

SKYWEST AIRLINES SEIZES OPPORTUNITIES TO BENEFIT THE WEST

30 YEARS OF SERVICE

by Colleen Birch Maile

THE AMERICAN WEST, with its rugged mountains, arid deserts and dramatic weather extremes, was historically a most inhospitable place. At the turn of the last century, high-flying pioneers helped transform the nature of the region. Magnificent men (and women) in their flying machines did more than entertain Westerners with barnstorming, wing-walking stunts. They also helped civilize and settle a land of high barrier and great challenge.

Is it any wonder that SkyWest's national partners, two of America's primary air carriers, began by meeting the needs of sparsely populated regions? United Airlines is a direct descendent of the innovative Varney Airlines—an air mail service connecting Boise, Idaho, Elko, Nevada and Pasco, Washington—all SkyWest destinations today. Delta Airlines is equally rooted in aviation history. It represents the posterity of the world's first aerial crop-dusting organization.

Seeing a need and working to fill it has long fueled successful businesses. That simple yet powerful concept forms the foundation of SkyWest Airlines. In the late 1960s a group of businessmen in tiny St. George, Utah were frustrated by the lack of regular air service. Citizens of the southern Utah town would often book passage to Salt Lake City, head to the airport, and wait for a plane that didn't come. When the manifest was skimpy, the air carriers determined landing just wasn't worth the time, and the plane would fly on to nearby Cedar City while the frustrated travelers craned their necks on the St. George tarmac.

In 1972, St. George lawyer Ralph Atkin had had enough. With \$35,000 received for legal work, he bought the certificate of Dixie Airlines and re-christened it SkyWest. Together with his brother Sid and a handful of their friends they amassed an inaugural fleet consisting of two six-seat airplanes, a Piper Seneca and a Cherokee Six, plus a two-seat Piper Cherokee and a four-seat Cherokee Arrow. Twenty-five dollars bought passage to Cedar City. An extra three dollars took travelers to Salt Lake City. Regular flights were scheduled for Mondays, Wednesday and Fridays.

The young enterprise benefited from personnel with a passion for aviation and a willingness to do whatever it took to succeed. To make ends meet they operated a flight school and a fixed-base operation. They chased the tourist trade by running sightseeing tours and expanding into Las Vegas, Nevada; and Moab and Bullfrog, Utah. They seeded clouds for farmers and transported illegal aliens to deportation facilities in California. However, despite all these efforts and increased passenger demand, the leaders' lack of business training meant the airline was soon awash in red ink.

Enter the Atkins' 25-year-old nephew Jerry. Armed with a CPA license, an MBA degree and a strong entrepreneurial spirit, Jerry Atkin recognized an opportunity to simply "do the right thing."

"It was just this little dinky company, and even though I didn't have much experience, I did have some training in an area they needed. So I got involved because it seemed I could help. Did I envision what it would become today? No way," he said.

In 1975, after just one year with the company, the board asked the 26-year-old, who was managing accounting, ticket pricing and interline billing, to also become president of the airline. He's held the position ever since. Through the years, he said, the same basic philosophy has guided the company during difficult times and soaring successes.

"Doing what's right has been a strong guiding principle for me personally," Atkin said. "I think it's been strongly articulated throughout the history of the company."

That philosophy has played out in two primary core values—providing top quality for the customer and practicing financial responsibility.

"We do what we say we will do. We always have," Atkin explained. In the early days the airline flew six daily flights. "We were determined to fly all six on time, even if we only had one passenger. We'd fly that plane to Salt Lake City and bring it back empty if we had to. We wanted people to know they could count on us."

That dependability combined with tenacity and sound economic planning echoes throughout the company's history. Atkin's financial acumen served the company especially well in 1984 when it acquired Palm Springs-based Sun Aire. It was a pivotal business deal and one that almost didn't happen.

In the early 1980s SkyWest's business remained largely seasonal—strong in summer, weak in winter. "That was true for a lot of regional companies," Atkin said. "But it wasn't so in California. We could see tremendous opportunities to maximize the use of our

equipment if we could get into Palm Springs—a market that was strong when we were traditionally less busy.

“In 1983, or so, we went and talked to the management people at Sun Aire, but they said they didn’t think the owners were interested in selling, and as far as we could tell, that was the end of it.”

Undaunted, SkyWest team members determined that if they couldn’t buy a Palm Springs carrier, their Utah airline would enter the California market on its own. “We believed we should get into California someday, somehow,” Atkin recalled. Early in 1984 SkyWest opened its own Palm Springs station. That spring, the SkyWest management team traveled to the California resort for the grand opening of their first California venture. Once there, in the course of a casual conversation, they discovered that Sun Aire’s management team had given them bogus information. The owners of the Palm Springs-based airline were indeed interested in selling. In fact, it seemed Sun Aire was already in the process of being sold to another party.

