	$174	$233	33.9%
Gunnison	148,918	97,608	-34.5%	80,400	59,760	-25.7%	$158	$215	36.1%
Hayden	381,877	323,582	-15.3%	229,800	189,190	-17.7%	$157	$201	28.0%
Montrose	253,578	205,358	-19.0%	175,020	136,690	-21.9%	$174	$237	36.2%
Group	2,442,461	2,345,201	-4.0%	1,489,620	1,395,280	-6.3%	$178	$228	28.1%

In the period 2009 - 2012 Gunnison has had the largest loss of capacity and the biggest decline in traffic among its peers. Gunnison also had the highest fare increase in that timeframe in the group except for that which occurred at Montrose, which had a similar 36% increase.

Gunnison air service is also deficient compared to its peers in terms of the number of nonstop destinations served, on both a seasonal basis and year-round.

COLORADO MOUNTAIN AIRPORT NONSTOP SERVICE SUMMARY: 12 MONTHS MARCH 2013

Airport	ATL	DEN	DFW	EWR	JFK	IAH	LAX	MIA	MSP	OAK	ORD	PHX/AZA	SFO
Aspen		X	X			X	X				X		X
Durango		X	X									X	
Eagle		X	X	X	X	X	X	X	X		X		
Gunnison		X	X			X							
Hayden	X	X	X	X		X	X		X		X		
Montrose	X	X	X	X		X	X			X	X	X	

Color Code	Year Round	Two Season	Winter Only

Aspen has six nonstop destinations, five of which are either year round or two-season. At Durango all three nonstop routes are year-round. Eagle has nine nonstop routes, two year-round and seven winter-only. Hayden has eight nonstop routes with seven being winter-only. Montrose has nine nonstop routes, three of which are year-round or two-season. It is noteworthy that Gunnison is the only airport in the group without westbound service.

A direct result of the decline in Gunnison air service is a decline in the number of visitors by air. Per DOT traffic reports, in 2009 Gunnison air service generated 80,040 domestic O&D. As is typical for an in-bound leisure destination airport 78.7% of that domestic traffic was recorded as having an inbound origin. That meant that 62,970 of the O&D passengers were inbound, equaling

31,485 individual visitors by air. In 2012 domestic traffic had declined to 59,760 O&D with an 80.7% inbound percentage. That equates 48,240 inbound O&D or 24,120 individual visitors by air. That is the loss of 7,365 individual visitors by air, a 23.4% decline over that period.

GUNNISON VISITORS BY AIR: DOT TRAFFIC REPORTS

Year	Domestic O&D	Inbound Percent	Inbound O&D	Visitors	Change
2009	80,040	78.7%	62,970	31,485	
2010	70,360	78.9%	55,530	27,765	-11.8%
2011	70,450	80.2%	56,470	28,235	1.7%
2012	59,760	80.7%	48,240	24,120	-14.6%
Net Change 2009 to 2012			-14,730	-7,365	-23.4%

Page six of this application references average visitor stay of 4.6 days in winter and 4.2 days in summer. This implies that the decline of 7,365 visitors by air has cost Gunnison approximately 32,400 visitor days. At even a modest $200 per day average visitor spend that represents $6.5 million in lost local tourism spending, just from the loss of 7,365 annual visitors by air since 2009.

Gunnison Air Service Needs – Clearly, Gunnison needs additional air service capacity. While any capacity increase would be welcomed by the community and strongly supported, the most glaring need is for additional summer season capacity. Summer season leisure visitor traffic is growing and new service, from any hub, would re-enforce the relatively limited (frequency and capacity) Denver service currently offered during that period.

Some 44% of total Gunnison's 2012 domestic O&D were from the South Central U.S., that being the states of Texas, Arkansas, Oklahoma and Louisiana. Gunnison's top three domestic markets are Dallas, Houston and Austin and seven of the top twenty domestic markets are in the South Central U.S. Texas residents own 36% of local out-of-state second homes (1,416 of 3,978).

