Regionals weigh challenges of growth opportunities

RAA 35th Annual Convention
Milwaukee, Wisconsin
May 24 – 27, 2010
Preliminary Schedule of Events inside
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Message from ROGER COHEN RAA PRESIDENT

We are safe, professional and reliable... as we’ll prove once again in Milwaukee

Of all the tough questions and sharp criticisms — fair and unfair — we addressed last year, the cheapest shot was when one US Senator claimed that our 2009 Convention agenda “had very little mention of safety.”

Struggling to keep myself composed (and seat-ed), I explained that RAA was founded to promote safety, and that sharing safety information and best practices comprised the bulk of every RAA Convention dating back to 1975. In fact, my wife remarked she couldn’t believe when well past 7 pm she walked by a roomful of airline reps, deep in discussion on safety issues – despite open bar Happy Hour right next door.

Airliner safety will be even more front and center in Milwaukee, where we’ll host the first ever joint meeting of the RAA and ATA Safety Councils, bringing together one room all the top safety officials from all US airlines, mainline and regional. It’s also where RAA’s Strategic Safety Initiative Task Force of our safety and operations experts will roll up their sleeves and continue to review ways to prevent accidents. And we are thrilled NTSB Chair Debbie Hersman has accepted our invitation to give her remarks as our General Session Keynote Speaker, and FAA’s Hank Krakowski will be the Presidents’ Council luncheon speaker.

Whether your responsibility at your company focuses on operations, maintenance, inflight, security, flight training, dispatch management or public relations – you’ll leave Milwaukee with the tools to do your job smarter, better, and most importantly, safer.

But RAA excels at multi-tasking – and we’ve refined and improved every element for our expected 1,400 guests in Milwaukee:

• Expanded show hours, with every meal and general session smack dab in the middle of the Exhibit Hall, including a private VIP “sneak preview” so that each exhibitor, regardless of size, gets to personally meet the airline CEOs.

• Improving maybe our most popular and valuable Convention benefit – the Purchasing Forum offering exhibitors the chance to meet face-to-face with airline purchasing officers.

• And two Major League events: RAA’s Golf Tournament at Brown Deer – site of the PGA Milwaukee Open (and where Tiger Woods shot his worst pro score), and Wednesday night’s gala at the Brewers-Astros game – great box seats, all you can eat and drink, private suites to network with your friends, door to door rides to and from.

So, look forward to seeing you again in Milwaukee, and for everything you need to know, just go to www.raa.org.

PS I’ve personally invited that US Senator to join us this year – hope he can make it.

Roger

UPCOMING RAA EVENTS

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Cover photo: Milwaukee’s riverwalk, location of the 35th RAA Annual Convention

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Monday, May 24
7:00 am – 4:00 pm
RAA Golf Tournament
Buses leave hotels at 6:15 am; shotgun start at 8:15 am; tournament reception 2pm-4pm

Challenging layout, with 60 sand-filled bunkers, tree-lined fairways and water winding throughout the course. Even professionals navigate this stately course – the home of the PGA Tour’s Greater Milwaukee Open! From Jack Nicklaus, Arnold Palmer to Tiger Woods, a rookie playing his first event as a professional, the greatest players in the game of golf have made Brown Deer Golf Course their home for one week. Golf busing sponsored by FlightSafety International Continental breakfast sponsored by Saab

8:00 am – 5:00 pm
Exhibit Hall Move-In
noon – 6:00 pm
Registration Open
Registration sponsored by Superjet International Badges sponsored by NAASCO
1:00 pm – 5:00 pm
Flight Deck Automation Work Group
8:30 am – noon
RAA Regional Operations Council (ROC)
4:00 pm – 5:00 pm
Semi-Annual RAA Public Relations Committee (Open to all Airlines & Associate Members)
5:30 pm – 7:00 pm
Operations and Maintenance Forum Reception Sponsored by GE
6:00 pm – 7:30 pm
Chairman’s Welcome Reception (invited guests only)
6:30 pm – 9:30 pm
Media Dinner (invited media guests only) Sponsored by Embraer