“We were really surprised. It never occurred to us when we inquired about buying Sun Aire that we might be talking to the wrong people. We just figured that we’d made our interest clear, and if they ever wanted to sell, they’d call us,” Atkin remembered.

Even though they’d just opened their own operation, the SkyWest leaders understood the advantages of acquiring the larger airline. Because it seemed that the sale wasn’t complete, the SkyWest team hoped they might still have a chance at buying Sun Aire.

“We knew the name of the company that owned it, and we knew they were in San Francisco. I called directory assistance to get the number and worked my way through the phone maze starting with the receptionist,” Atkin said.

It was worth the effort. Within two weeks of SkyWest’s own Palm Springs’ ribbon cutting, Ralph, Sid and Jerry Atkin were in San Francisco meeting with Sun Aire’s owners. They learned that parties to the sale had spent six months haggling over some accounting issues and appeared deadlocked.

“They’d been struggling over details we were able to work through right away. That was the easy part. The truth was it was an \$8 million deal and they wanted to close in six weeks. We had no clue about financing, and we told them that. They were a much bigger company than SkyWest,” Jerry Atkin said. “We could have been intimidated but we weren’t, and, in fact, they seemed to have more confidence in our ability to get the money than we did.”

When the Atkins reported back to St. George, the SkyWest team united to make the deal happen. Based on the personal guarantees of every board member, a Utah bank made the loan. The landmark transaction was concluded less than two months after Jerry Atkin sought out the Sun Aire owners with a “cold-call.”

“It was a huge step for us—size-wise and mentally,” Jerry Atkin said. The move catapulted the St. George, Utah company into the highly competitive California market at one of the most significant times in airline history. Code sharing—the partnering of regional and major airlines was revolutionizing the industry.

By the fall of 1985, the practice was so widespread that SkyWest realized partnering with a “major” was necessary to maintain a competitive edge. With the added clout of Sun Aire’s service it was not lacking in suitors.

Yet, while other regionals rushed into arrangements with majors, SkyWest’s management team held back, surveyed the possibilities and finally entered into a cordial agreement to retain its own identity, while becoming Western Express—an affiliate of Western Airlines—into Salt Lake City.

The relationship turned out to be a marriage made in heaven. Increased activities sparked the need for expansion and in the spring of 1986, SkyWest embarked on its first public stock offering. The financial community’s response was so enthusiastic, the board immediately authorized sale of an additional 250,000 shares. The highly successful sale earned the airline almost \$12 million—enough to pay off debt, purchase new aircraft, and construct new facilities, just in time for another unforeseen milestone.

Within two months of the IPO, SkyWest’s code-sharing partner, Western Airlines, was acquired by the much stronger Delta Airlines securing SkyWest’s future as an independent—and giving SkyWest passengers access to the world.

In 1997, SkyWest’s reach grew broader still when it also established a partnership with United Airlines. Today, SkyWest operates as United Express in more than 40 cities while also continuing to provide Delta Connection service to more than 40. SkyWest is the nation’s largest independent regional carrier and employs more than 4,500 people.

Despite the phenomenal growth, Atkin said, “the commitment to quality and financial prudence remains as strong as ever. Only now those standards apply to an even broader audience. In addition to our passengers, we want our employees and our stockholders and the communities we serve to know that they can count on us to do our best and to be financially responsible,” Atkin said. “If we do those things well and are ready to respond to needs, our company will always be prepared to accept challenges, recognize opportunities and make the most of them.”



DID YOU KNOW?

- ✦ SKYWEST'S FIRST PILOT uniforms, circa 1975, consisted of western shirts, cowboy boots and polyester Levis. In 1977 they "upgraded" to blue shirts with epaulets and brown pants ... cowboy boots were optional.
- ✦ JERRY ATKIN WAS 26 years old and fresh out of graduate school when he became president of the airline. Prior experience — dishwasher, fry cook, business manager for the Biology Department at the University of Utah and part-time computer operator.
- ✦ EARLY "OFFICES" CONSISTED OF FOUR desks and two filing cabinets huddled together in a windowless, tin airplane hangar.
- ✦ THE ORIGINAL RESERVATION SYSTEM WAS a recipe box filled with index cards — one card per flight, the lines numbered to indicate how many seats could be sold; maximum capacity was six.
- ✦ DURING ITS FIRST YEAR of operations, SkyWest carried 256 passengers.
- ✦ IN 1978 SKYWEST WAS only the third commuter airline in the United States to become a regularly certified air carrier.
- ✦ IN APRIL, 2000, SkyWest was named the Top Regional Airline of the Year by *Professional Pilot Magazine*.
- ✦ ON JULY 9, 2000, *Aviation Week & Space Technology* named SkyWest the Best Managed Regional Airline in the world.
- ✦ THE CANADAIR REGIONAL JET is the most environmentally sound jet in the world.