Clearly the best new summer service option, with the most impact and potential for self sustaining success, would be service to Texas, logically either American Airlines to Dallas (DFW) or United Airlines to Houston (IAH). Either new route would offer not only nonstop service from a major metro area in Texas but both would also offer the online connection benefits afforded by the large connecting hubs of American (DFW) or United (IAH). The Gunnison parties participating in this Grant application believe that new summer service to a major hub airport in Texas will have significant and measurable economic impact and spur further summer season capacity growth in future years. Alternatively, US Airways Phoenix summer service, while not from Texas, would carry the code of American Airlines (due to pending merger) and also provide Gunnison with its first westbound service, opening up the Arizona and California markets.

AIR SERVICE DEVELOPMENT EFFORTS AND AIR SERVICE MARKETING

Air Service Development Efforts - Gunnison representatives visit the headquarters of our incumbent airlines United and American on a quarterly basis. At these headquarters meetings Gunnison representatives meet with the planning, frequent flyer, e-marketing, pricing, sales, revenue management and in-flight service departments. Conference calls occur on either a monthly basis (marketing and network planning) or weekly basis (revenue management). We also receive from each airline, on a weekly basis, a booking report during peak travel periods.

Gunnison Representatives Airline Meeting and Conference Call History: 2011 - 2013

- During 1st Quarter Each Year
  - Monthly conference call with marketing and network planning departments – AA/UA
  - Weekly conference call with revenue management department – AA and UA
  - Weekly booking reports – AA and UA
- During 2nd Quarter Each Year
  - Monthly conference call with network planning department – AA and UA
  - Weekly conference call with revenue management department – AA and UA
  - Meetings at headquarters - AA and UA
- During 3rd Quarter Each Year
  - Monthly conference call with marketing and network planning – AA and UA
  - Weekly booking reports – AA and UA
- During 4th Quarter Each Year
  - Monthly conference call with network planning department – AA and UA
  - Weekly conference call with revenue management department – AA and UA
  - Meetings at headquarters - AA and UA

In addition to ongoing communication with our incumbent airlines Gunnison representatives also remain in contact with other, non-incumbent airlines on potential new air service options for the Gunnison market. This includes carriers such as AirTran, Delta, Frontier and US Airways.

Current Air Service Marketing – The Gunnison – Crested Butte Tourism Association works closely with the Rural Transportation Authority and all concerned entities, both public and private, in the County to market and promote the Gunnison region for tourism.

On page 16 is a detailed outline of the overall marketing strategy and the promotional tactics that are used every day to promote local tourism and the air services that make it available to the nation and world. Those same strategies and tactics will be used to support new Houston summer season service.

GUNNISON'S STRATEGIC PLAN FOR NEW AIR SERVICE

The Gunnison Air Service Partnership intends to recruit new summer season air service to the Gunnison Regional Airport. As demonstrated on the previous page, we have developed close relationships with our airline partners and work closely with our incumbent airlines and perspective new entrant carriers. We are confident that Grant funding, used as outlined herein, will result in an improvement in summer season Gunnison air service beginning in 2014.

Proposed New Route – We have identified that the best new air service for Gunnison would be summer season service to a major hub in Texas. Texas and the south central U.S. region is by far and away the largest domestic O&D traffic generator for Gunnison. Both Dallas and Houston currently have winter season (mid December through March) service to Gunnison with DFW service being daily most of that winter period and Houston service being weekend only.

The summer season is our target because of the extreme imbalance in current Gunnison air service, with 67% of annual seat capacity flown in the December to March timeframe while our peak summer tourism season barely sees two regional jet round trips a day to Denver. We believe that added summer season service (with IAH, DFW or PHX as options) will create a critical mass of air service at the airport during that season and make it possible, in a few years, to recruit additional self-sustaining summer services. Our primary recruitment target for grant supported service will be United Airlines and summer season service to Houston IAH. American service to DFW and US Airways (American's merger partner) service to Phoenix are also options.