Tuesday, May 25
3:00 am – 8:00 am
Exhibitor Breakfast with Airline CEOs (for 20x20 Exhibitors and larger at the Hilton)
7:30 am – 5:30 pm
Media Center Open
Sponsored by GE
8:00 am – 7:00 pm
Registration Open
Registration sponsored by Superjet International Badges sponsored by NAASCO
8:00 am – noon
RAA Board/Presidents’ Council Meeting (invited)
8:00 am – noon
Exhibit Hall Move-in
8:00 am – 11:00 am
RAA Associate Member Breakfast & Meeting
8:30 am – 5:00 pm
Flight Deck Automation Work Group
8:30 am – noon
RAA Maintenance Forum (Open to all attendees)
8:30 am – noon
RAA Safety Task Force
noon – 1:30 pm
Presidents’ Council Luncheon (invited)
FAA COO of the Air Traffic Organization Hank Krakowski featured speaker
Sponsored by ATR
noon – 1:00 pm
Joint ROC and Operations and Maintenance Forum Lunch
1:00 pm – 5:00 pm
RAA Operations Forum
1:00 pm – 4:00 pm
RAA Environmental Committee Meeting (Open to all airline environmental personnel and invited guests)
2:30 pm – 3:30 pm
Private Exhibit Hall Walk-thru with Airline CEOs
3:30 pm – 4:00 pm
RAA President and Chairman Briefing with Media followed by Exhibit Hall Ribbon-Cutting Official Opening
4:00 pm – 7:00 pm
Exhibit Hall Open
5:30 pm – 7:00 pm
RAA “Opening Reception” in Exhibit Hall

Wednesday, May 26
7:30 am – 5:30 pm
Media Center Open
Sponsored by GE
7:30 am – 8:30 am
Continental Breakfast in Exhibit Hall
Sponsored by Powerjet
8:00 am – 5:00 pm
Registration Open
Registration sponsored by Superjet International Badges sponsored by NAASCO

General Session in Exhibit Hall
8:30 am – 10:00 am
Welcome by RAA Chair Chip Childs
Keynote Speaker: NTSB Chair Deborah Hersman
10:15 am – 11:30 am
Airline Presidents’ Q&A Session
10:30 am – 10:50 am
Flight Deck Automation Work Group
8:30 am – 11:30 am
RAA Flight Training Forum
9:00 am – 1:00 pm
Dangerous Goods Working Group Meeting
(Open to airline employees only)
10:00 am – 12:00 pm
Exhibit Hall Open
11:30 am – 1:30 pm
Buffet Lunch in Exhibit Hall
Sponsored by Bombardier and Rockwell Collins

NEW!
Panel discussion “Flying Above the Social Media Fray”
noon – 1:00 pm
ATA Safety Council Meeting
1:00 pm – 4:30 pm
RAA Safety Council Meeting
1:00 pm – 4:30 pm
Flight Training Committee
1:30 pm – 4:00 pm
Joint ATA/RAA Security Council Meeting
(Open to all ATT organizations and ATA Security Council only)
1:30 pm – 4:00 pm
Joint ATA/RAA Safety Council Meeting
2:30 pm – 3:30 pm
Emergency Response Preparedness: Everything Nobody Ever Told You!
Mark Dombroff of Dombroff Gilmore Jaques & French
4:00 pm – 5:00 pm
RAA “Happy Hour” in Exhibit Hall
Sponsored by Mitsubishi Aircraft Corp.

6:00 pm – 10:00 pm
RAA Evening Event
A Night at the Ballpark
Buses leave hotels at 5:30 pm for 7:10 pm Milwaukee Brewers vs Houston Astros game at Miller Park. Exclusive Club Level seating for all. Enjoy watching the game, socializing and feasting on special ballpark food and drink.
Sponsored by Bombardier and Rockwell Collins

Thank you to our Hometown Airline Sponsors! Air Wisconsin & Frontier/Midwest

Brown Deer Golf Course

REGIONAL HORIZONS | First Quarter 2010
TUESDAY

**Presidents’ Council Luncheon Speaker**
As Chief Operating Officer of the FAA Air Traffic Organization, Hank Krakowski will oversee the implementation of NextGen as the agency gears up to replace its entire workplace in the next 10-15 years.

Drawing on his 30 years of experience at United Airlines, Krakowski flew the line, was a union advocate and worked with management in flight crew service and dispatch. Ultimately, he managed all aspects of United’s corporate and flight safety as well as security and regulatory compliance.

**Hotel Information**
Both RAA host hotels have skywalks to the Midwest Airlines Convention Center. All the convention events will be held in the convention center. RAA has room blocks at the following Milwaukee Hotels.

- **Hyatt Regency Milwaukee**
  333 W. Kilbourn Avenue
  Milwaukee, WI 53203
  (414) 276-1234
  Room rate: $172/night

- **Hilton Milwaukee City Center**
  509 West Wisconsin Avenue
  Milwaukee, WI 53203
  (414) 271-7250
  Room rate: $175/night

When making your reservation, please request the RAA Room block. The last day to book rooms is April 23, 2010 at both properties.

