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SkyWest, Inc. was found in 1972 by Raplph Atkins in St. George, Utah. Initially this was only a charter type of flight and was mostly used by businessman travelling between Salt Lake City and St. George, Utah. But with business partnerships and merging with companies like Western Airlines and later with Delta airlines partnerships the network of SkyWest airlines were much broad. Later in near future with more partnerships with United Airlines and Midwest Airlines helped the company to grow rapidly and in 2005 SkyWest acquired Atlantic Southeast Airlines.

Currently SkyWest is operating in overseas too for instance Canada meanwhile it runs its operations in 34 states and nearly in 158 cities. Sky

West case analysis report will help the reader to understand especially about the SkyWest Inc. and the general economic conditions of the regional airline industry of US at a micro environmental level along with some introductions of market size and market growth of the airline industry. The report is organized under the following main topics as follows.

External analysis, internal analysis, Key decisions, alternatives and recommended decisions along with some charts and tables that helps the arguments for better understanding. Moving on when we consider the industry as a whole it had a decline due to the economic recession in 2009 that affected the growth rate of the airline industry and in terms of market size the revenue from passenger per mile decreased in 2008 compared to 2007 and this is an early effect of the economic recession, we shall discuss the threats and alternatives as we go along.

In five year period from 2004 to 2008 the industry's combined revenue has increased almost with a double effect from \$4. 7 billion to \$8. 4 billion (Please refer the epilogue table # 1). As part of the introduction let's identify the vision statement and the company strategy. Company strategy is low-cost strategy and its competitive advantage is achieved by lower cost than its competitors. Vision statement is " Atlantic Southeast Airlines is committed to connecting more people, more often; to the places they love, by becoming the world's first super regional airline. Moving on we would concentrate on the external analysis of this company. 2-External Analysis Economic Factors The external analysis assess the company's external environment by looking at its Macro-environmental factors including the size of the market in terms of unit sale and sales volume as well as the market growth. It also examines

the number and size of buyers and sellers in the environment, the pace of technological change or innovation, the economies of scale, geographic boundaries, the market supply and demand conditions, learning curve effects of the market and the differential products available.

We will now evaluate SkyWest's external environment by first looking at its economic factors. Size and Market Growth rate: The first economic factor addressed is the size of the company and its growth rate. SkyWest is the largest independently owned regional airline that is partnered with two of the major airlines; United and Delta. Alone SkyWest has more than 11, 000 people representing their company none of which are unionized. Through the partnership with United and Delta, SkyWest was limited to the size of the aircraft through scope clauses limiting seating of 76 with Delta and 70 with United. This would limit the amount of business they could capture from their partners. In order to take advantages of their efficiencies SkyWest could have purchased larger aircraft to expand its business had there been no limitations. Throughout the five years SkyWest contracted to Delta and United ending in December of 2008, their annual growth rate had increased to a compounded 29. 6% with the number of flights increasing from 1, 500 to 2, 300.

The size of the market in terms of unit sale and sales volume will be discussed in the next paragraph defining its size of buyers and sellers. Number and Size of buyers and sellers: The number of buyers in the company can be defined by the number of customers the company serves per year. SkyWest has the ability to serve over 100, 000 customers per year due to the contract with Delta and United. The number of sellers in the

company can be defined as the partnering airlines using their regional services to operate their connecting flights for a fixed cost.

SkyWest is a regional airline that operates the connecting flights of its major partners Delta and United. The regional flight as well as the connecting flights through Delta and United has them serving 158 cities in 42 states and five Canadian provinces and Mexico. Their Hubs are located in Chicago O'Hare, Los Angeles, San Francisco, Milwaukee, Portland, Denver and Salt Lake City. In order to maintain these airlines they have maintenance based in Atlanta, Chicago, Colorado Springs, Denver, Fresno, Los Angeles, Milwaukee, Palm Springs, Portland, Salt Lake City, San Francisco and Tucson.

Through their contract with Delta they have increased their customer base by operating about 430 connecting flights per day between Salt Lake City and designated outlying destination which is about 59.9% of the company's capacity. The other 40.1% of capacity goes to their contract with United that has them operating about 900 scheduled departures per day. In January of 2008 SkyWest took over Midwest allowing them to service 70 and 90 seating customers per flight.

When they partnered with these major airlines there were a lot of changes that took place including technical changes. We will now discuss the pace of these technical changes and innovation. Pace of technological change or innovation: Most of the technological changes happened after the 9/11 attack on the World Trade Center and the Pentagon. One of the changes SkyWest had implemented was the Stetson Quality Suite. The Stetson Quality Suite is a mobile data collection and reporting software SkyWest

used to ensure they were meeting or exceeding their safety quality standards.

SkyWest used this particular software to keep up with the Safety and maintenance standards for the Department of Transportation and the Federal Aviation Administration. Now that we have discussed the pace of technological changes or innovation we will now go on to discuss the economies of scale. Economies of Scale: The economies of scale are the cost advantages company's can obtain due to size, with cost per unit of output decreasing with increasing scale as fixed costs are spread out over more units of output.