Funding Plan – The Gunnison parties propose to use a combination of $350,000 of local, non-airport funding and $350,000 of Grant funding to create a $700,000 total fund dedicated to the risk abatement of and marketing of new summer season. While the bulk of total fund monies will likely be dedicated to carrier risk abatement, the Gunnison parties fully understand the absolute importance of the marketing of any new air service to the ultimate success of that service. The ultimate allocation of Grant funding between MRG and marketing will be a subject for negotiation with the carrier. Should new Grant supported service be slow to reach self-sustaining status, the Gunnison parties are prepared to commit additional funding, above and beyond the $350,000 pledged in this application, to bring new service to profitability.

GUNNISON SCASD GRANT FUNDING PLAN

Source	Amount	Percent Total
DOT	$350,000	50.0%
Gunnison Air Service Fund	$350,000	50.0%
Total	$700,000	100.0%

New Service Marketing Plan - The Gunnison – Crested Butte Tourism Association works hard to market Gunnison air service. The Association's marketing strategy shifts from season to season as air service capacity shifts. The multi-year marketing strategy employed is designed to increase visitor volume and revenue and thus local economic growth. There are four elements to the on-going strategy;

- Retain current market share by helping the community deliver on the brand promise
- Deliver focused marketing efforts in priority markets, especially high potential ones
- Helping the community create and deliver a world class visitor experience
- Remove barriers to growth by fostering partnership between venues in the county

Gunnison's #2 visitor market is Texas, after only Colorado. Considerable resources are allocated to Texas marketing, focused on the metro areas of Dallas, Houston, Austin and San Antonio;

- Print publications including United Hemisphere and Texas Monthly
- Electronic marketing targeting potential visitors, done year-round
- eMarketing newsletters target Texans who participate in activities popular in Gunnison
- Radio promotions in Dallas and Houston
- Our website has a section devoted to air travel, including United booking information
- Our press release boiler plate includes language promoting our air service options

While a precise allocation of total fund monies between risk abatement and marketing is subject to negotiation with a carrier, a 10% allocation to marketing would mean $70,000 in marketing funding for a new summer season service.

GUNNISON SCASD IMPLEMENTATION TIMELINE

Event	Projected Date
SCASD Grant Award	September, 2013
Grant Agreement with DOT	September, 2013
Meet with Target Airline	October, 2013
Conclude MRG New Service Agreement	November, 2013
Develop Detailed New Service Marketing Plan	December, 2013
Submit First Grant Status Report to DOT	December, 2013
Announce New Service starting June, 2014	January, 2014
Begin New Route Marketing per Plan	January, 2014
Second Grant Status Report to DOT	April, 2014
Monitor Advance Bookings; Adjust Marketing as needed	Balance of 2014
New Service Inaugural	June, 2014
Submit Quarterly Grant Status Reports to DOT	Balance of 2014
Close Grant	2015

Grant Implementation Timeline – The Gunnison parties fully expect that new summer seasonal air service supported by the Grant can begin in the summer of 2014. This goal is based on an assumption that the Department will award 2013 Grants in late third quarter and that Gunnison will be able to negotiation Grant funded Houston air service contracts with United during fourth quarter of 2013. This will allow for new service schedule display in GDSs by early 2014 for first operation of new service in June of that year. Gunnison does request that any grant award be for three years duration, to allow for the always uncertain nature of the airline industry.