**Thursday, May 27**

- **Continental Breakfast with Champagne in Exhibit Hall**
  8:30 am - noon

- **Joint RAA/ATA Security Council Meeting**
  (Open to RAA & ATA Security Council & invited Government guests only)
  9:00 am - 11:00 am

- **Exhibit Hall Open**
  8:00 am - 10:00 am

- **Registration Open**
  Registration sponsored by Superjet International Bodges sponsored by NAASCO
  8:30 am - 5:00 pm

- **Flight Deck Automation Work Group**
  8:30 am - 1:00 pm

- **Ramp Safety/Human Factors Meeting**
  8:30 am - 11:30 am

- **RAA Inflight Forum**
  (Open to airline, exhibitors and associate members)
  8:30 am - 11:30 am

- **Dispatch Management Forum**
  9:00 am - 1:00 pm

- **Purchasing Forum**
  Offers exhibitors the chance to meet face-to-face with airline purchasing officers.
  (Exhibitors only)
  8:30 am - noon

- **RAA Inflight Committee**
  12:30 pm - 4:30 pm

- **RAA Dispatch Management Meeting**
  12:30 pm - 4:30 pm

**Friday, May 28**

- **Flight Deck Automation Work Group**
  8:30 am - noon

**Wednesday**

**Keynote Speaker**
National Transportation Safety Board Chair Deborah Hersman is this year’s keynote speaker on Wednesday morning. The 12th NTSB Chair, her two-year term runs until July 2011. She is also serving a second 5-year term as a Board Member, which expires on December 31, 2013.

A Member of the NTSB since June 21, 2004, Hersman has chaired a number of public events hosted by the Board, including CO Flight 3407. She holds a commercial drivers license with passenger, school bus, and air brake endorsements. She successfully completed a motorcycle basic rider course and holds a motorcycle endorsement. She is a certified Child Passenger Safety Technician. She has also completed the 40-hour HAZWOPER (Hazardous Waste Operations and Emergency Response Standard) training course.

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  (414) 276-1234
  Room rate: $172/night

- **Hilton Milwaukee City Center**
  509 West Wisconsin Avenue
  Milwaukee, WI 53203
  (414) 271-7250
  Room rate: $175/night

When making your reservation, please request the RAA Room block. The last day to book books is April 23, 2010 at both properties.

**Hotel keys sponsored by LodgeX Airline Solutions**

**Emergency Response Preparedness: Everything Nobody Told You!**
Mark Dombroff will provide insight on preparing for and dealing with emergencies. Topics to include NTSB and FAA issues, involvement of civil litigation, criminal investigation, dealing with the media, employees and customers and codeshare issues.

**REGIONAL HORIZONS | First Quarter 2010 | 5**
In the wake of Haiti’s disastrous January 12 earthquake, numerous member airline aircraft flew humanitarian flights carrying medical personnel, relief workers and supplies. In addition, their aircraft transported survivors, orphans and media from the devastated country.

Republic Airways transported 53 orphaned Haitian children on an Embraer 170 jet to Pittsburgh, where they received medical attention from the University of Pittsburgh Medical Center. Previously, the regional jet delivered 3,000 pounds of medical/surgical supplies donated by Brother’s Brother Foundation in Pittsburgh. Also on board the flight were Governor Ed Rendell, Congressman Jason Altmire, members of their staff and a team of UPMC medical professionals, who checked on the condition of the children and assisted in clearing their departure from Haiti.

American Eagle flew in much needed supplies, and on March 12 began new service into Haiti from its San Juan, Puerto Rico hub. Flying the ATR 72, American Eagle offers a daily nonstop flight as well as two flights through Santo Domingo and Santiago.

Cape Air dedicated two Cessna 402s to Haiti relief missions. One aircraft flew medical relief teams and supplies between the US Virgin Islands and Port-au-Prince. The other aircraft flew relief supplies from Santiago, Dominican Republic to several smaller communities in Haiti.
WHY ATR IN THE USA?

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The challenge of finding growth opportunities for regional airlines

Jim Parker of Raymond James predicts limited organic growth for regionals but more outsourced legacy airline flying with larger regional jets.

Raymond James & Associates, which has been following U.S. regional airlines since 1992 and has championed their integral role in the overall US airline industry, painted a much bleaker picture for the future of the industry in this year’s Growth Airline Outlook.

“Going forward, we believe regional carriers have limited opportunities for organic growth," Raymond James analysts said. “While legacy carriers will seek to outsource more flying to larger regional jets over time, in our view, this growth will be offset by a reduction of smaller 50-seat regional jets. Consequently, growth for regionals will come via consolidation or higher risk (non fixed-fee, contractual flying).”

Regionals operating 90-100 seat aircraft?

A bright spot could be a change in the size of aircraft regional airlines may fly for their legacy partners. Jim Parker, who started the annual Growth Airline Conference 18 years ago, raised the possibility that, in contract negotiations coming up, legacy carriers could seek and achieve some loosened scope restrictions to enable their regional partners to operate 90-100 seat aircraft.

“There’s some logic in that as legacy labor wants to be made whole on everything that they’ve give up,” Parker said at the 2010 Growth Airline Conference in New York in February. “The legacies perhaps can get something in return…” All legacy carrier contracts, except Delta Air Lines, are currently open for renegotiation, according to Bryan Bedford, Chairman, President and Chief Executive Officer of Republic Airways.

