



United Express operations make up the bulk of SkyWest's CRJ operation, further boosted with the arrival, from January of this year, of the first of 25 CRJ700s.

“...Providing the right airplane in the right market...at the right price”

In common with most regional airlines, SkyWest had humble beginnings. In June of 1972, St George, UT based lawyer Ralph Atkin bought a parachute drop and sightseeing operation called Dixie Airlines and re-named it SkyWest. By the time of its 30th anniversary two years ago the airline had grown from an operator of PA34s to what can only be described as a 'serious' player.

Key steps along the way must include the decision by Atkin in 1975, when the young 'airline' was deep in the financial mire and on the verge bankruptcy, to radically restructure its operation – a restructuring which included the bold step of ordering three Metro IIs for an expanded passenger operation. The strategy paid off with a steady expansion of services through the end of the 1970s and into the early 1980s. This expansion was boosted with the acquisition of Palm Springs based Sun Aire, followed by Color Canyon Airlines and, in the early 1990s, Las Vegas headquartered Scenic Airlines.

Perhaps the most significant development though was the 1986 purchase of Western Airlines by Delta. Delta's need to enhance feed to its new Salt Lake City hub resulted in the major turning to SkyWest to supply that feed with its Brasilias. Building on the success of the new hub, SkyWest was among the early converts to the RJ concept and in 1994 became one of the first US operators of RJs, when it took delivery of the first of an initial order for 10 CRJ100s. Today, the airline's Delta Connection operation totals 14 EMB120s and 56 CRJ200s. By June next year this fleet will have grown to 63 CRJ200s and 13 EMB120s. Even so, at present the bulk of SkyWest's business, in terms of aircraft employed, is its United Express Operation with 120 aircraft. Of these the bulk are CRJ200s, but at the beginning of the year the airline began taking delivery of the first of 32 firm orders for CRJ700s all of which will be in service by mid-2005. In



addition, the United Express CRJ200 fleet will be increased to 68 from the present 56 in the same time frame.

In addition, in 2003, SkyWest transferred nine EMB120s to Houston to operate services on behalf of Continental Connection.

### Information with, but independent

The key to its success, says the airline, has been maintaining its independence while partnering majors. At one time Delta did have a 20% holding in SkyWest – this has declined to 13%. While it remains the second largest shareholder, it is far outweighed by the 60.6% retained by SkyWest itself (the remaining shares are held by investment groups New Sky (11.1%) FMR (8.2) and Wellington Management (7.1)).

It is this independence that has given the airline confidence that it will weather the financial storms at its major partners. Answering concerns that United may fail to emerge from Chapter 11, SkyWest EVP and COO Ron Reber said: "First we are completely confident in the future of United and their successful emergence from Chapter 11.

While SkyWest is an integral part of Delta's Salt Lake City hub, it also provides feed to the DFW hub with a mix of Brasilias and CRJ200s.

They have continued to reach their targets and have shown steady improvement over the last 18 months. Whatever the outcome, there will remain a demand for the flying we do for United. So we do have a contingency plan in place in the event that United are unsuccessful.” Again the flexibility of independence has allowed SkyWest to capitalize on opportunities as they arise; Reber points to the year-old Continental Connection operation. “We’ve been very pleased with the results of the Continental operation...so far there have been no surprises.”

While successful, it may be some time before the partnership is expanded, as Reber explains: “The shared risk model we have at work in Texas is evolving...and we are exploring future opportunities for flying with that partner...just as we explore numerous opportunities with other carriers. But we are continuing to focus our efforts on developing the profitability of the existing operation.”

### Bigger aircraft and more flying

While, for the moment, the first 25 aircraft in the airline’s CRJ700 fleet will be dedicated to United Airlines, Reber does not rule out an expansion of SkyWest’s 70-seat operation, though it’s unlikely to be with Delta in the short-term. “Delta’s scope is very restrictive when it comes to the number of 70-seat aircraft that can be flown by their regional partners. Right now, the two wholly-owned subsidiaries are taking all of the current and announced 70-seat flying, so without a relaxation in scope there is little near-term likelihood that we’d be doing any 700 flying for Delta.” Reber does, however, acknowledge that if a Chapter 11 filing is in the offing as Delta CEO Gerald Grinstein has repeatedly warned in recent weeks, then things could change. “Throughout United’s restructuring process, they

## SkyWest fleet breakdown

### United Express

Hubs LAX, DEN, SFO

Fleet	Jan 2004	Dec 2004	Jun 2005
CRJ700	1	13	32
CRJ200	55	68	68
EMB120	50	50	50

### Delta Connection

Hubs SLC, DFW

Fleet	Jan 2004	Dec 2004	Jun 2005
CRJ200	55	56	63
EMB120	15	13	13

### Continental Connection

Hub IAH

Fleet	Jan 2004	Dec 2004	Jun 2005
EMB120	9	9	9

have repeatedly affirmed their desire to utilize regional partners to return to profitability...regional aircraft are simply the right size for many markets across the country.” Although Reber does note that if Delta does enter Chapter 11, SkyWest’s focus will not change: “We will maintain the highest quality product with the most competitive costs...that way we will be part of the solution to Delta’s restructuring. In the past this has been a successful equation to win additional flying.”

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