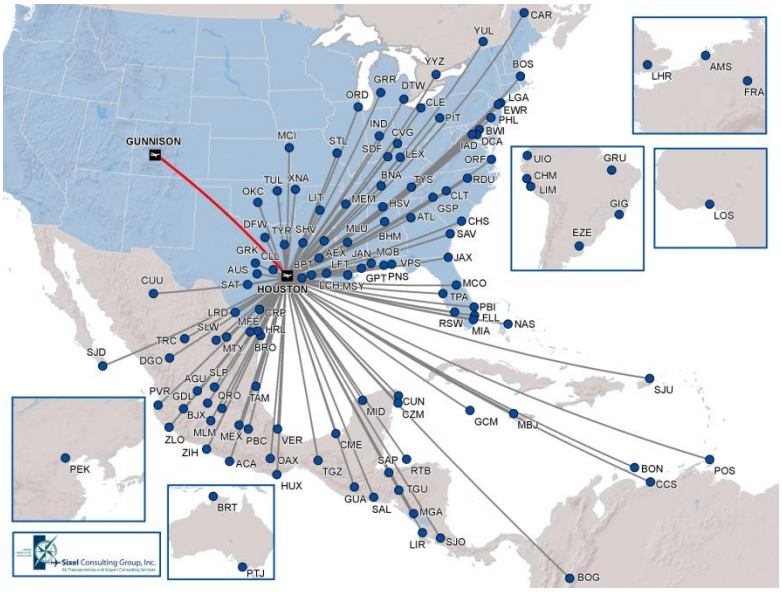
GUNNISON HOUSTON SUMMER SERVICE

Distance	886
Equipment	CRJ-700
Seats	66
Service Period	13 Summer Weeks
Weekly Frequency	10
Season Segments	130
Block Time	2.45
Block Hours	318.5
Seats	8,580
ASM	7,601,880

Forecast of Results for Summer Season Houston Service – Gunnison is a two season leisure and vacation market (summer and winter) with adequate air service during only one of the seasons (winter). The goal of new Grant supported air service is

to bring summer capacity more in line with summer traffic demand. By all economic measures the Gunnison area draws as many, or perhaps more, tourists, visitors and second home residents in summer than it does in winter.

For the purposes of generating a forecast of operational, traffic and revenue results from United Airlines summer seasonal service between Gunnison and Houston, we assumed a 13 week operating season (early June to early September), the use of a 66-seat CRJ-700, and a weekly schedule of 5 round trips or 10 segments. The resulting forecast generates nearly 8,600 seats per summer season or 47.7 SDEW, thus dramatically improving Gunnison's overall capacity during that peak tourism period.



The Houston service would generate online connections to some 67 domestic cities. Some international connections and traffic would also be generated but no international traffic is forecast due to the single frequency nature of both the Gunnison route and also of most Houston international routes.

The traffic forecast chart averages the quarterly traffic of years 2010 to 2012 and adds 3% for organic growth to project a 2013 estimated quarterly traffic. Third quarter is a proxy for the 13 week period of new nonstop Houston service so that quarter's traffic is doubled in 2014 to reflect new service stimulation. Local Traffic is local O&D between Houston and Gunnison while Flow Traffic is connecting traffic from 67 southeastern and eastern cities that can reasonably connect via Houston.

This method estimates Q3 2014 local traffic at 3,003 O&D (16.3 PDEW) and connecting flow