Regional carrier capacity was reduced in 2009, but at a more moderate pace than legacy airline mainline capacity, leaving the regional sector with a relatively stable market share, the Raymond James report noted. It added that large regional jets, seating 70 to 100, were the only aircraft category which grew in the US in the 12 months between September 2008 and September 2009. The 21 percent increase in large RJ units compared with a 4 percent decline in total aircraft during the period.

Both Phil Trenary, President and Chief Executive Officer of Pinnacle Airlines, and Brad Rich, Executive Vice President and Chief Financial Officer of SkyWest Airlines, told the conference they believe they are well positioned for future growth, even though both have considerable fleets of 50-seat RJs.

Trenary said Pinnacle does not own any of the 126 Bombardier CRJ200s it has, and contracts under which 50-seaters operate run through 2017. At that point, they can be returned “without any obligation to Pinnacle.” It also operates 34 Saab 340s, Trenary said, which are in demand and work very well for the carrier. “If there were a new Saab being built today, we would buy the airplane.”

Trenary noted legacy contracts covering 468 50-seat aircraft will come up between now and 2017. In bidding for that business, he said, “we will get our share.” Pinnacle also has larger, newer-technology Bombardier Q400 and CRJ900 aircraft – with additional deliveries expected this year. “If you take into account the growth we have on the books now plus what we have over the next few years, the future looks good,” Trenary said. “We think we have a very competitive cost structure when it comes time to win some of

“If you take into account the growth we have on the books now plus what we have over the next few years, the future looks good.”

Phil Trenary, Pinnacle Airlines President and CEO

“In spite of all the difficulties and challenges in the industry, we really are very optimistic and enthusiastic about the opportunities in this industry, particularly for regional carriers.”

Brad Rich, SkyWest Executive Vice President and CFO
that business with the major airlines.”

SkyWest’s Rich also is optimistic about the future. The combined SkyWest and Atlantic Southeast Airlines (ASA) fleet of 451 aircraft includes 252 50-seaters which Rich said have gotten “a little bit of bad press” recently. “The airplane is a good solid airplane; it works very effectively in and out of low-density short-haul markets where the aircraft are deployed,” he said. Like Pinnacle, though, SkyWest has very little “tail risk” on the aircraft, Rich said, defined as a mismatch between the length of a contract with a major carrier where the aircraft operate, compared with the regional’s financial obligation on the airplane.

Settling “tail risk” on aircraft
In a deal signed with United Airlines last year, SkyWest settled most of its tail risk on the aircraft, he added. The deal consisted of an $80-million secured loan to United with interest payments of 11 percent; deferral of certain amounts payable by United, at an 8 percent annual fee; extension of SkyWest’s rights to operate 40 regional jets for United, and a new opportunity for ASA to operate 14 RJ70s as a United Express carrier. “We aren’t a bank,” Rich acknowledged, saying the “very material deal” for SkyWest allowed it to reduce its tail risk by extending contracts, some by 10 years. At the same time, “United had a need for liquidity.”

Noting SkyWest’s strong balance sheet – with more cash on hand than any other regional - Rich said it was positioned for the future. “In spite of all the difficulties and challenges in the industry, we really are very optimistic and enthusiastic about the opportunities in this industry, particularly for regional carriers,” he said.

Besides its 50-seaters and smaller Embraer Brasilias, SkyWest operates a substantial number of larger CRJ700s and CRJ900s, as does ASA. The company also is evaluating larger aircraft, such as the Bombardier CSeries, Rich said. “We are actively involved in analyzing additional aircraft types… and the opportunities for that equipment,” he said.

Does he think legacies will be able to expand scope to let regionals operate 90-100 seat aircraft? “We hope they do,” Rich said. Even though legacy pilots don’t want more flying going to regionals, “the economics say that this is very clearly what should be done.”

Republic’s Bedford is not sure scope clauses will change, and though “the fixed fee business outlook is stable,” is more pessimistic about opportunities for regionals. “Growth prospects in the industry, quite frankly, we think are limited,” he said. “We see legacy carrier consolidation and hub rationalization.” That would mean demand for regional products is reduced, he suggested. “This lack of organic growth opportunities is really what caused Republic to rethink its long-term business model and start this process of transformation into more at-risk flying.”

With its acquisition of Midwest Airlines and Frontier Airlines, Republic is now in the process of simplifying its overall fleet. It plans to replace all Q400s operated by Frontier’s Lynx Aviation with its Embraer 170/190s and is terminating leases on seven remaining CRJ200s operated by Chautauqua Airlines. “We do believe there is an oversupply of 50-seat regional jets,” Bedford said.

