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It's all about fuel

Negotiations between the Gunnison Valley RTA and the airlines serving the Gunnison-Crested Butte Airport are in full swing. The RTA board of directors met last Friday to discuss the latest update from American Airlines. The board will make no formal decisions until more information is gathered from both American and United Airlines, but the 2012 air program is taking shape. First and foremost, there will be a program. But it will likely come at the cost of a higher Minimum Revenue Guarantee (MRG) to American Airlines and a reduction in the number of seats serving the Gunnison Valley.

According to Kent Myers, RTA airline consultant, American Airlines plans to fly a 44-seat aircraft from the Dallas-Fort Worth airport on a variable schedule to accommodate periods of peak demand. That means two flights a day during the December holiday season and three flights a day on peak days like December 26 and 27. Service would drop to nine flights per week in January and then increase again from mid-February to the end of March.

According to Crested Butte Mountain Resort director of Crested Butte Vacations Jeff Moffett, who has joined Myers in negotiations, that's a drop of approximately 5,300 seats. But Myers cautioned the board to remember that cutting seats in January is preferable to cutting them during peak periods of demand.

"I want to emphasize to the board that a seat is not a seat is not a seat. A seat in January on a Tuesday isn't near the worth of a seat on December 28," Myers said. "I was surprised that [American Airlines] bought off on this idea because the way it was laid out, it really tries to meet the demands of when people want to fly here." Still, add a \$200,000 increase in the MRG to the picture—the minimum revenue the RTA promises the airline for providing regular service to the airport—and the fact remains that the RTA will be spending more money to guarantee fewer seats arriving in the valley to fly in fewer people. According to Myers, it's the cost of doing business. The 2011 MRG did not cover American Airlines' losses (he was not allowed to say by how much), and fuel costs are skyrocketing, projected to increase by 38 percent in 2012.

"It's all driven by fuel," Myers said. "Last year the cap was \$550,000, and the 38 percent increase would make it \$759,000, so [American Airlines] rounded down to a \$750,000 cap."

The airline is also limited in its ability to provide larger planes. Its 50-seat aircraft, which Myers requested they consider, does not have the capability to fly in and out of mountain terrain at high altitudes.

"It's a larger plane with the same size engine as the [44-seat plane], which means it has less lift," Myers said.

So while both Myers and Moffett agree that American Airlines has been a reasonable negotiating partner in accommodating peak periods of demand, there are few options to increase seats or reduce the MRG. And it's a trend that's likely to continue across the air program.

"Kent and I have been talking to United," said Moffett, "and what we're told there is they're planning to fly twice a day with a CR7 [which has 66 seats] with the exception of January, where they would drop down to one flight per day," Moffett said. "It's about a 2,000 seat drop. And since we're looking at a 5,300 seat drop [from American Airlines], we're looking at a 7,000 seat drop, assuming that Houston stays the same."

But that remains to be seen. Service out of Houston was provided by Continental during 2011, but no one knows how the airline's merger with United will affect the level of service.

"A big question in my mind is Houston," Myers said. "Last year we exceeded the cap dramatically on that. Very similar to what happened with American. These guys aren't going to sit around and let that happen."

Myers and Moffett planned to hold ongoing conversations with United the week of May 9 so the board can understand the bigger picture before making final decisions.

"In trying to get the biggest bang for our MRG buck... I don't think we can look at American, sign a contract and go talk to someone else. It's a puzzle that really needs to come together all at once," Moffett said.

Also up for discussion will be the role of group reservations—according to CMBR vice president of sales and marketing Daren Cole, the ski resort's group reservations are up about 45 percent in 2012—and the possibility of maintaining overnight or early-morning flights so travelers can make connections. Another potential factor is the renegotiation of the airlines' airport leases.

"From the airport's perspective, all of the airline leases are up," airport manager John DeVore said. "I'm going to try to keep the costs the same as they are right now so the airlines would not see any cost increase from the airport perspective. I'm going to do my best to hold the cost down."

The RTA board of directors hopes to have enough pieces of the puzzle figured out to begin making formal decisions regarding the air program at their meeting this Friday, May 13.