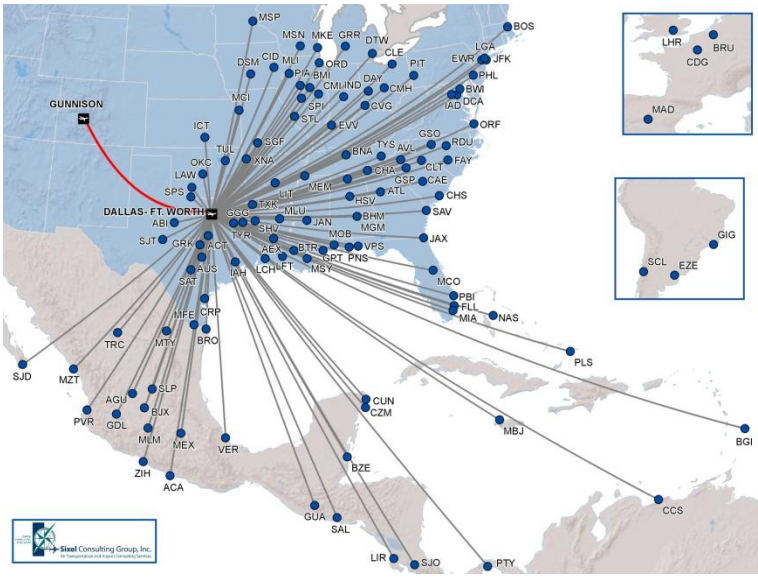
GUC - IAH LOCAL TRAFFIC BY QUARTER					
Year	Q1	Q2	Q3	Q4	Total
2010	2,110	410	1,310	1,550	5,380
2011	4,170	590	1,710	1,900	8,370
2012	2,350	560	1,270	1,220	5,400
2013 Est	3,021	546	1,502	1,635	6,703
2014 Est w/ Q3 nonstop	3,111	683	3,003	1,684	8,480
2014 PDEW	17.3	3.8	16.3	9.1	11.6
GUC - IAH FLOW TRAFFIC BY QUARTER					
Year	Q1	Q2	Q3	Q4	Total
2010	26,870	3,790	7,780	8,720	47,160
2011	25,640	3,210	7,590	8,990	45,430
2012	24,420	3,020	6,450	8,160	42,050
2013 Est	26,926	3,507	7,637	9,055	47,124
2014 Est w/ Q3 nonstop	27,733	4,384	15,274	9,326	56,717
2014 PDEW	154.1	24.1	83.0	50.7	77.7
GUC - IAH TOTAL 2014 LOCAL & FLOW TRAFFIC BY QUARTER					
Total 2014 PDEW	171.4	27.8	99.3	59.8	89.3

traffic at 15,274 (83 PDEW), with nonstop Houston service. Some measure of this traffic will use routings over Denver however there is clearly adequate local and domestic connect flow traffic (99.3 PDEW) to ensure high load factors on the CRJ-700 service which offers 47.1 SDEW during the period.

GUNNISON DALLAS SUMMER SERVICE

Distance	678
Equipment	CRJ-700
Seats	65
Service Period	13 Summer Weeks
Weekly Frequency	10
Season Segments	130
Block Time	1.9
Block Hours	247.0
Seats	8,450
ASM	5,729,100

Alternative New Service – Should United be unable to start Houston summer service, American Airlines summer service from Dallas achieves the same goals as Houston service. An alternative service would use the same aircraft type and service operating window and frequency plan as Houston service.



Dallas is actually a larger O&D market than Houston for Gunnison, primarily due to more winter season capacity. The DFW hub of American is actually larger than the United hub at IAH and thus generates more domestic online connection city pairs (90) and potential traffic than Houston does. Total potential local plus domestic flow traffic via DFW during Q3 is projected at 103.1 PDEW whereas via IAH was 99.3.

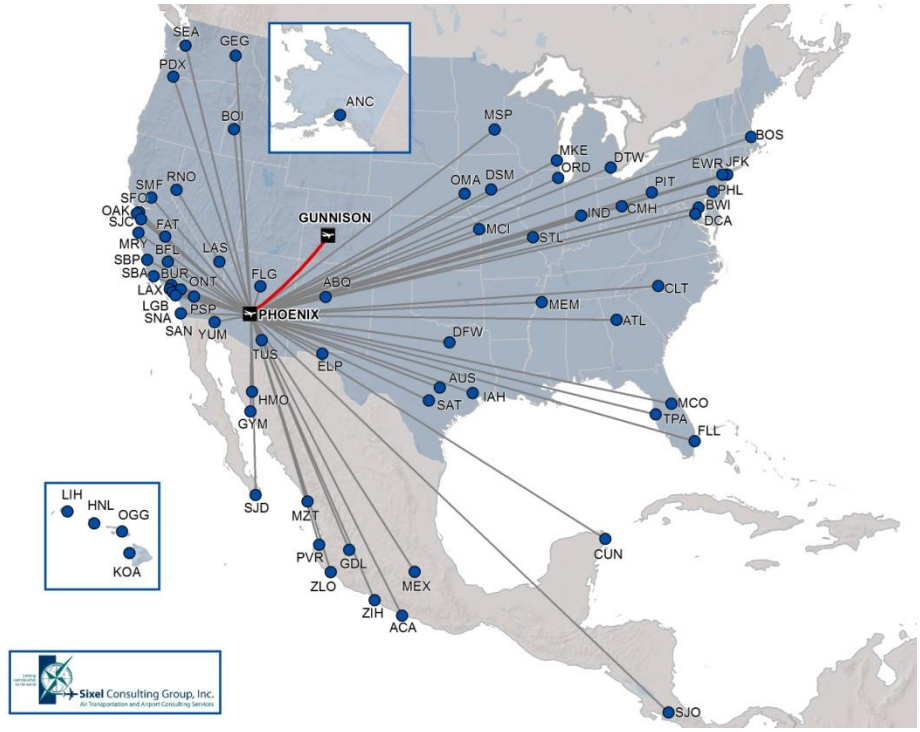
Capacity, measured in SDEW, is actually slightly lower (46.4 SDEW) due to the American CRJ-700 having fewer seats than in the United configuration.