**INDUSTRY FORECASTS**

**RH asks Regional Airline Executives to share their forecasts for 2010**

**John Sullivan**
Chairman and CEO
CommutAir

The majors need to demonstrate continued capacity restraint in their efforts to rebalance their systems after the recent pulldown, and to concentrate on developing sustainable business plans. If they do so, they will benefit nicely as the economy slowly emerges from the recession.

The regional sector is undergoing a transformation, at the same time it continues to grow. Fuel price increases in recent years, coupled with a recessionary environment, have challenged the economic viability of regional jets over shorter stage lengths. Modern, faster, and more fuel-efficient turboprops are an effective replacement tool for the majors to employ at their hub cores, as they redeploy contracted RJ70s to longer stage lengths. There will continue to be a surplus of RJ70s until this process is complete, and RJ operators will face dual challenges from simultaneous capacity and rate cuts as they compete with one another for places to deploy aircraft.

At CommutAir, we finished 2009 about 30 percent ahead of plan, and will concentrate on expanding our fleet to serve an increasing number of hub core CPA (Capacity Purchase Agreement) assignments. We continue to identify new potential capital sources, as the financial community continues to look for places to deploy aircraft.

**Brad Holt**
Chairman and CEO
Atlantic Southeast Airlines

Safety continues to be ASA’s top priority, because without it, nothing else we do matters. ASA has leading edge safety programs, and we continue to voluntarily implement proactive safety programs in all our divisions.

ASA will continue to focus on improving programs related to our people, their quality of life and their job satisfaction, because ASA people are outstanding aviation professionals.

We will concentrate on improved operational performance and customer satisfaction in an effort to remain financially strong and positioned well for opportunities as they arise.

Our industry will continue facing unprecedented challenges in 2010. One of the many challenges for regional airlines this year will be the reporting of misguided information regarding safety, experience and professionalism of regional carriers. No matter how misguided the reporting may be, we must do a better job of representing ourselves, and ultimately getting the facts of our industry, and what we’re really made of, out there clearly.

In light of the scrutiny placed on regional carriers it is imperative that all carriers work together to ensure safety information and best practices flow freely between carriers. Competitiveness must be set aside when it comes to safety, there should be no safety secrets or hesitation in sharing, regardless of competitive factors.

We must stay engaged in the rulemaking and legislative process. Specific proposed rules are missing the mark and will not accomplish what their writers intend.

“Growth prospects in the industry, quite frankly, we think are limited. We see legacy carrier consolidation and hub rationalization.”

Bryan Bedford, Republic Airways
Chairman, President and CEO
A pilot and a veteran Boeing 737 Captain for Alaska Airlines, Nance is an internationally recognized air safety analyst and advocate. He is best known to North American TV audiences as Aviation Analyst for ABC News and Aviation Editor for Good Morning America. An author of 19 books, Nance is a dynamic speaker presenting entertaining and pivotal programs on teamwork, risk management, motivation and coping with competition.

Q: From your perspective, what is your overall impression of today’s major and regional airline partnerships?
A: The relationships are maturing. Instead of the majors merely controlling the regionals, there seems to be more of a balance. I worry constantly, though, about the major carriers having the continuous propensity to switch partners whenever there’s a penny to be saved, with zero regard for the fate of the regional that might have been serving them very well. This promotes instability, and instability does not serve the cause of safety.

Q: Are regional airlines safe as mainline carriers?
A: In most cases, brilliantly so. I’ve witnessed the maturation of regionals over the years, which now all operate under Part 121. But the enemy of stable flight safety is excessive cost control, and regionals are still held hostage to the need to maintain a rock-bottom cost structure to survive. But the idea of finding the safe-unsafe dividing line is a myth. It’s never that simple, and if maintaining the lowest cost structure is your prime directive, you have to understand that there is no guarantee you’re going to make the right choices about what is and what is not prudent to cut. Carriers respond differently to emergency cost controls, and some push too far towards the wrong edge. Regionals have their hearts in the right place and want to be safe, but eternal cost pressures have a high propensity of compromising the highest levels of safety. And what about the low-cost equation when it means paying pilots very little? Well, most regional pilots conduct themselves professionally on and off duty, but it takes money to live, and even money to survive, and when aircrew are under severe financial pressure, that pressure cannot help but influence their performance. Some regional carriers have made a big point of saying that it would be inappropriate — and maybe even morally or ethically unreasonable — to ask “what do our pilots do off duty?” However, pilots, like any human, need adequate food, shelter and rest to be professional on the job, and there is an identifiable lower threshold for salaries below which — for a given region — a normal if minimal life simply isn’t financially possible. Is this something a smaller carrier should be expected to factor into their thinking? Absolutely. As a company holding a federal certificate and the public trust, it’s simply not acceptable to say “it’s not our problem if our guys are living in overly stressful conditions or even under a bridge somewhere.” Yes, it IS your responsibility.

Q: Did you ever sense there is a fatigue issue among regional airline pilots?
A: There is a higher propensity for fatigue among the regionals than among the majors. However, what has still not been studied adequately is cumulative fatigue whether in the regional or major airline pilot. We know the current FAA rules are archaic and inadequate and do not address regional aviation’s challenges or, for that matter, the way major Part 121 carriers operate. And interestingly, this is not confined to aviation — fatigue is an issue affecting all Americans. It’s this country’s contemporary lifestyle…look at the number of two-income families trying to stay afloat. It’s truly critical that we can come together on this issue and spur the FAA to come up with a workable and realistic set of rules covering fatigue and protecting the flying public. And for pilots, whether you are a Part 135 small operator, or a 747 pilot or fly RJs, we need to understand the propensity for fatigue-related human failures in the current environment. During the last 10 years, fatigue has been too often cited as a contributing factor in accidents, so this is and must remain a high priority for FAA action. The truth is, even the best of the regionals cannot be expected to take the most conservative road to crew scheduling for minimizing fatigue when their competitors work their crews to the maximum.

Q: In your experience, does salary impact a safety professional’s performance?
A: We are not talking about it enough. Where is the lowest level of salary that’s enough to buy food and shelter? We must take that into account, since you can’t expect to show up to work professionally ready for duty if you sleep in a cardboard box and can’t take a shower or buy food. It’s ludicrous to say this doesn’t affect performance. But we must ask ourselves, will the feds step in if the carriers do nothing? A federally mandated minimum salary may be neither workable or even possible, but the likelihood of Congress imposing one is high if regional carriers turn a blind eye to the deleterious effect of what may constitute poverty wages.

Q: Should there be commuting rules for employees?
A: Putting reasonable commuting protocols in place which employees are expected to follow (such as how far in advance of duty commuting pilots should arrive in their base) are legitimate elements of guidance. Trying to mandate many more aspects of a pilot’s personal life in order to assure better performance — especially without myriad adjustments for cost-of-living differences — will probably fail and certainly be viscously resisted. But regionals who fail to establish reasonable and humane guidelines, and work with their people — as well as stay aware of the challenges they may face — are painting a large bull’s-eye on their flanks and daring the federal government to mandate what they refuse to touch.
A first step in understanding regional airlines' eco-environment and its sustainability efforts, EQ2 has launched a pilot program with nine RAA member airlines using its software program to analyze numerous factors of its carbon footprint.

"The information that EQ2 will provide to RAA, based on the input from our membership, will allow RAA to be at the forefront of national discussions on Cap and Trade initiatives," notes Senior Director Industry & Regulatory Affairs Liam Connolly. He underlines, "The report that EQ2 will provide us when the program is completed will represent 70 percent of the regional airline industry’s statistics with regard to environmental impact."

Additionally, the data will allow RAA to be armed and ready for the Environmental discussions on Capitol Hill on issues like Cap and Trade schemes.

London-based EQ2 is a sustainability economics company and provides organizations with the most accurate and up-to-date information relating to their environmental impacts, sustainability risks and financial performance implications.

CEO Steve Burt tells *Regional Horizons* the EQ2 developed Evolution, an enterprise carbon, environmental and financial accounting software solution helps organizations to identify and map their environmental impacts to their bottom lines using real-time measurement of resource inputs.

"We focus on risk management versus green management," says Burt, underlining the program analyzes every aspect of an airline’s operation including fuel, waste and emissions output and then couples the results with a plan on how to save money going forward.

Horizon Makes Aviation History with First WAAS Flight

Horizon Air became the first scheduled-service passenger carrier to operate a flight using Wide Area Augmentation System (WAAS) technology. The December 30, 2009 flight, on the airline’s popular Portland-to-Seattle route, was flown by one of Horizon’s 76-seat Bombardier Q400 turboprops.

“Horizon Air has long been committed to innovation and technical excellence, and we’re particularly proud to be spearheading the use of this new technology, which holds the promise of benefiting many thousands of customers in years to come,” said Jeff Pinneo, president and CEO.

An aircraft utilizing WAAS can, in some cases, land in adverse weather conditions with as little as a half-mile of visibility at 200 feet of altitude – conditions that would deter aircraft not similarly equipped.

Currently, Horizon has one WAAS-equipped Q400, with a flight management system developed by Universal Avionics, a manufacturer of advanced avionics equipment based in Tucson, Ariz. The Federal Aviation Administration (FAA) has agreed to support WAAS upgrades on six more Horizon Q400s. In return, Horizon will provide the FAA with flight data on 300 legs of flying, so the agency can determine the full value of WAAS technology.