GUNNISON PHOENIX SUMMER SERVICE

Distance	452
Equipment	CRJ-200
Seats	50
Service Period	13 Summer Weeks
Weekly Frequency	10
Season Segments	130
Block Time	1.5
Block Hours	195.0
Seats	6,500
ASM	2,938,000

Alternative New Service – Another alternative new summer service pattern would be to Phoenix, which is the closest hub (other than DEN) to Gunnison. Since US Airways and American have a merger pending, it is likely that in 2014 and beyond that Phoenix – Gunnison summer service would be under the American brand and code. A Phoenix service thus allows for American coded Texas connections and would provide Gunnison with its first westbound service, opening up the Arizona and California markets to the Gunnison market.

Phoenix service would give Gunnison both east and west connection capability and would potentially generate online connections to 50 domestic and 12 international destinations, 23 to the west or northwest, 27 to the east and 12 to the south.



The Gunnison market has relatively weak recorded traffic to the western U.S., owing primarily to a lack of westbound service.

The local market Gunnison – Phoenix is also very small, but again this is more due to a lack of service than to a lack of demand.

The omni-directional nature of the Phoenix hub from Gunnison plus the shorter stage length which allows for the relatively efficient use of smaller gauge equipment suggests that Phoenix service may have potential from Gunnison.

GUC - PHX LOCAL TRAFFIC BY QUARTER					
Year	Q1	Q2	Q3	Q4	Total
2010	270	170	220	120	780
2011	200	80	250	60	590
130	110	190	80	2,250	2,630
2013 Est	203	154	193	851	1,400
2014 Est w/ Q3 nonstop	209	193	385	876	1,663
2014 PDEW	1.2	1.1	2.1	4.8	2.3
GUC - PHX FLOW TRAFFIC BY QUARTER					
Year	Q1	Q2	Q3	Q4	Total
2010	23,310	4,340	8,800	9,030	45,480
2011	23,640	3,640	8,870	9,860	46,010
2012	21,890	3,010	6,780	8,570	40,250
2013 Est	24,094	3,847	8,558	9,611	46,109
2014 Est w/ Q3 nonstop	24,817	4,808	17,115	9,899	56,639
2014 PDEW	137.9	26.4	93.0	53.8	77.6
GUC - PHX TOTAL 2014 LOCAL & FLOW TRAFFIC BY QUARTER					
Total 2014 PDEW	139.0	27.5	95.1	58.6	79.9

Given the demonstrated strong travel patterns between Gunnison and Texas and the ability of the Phoenix hub to generate both east and west bound connections, summer season service from either Houston, Dallas or Phoenix, with support from the Gunnison parties, has a high probability of generating strong traffic results.

GUNNISON'S PUBLIC PRIVATE PARTNERSHIP AND PREVIOUS GRANT

Public Private Partnership – Gunnison's public private partnership to support new Grant supported air service is broad based and covers all sectors of the local economy. Every local government body is a member as well has the three largest local hotel or resort properties.