Bombardier is the first OEM to earn accreditation from Aircraft Fleet Recycling Association (AFRA). The Canadian manufacturer’s accreditation was awarded following a comprehensive two-day audit, covering tear-down efforts for CRJ100/200 regional jets at Bombardier’s Service Centers in Bridgeport WV and Tucson, AZ. AFRA is recognized worldwide for its leadership in promoting best practices for salvaging and recycling components taken from aging aircraft during disassembly. The AFRA endorsement marks another step in Bombardier’s drive to reduce the environmental impact of its products at each stage of the aircraft’s life cycle, up to and including the end of its service life.

Horizon Air made aviation history with the first flight using Wide Area Augmentation System (WAAS) technology. The flight, on the airline’s popular Portland-to-Seattle route, was flown by one of Horizon’s 76-seat Bombardier Q400 turboprops.

“Horizon Air has long been committed to innovation and technical excellence, and we’re particularly proud to be spearheading the use of this new technology, which holds the promise of benefiting many thousands of customers in years to come,” said Jeff Pinneo, president and CEO.

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**RAA Flight Training Committee reps Captain Greg Wooley of ExpressJet and Andy Nagle of Colgan Air, will assist FAA in leading a working group that will identify industry best procedures and training practices for the agency’s guidelines for stall/stick pusher training. The working group began meeting in March, and will meet monthly until October 2010, to develop updated training practices. RAA formed a task force of 10 member airlines that will provide support to the working group and will share the benefit of their individual efforts across the entire airline industry. It will also bring the aircraft manufacturers and the flight academies into the conversation as well. The FAA-Industry Stall & Stick Pusher Training Working Group plans to also meet in May during the RAA Annual Convention.**

**Miami Air’s Chief Pilot John Passwater shared this charter airline’s experience implementing the “paperless cockpit” and adopting “the moving map” to the RAA Flight Technology Committee meeting held in Miami, Feb 23-25. Operating nine Boeing 737-800 and -400s, Miami Air flies medium and large group charters for sports teams, government officials and private companies.**

**The first woman regional airline CEO has been named at Hawaii Island Air. Lesley Kaneshiro was promoted in January 2010 having served the Honolulu-based airline as Vice President Finance and Chief Financial Officer for four years. She has been with the Dash 8 operator since 2004. Previously, Kaneshiro spent four years as Director-Treasury Services at Aloha Airlines. Last March, Island Air COO Les Murashige retired after 35 years in the airline industry, and Bruce Wetsel was named his replacement. After a year in that position, Wetsel retired as well and Kaneshiro was promoted to ensure the success of the independent regional airline. Kaneshiro tells Regional Horizons that she is charged with growing the company and returning it to profitability, as well as rebuilding employee moral, customer confidence, reliability and onboard product quality. Island Air currently employs 250 and operates 392 weekly flights on all major Hawaiian islands.**

**RAA’s Liam Connolly has been promoted to Senior Director-Industry and Regulatory Affairs. “Since joining RAA two years ago, Liam has helped our airlines get a full seat at the table with the nation’s homeland security decision-makers and has nurtured a strong leadership voice for regional aviation in the critical environment arena,” says RAA President Roger Cohen. Additionally, on January 18, Liam and his wife, Nancy, welcomed a baby girl, Mackenzie Lynn Connolly.**

**ExpressJet will fly up to 10 additional ERJ-145s for United Express from May-December 2010 as part of an earlier signed agreement with United covering 22 ERJ-145s.**

**Republic Airways Holdings is the first North American customer for the Bombardier CSeries with a firm order valued at $3.06 billion for 40 of the 138-seaters, plus 40 options. The first aircraft will arrive in the second quarter of 2015.**

**SkyWest Airlines has a new marketing partnership with AirTran Airways to support its Milwaukee focus city offering 18 daily non-stop flights from MKE to six destinations.**

**American Eagle is introducing First Class service on all of its CRJ700s. President and CEO Peter Bowler says all 25 CRJ700s will be converted to the new First Class service (9 seats) and main cabin design, as well as delivery of the first two of American Eagle’s 22 new CRJs will also feature First Class comfort and amenities.**

**Mini Indy Racers return this Spring to celebrate 10 years of Mini Indy — the aviation industry’s premier charity race. Aviation companies and go-cart aficionados across the world gathered in St. George, UT on March 13 for the industry’s premier charity race dubbed the Mini Indy. Celebrating its 10th anniversary, hosts SkyWest Airlines, the City of St. George and Dixie State College in Utah’s Dixie, organized 30 racing teams to raise money for charity – specifically United Way and the SkyWest Scholarship Fund. The three-day charity event mixes fun with fundraising and includes golf, banquets and adults racing go-carts in adrenaline-pumping Competition. The Mini Indy has raised more than one million dollars for charity since its inception in 2000. This year alone, the event is expected to raise nearly $100,000 for United Way. To see the 2010 race highlights visit www.miniindy.org**
The regional airline industry flies technologically advanced aircraft – about half the age of the mainline fleet with 1,842 RJs flying with an average age of 6.8 years old. The 478 widebody jets flying today are an average of 12.3 years, and the 3,022 narrowbody jets operating are about 12.4 years old. (See OAG chart below)

Average Age of Active US Scheduled Passenger Fleet

As of 1/6/10

<table>
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<tr>
<th>Years</th>
<th>Average Age</th>
<th>No. of Aircraft</th>
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<tbody>
<tr>
<td>6.8</td>
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<tr>
<td>12.3</td>
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</tr>
<tr>
<td>12.4</td>
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<tr>
<td>14.8</td>
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Source: OAG Fleet iNET, January 6, 2010

IAG estimates in a new report that 30 American airports today are at risk of losing their last RJ flights unless critical steps are undertaken to better balance revenue, cost and compensation rates. The dynamic nature of small and medium-sized city air service will continue, most notably as average aircraft capacity grows while average flight frequency and the number of competitive service options both decline (see table below). IAG notes these trends are already on-going as Delta further rationalizes a 550-strong RJ fleet in favor of larger capacity aircraft such as the CRJ900 and Embraer 175.

Even during the fuel crisis and recession, the percentage of communities with regional ONLY service actually increase in 2009 to nearly 75 percent, or 492 communities. (See OAG chart below)
During the 35th Annual FAA Aviation Forecast Conference in Washington, DC, March 9-10 speakers ponder whether the way ahead in aviation is “rational rebound or irrational stability” predicting a tenuous recovery is taking hold in 2010.

» During a panel on “Operating in an On-Time World,” Jim May, Air Transport Association President and CEO, defended the use of regional aircraft at busy, slot-limited airports against suggestions that they don’t pay their proper share of system costs and could add to flight delays. For many medium and small markets, May said, regionals and their smaller aircraft “are a Godsend,” allowing an airline to offer three flights a day on a route compared with a single daily flight with a larger aircraft. “They serve markets that couldn’t and wouldn’t be served” otherwise, he added.

» Airline fares are 55 percent lower compared with those in 1980 [pre-deregulation], and customers really want low fares, US Airways President Scott Kirby noted during a panel, “Will Recovery in Aviation Lead to a Transformed Industry?” A game changer that will be with the industry forever, Kirby predicts is “a la carte pricing...it’s a matter of survival.” Republic Airways President and CEO Bryan Bedford agrees, claiming Kirby is “the father of a la carte pricing.” At Republic’s recently purchased Frontier Airlines only 12 percent of the fares are still bundled products as 88 percent of the customers choose the lowest priced fare, underlines Bedford.

» Sustainability, profitability and growth are Bedford’s goals going forward for Republic. As for the industry, Bedford sees additional consolidation in the market.

» Barclays PLC Managing Director Gary Chase underscores the commercial airline business “needs higher margins and to be flexible.”

» FAA’s 20-year forecast shows operations at the nation’s 35 busiest airports will soar 60 percent from 2010 to 2030. US airlines will reach one billion passengers a year by 2023.

» Regional airline enplanements are forecast to increase 4.6 percent to 163.4 million in 2010, and grow 2.9 percent a year thereafter, reaching 289.3 million in 2030.

» In its first regional airline breakout session since 2006, FAA invited George Hamlin to offer his predictions of what the future holds for regional airlines. A longtime follower of the regional airline industry, Hamlin shared his “Donut Hole” theory questioning what the minimum radius should be around a hub using Cincinnati as an example. “Hub-raiding has extended catchment areas below 200 miles, spokes may not be effective except in densest markets close-in spokes may no longer warrant service.”

» Regional airlines now represent 53 percent of commercial flights, RAA President Roger Cohen said during his presentation, underlining regionals provide the only scheduled air service to 492 US airports, nearly 75 percent of the nation’s airports. During the past decade, the number of regional airline passengers has more than doubled to about 160 million. “Today’s regional airlines do not look like the ones operating when RAA was founded back in 1975, but they are similar in three key ways: a total commitment to safety; a responsibility to provide air service to the vast majority of American communities; and a demonstrated ability to adapt successfully to whatever economic challenges come their way.”

» Bill Swelbar tackled the hot topic of the future of scope clauses. Dubbing it “Ponzinomics”, Swelbar guesses the mainline pilots “will not outsource the 75-125 seat flying and will create the necessary economics under their existing collective bargaining agreement. The new trading currency for improvements elsewhere.”
Think of it as a flying financial rescue package.

The obstacles to success in the current economic climate are many, but one aircraft platform is up to the challenge. E-Jets from Embraer. Some 600 are already hard at work for 45 airlines worldwide, achieving break-even with lower seat occupancies and reducing direct maintenance costs by double digits. Discover the superior passenger experience and proven economics of E-Jets, and love what you fly.

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