GUNNISON PUBLIC PRIVATE AIR SERVICE PARTNERSHIP
Government
The City of Gunnison
Gunnison County
Gunnison Valley Transportation Authority
Town of Crested Butte
Town of Mt. Crested Butte
Mountain Express
Private Sector
Crested Butte Mountain Resort
West Wall Lodge
Elevation Hotel
Three Rivers Resort
CB Lodging and Property Management
Old Town Inn
Peak Property Management
Institutions, Foundations and Non-Profits
Western State Colorado University
The Gunnison Valley Hospital
Gunnison-Crested Butte Tourism Association
Crested Butte/Mt Crested Butte Chamber of Commerce
Gunnison Country Chamber of Commerce
Gunnison-Crested Butte Film Commission
Crested Butte Mountain Theater
Gunnison Valley Observatory

The Partnership also includes Western State Colorado University, which is both the largest employer in the county and the largest generator of local origin air travel demand.

The partnership also includes the County Hospital and numerous local Foundations and Non-Profit organizations. The Gunnison area has an active and broad arts community, which is highly dependent on inbound tourists for patrons.

Gunnison's Previous SCASD Grant Award – In October of 2003 Gunnison County, Colorado was awarded a Small Community Air Service Development Grant. The Department funding level was $200,000. The goals of the grant, per the Grant Contract, was to "Develop a consistent year round air-service program that is competitive and affordable to the community" and "Provide the nexus required for the community to expand its tourism economy". Objectives of the Grant were; identification of appropriate markets, negotiation with airlines for service feasibility and implementation of a summer/winter service guarantee and development of a marketing program.

Program funding was used for marketing new flights that the just then formed Gunnison Valley Regional Transportation Authority was able to recruit. The $200,000 in Department funding complemented local funding in the marketing of new air services. A range of routes received marketing support from Grant funding, including flights to Dallas, Denver, Houston, and Newark. No DOT funding was used for minimum revenue guarantees. All Grant funding was spent and the grant was closed in first quarter of 2005.

SUMMARY

The economy of Gunnison and Crested Butte, Colorado and the surrounding area is heavily dependent on tourism for economic activity and economic growth. Tourism has two seasons in Gunnison, winter for snow sports at both Crested Butte and Monarch Mountains and summer for a wide range of leisure activities, from hiking to water sports. The Gunnison region is very isolated, the nearest measurable low fare airline service is at the Denver airport, some 225 mostly two lane road miles east. While the isolation is part of the charm of the region it also presents a significant challenge in that tourist and visitor access to the area, especially out-of-state access is limited and dependent on available and affordable air service.

Yet Gunnison air service, measured in available seats, is down 34% since 2009 In that same timeframe traffic is down 26% and average domestic fare is up 36%. For all three of these metrics, Gunnison's changes since 2009 are the most negative among its peer group, other Colorado mountain community airports that rely on tourism. The decline in Gunnison air service is compounded by the imbalance of that service, with 65% of total annual seats offered during the winter period of mid-December to March each year. Gunnison air service shrinks to sometimes one flight per day in spring and fall shoulder months but even during the summer tourism peak service is limited to either one or two flights per day to Denver. The seasonal imbalance of capacity is of particular concern given that, in terms of measurable economic activity from tourism, the summer season is as large as or perhaps larger than the winter season.

In this Grant application the Gunnison parties propose to use $350,000 in Grant funding, matched with $350,000 in local non-airport cash, to mitigate the initial economic risk of new summer season service from Houston, Dallas or Phoenix. Texas hub service would fit well given that some 44% of total annual Gunnison domestic traffic is exchanged with the Texas, Oklahoma, Arkansas and Louisiana region. Phoenix service would open up westbound summer service and Phoenix would serve as both an east and west bound connecting hub.

The Gunnison region relies on tourism as it primary economic engine. That engine has no fuel without tourists and the community's isolation means that seasonally balanced air service is an essential consideration for local economic growth. We urge the Department to approve this Grant request. We are confident that, with Grant funding, we will be able to recruit and support new air service in the summer of 2014. Thank you for your fullest consideration of this important Grant application.