SkyWest was able to capitalize on the economies of scale when it partnered with Delta and United which helped reduce the cost of providing the service over what others could do. Through these partnerships SkyWest was able to gain access to an established customer base that would help increase their business in size and also lower the costs through the contracts where the major airlines were responsible for all their jet fuel, ground handling and aircraft maintenance and ownership. Given the gained access to customers through the partnership made SkyWest heavily dependent on Delta and United.

With the current recession causing a dramatic downfall in the economic condition put all airlines including the major ones like Delta and United at risk to airlines losses, bankruptcies and consolidations due to the decrease in operating revenues by 87% with a 64% drop in income, 77% drop in revenues and a 60% drop in operating income. Now that we have discussed the economies of scale in the industry we will go on to discuss the

geographic boundaries. Geographic Boundaries: The geographic boundaries of an industry refer to the geographic boundary lines that are drawn whether they are local, regional, national or global.

SkyWest's geographic boundaries are regional representing only small cities and also servicing major airlines through connecting flights. The partnerships with Delta and United had allowed expansion to current and new routes as well and additional departures. SkyWest was looking to expand more and through the acquisition with ASA they were allowed to expand geographically allowing them access to the East Coast markets and comprehensive national coverage that greatly expanded their scope of operations by adding regional jets to their fleets and a \$1 billion to operations.

We will now move on to discuss the market supply and demand conditions.

Market Supply/Demand Conditions: The market supply and demand conditions changed greatly with the September 11, 2001 attack on the World Trade Center and the Pentagon. The 9/11 attack prevented people from flying due to the fear of crashing which translated into huge losses in the major airlines. People feared the larger airlines more than the smaller regional jets due to the fact that they felt the larger planes to be more susceptible to terrorist attacks.

They assumed that smaller regional airlines would not be a target for terrorism but still saw them to be less safe than the larger airplanes. The second condition affecting the market demand was the recession starting in late 2007 that continued throughout 2009. The beginning of the recession had negative effects on participant's income statements and balance sheets resulting in airlines losses, bankruptcies and consolidations. The recession

continued into 2008 and 2009 causing a dramatic downturn in the company's financial performance.

This economic downfall of 2008 and 2009 caused a decrease in the number of scheduled flights, and passenger traffics by 3%, with cargo revenues dropping as well. The airline industry is highly sensitive to fluctuations in the economy because of the significant portion of business and leisure travelers. The recession had lowered the overall demand for airline services not only to the regional but all airlines in the United States. The most recent recession in 2009 had a strong impact on the credit markets preventing airlines from getting the needed credit to acquire new aircraft.

Other things affecting the market supply/demand conditions were the seasonal fluctuations that increased travel during summer months and decreased travel during the winter due to flight cancelations and delays due to inclement weather. The weather related flight cancellations represented a loss to 2, 850 of its flights with a decrease in pretax income of about \$5. 2 million. Next we will discuss the learning curve effects in the industry. Learning/experience curve effects:

The learning curve effects of the industry were outlined in the training offered to help pilots and maintenance personnel keep up to date on the new safety and maintenance regulations as well as their skills. The vast majority of training was at training facilities for both the company pilots and maintenance personnel through a six-week program. The six-week training program proved to be very comprehensive and respected that it attracted tuition paying Federal Aviation Administration personnel. Next we will discuss their differential products. Differential Products:

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The differential products discussed in this case were the Bombardier Regional Jets and the Embraer and ATR Turboprops. The Bombardier region jets were the main regional gets used in the industry. These were larger commercial jets used to service longer-haul flights to the destinations up to 1, 200 miles away, which allowed regional carriers to operate new longer routes and run shorter routes more efficiently. The other product discussed was the Embraer and ATR Turboprop which seats 30 passengers. This jet was used for short- to medium-haul flights and was able to land on shorter runways.

Several travelers were unsure of riding on the turboprops due to the perception of them being loud and uncomfortable. To accommodate travelers that wanted to ride a smaller jet with a more comfortable ride they created the Bombardier Q series turboprop that was equipped with noise and vibration reduction devices to help reduce the noise and vibration levels to those of a regional jet. In the next section we will define the driving forces for change in the industry. Driving Forces The driving forces are the factors that are driving the industry to make changes.

These changes within the industry will have impacts on globalization, product and marketing innovation, technological change, changes in long-term growth rates and new government regulations. To start off we will discuss the impact on globalization. Globalization: SkyWest decided to go international with their business and started working with regional carriers in Europe, Latin America and China. The push to go global was due to the increased interest in airline business from people in Brazil and China. The

people from these two geographic areas had pursued SkyWest to help them build their own airline within their geographic region.

SkyWest agreed to help them train people, and organize from a 10- to 20 aircraft operation to a major regional carrier in countries that really needed a major regional carrier. Through globalizing their company SkyWest would be able to increase their purchasing power and help buy things at a lower rate. However, through the limitations the foreign governments would place on U. S. carriers, the opportunities by the international joint ventures would be limited. Now that we discussed the globalization driving factor we will go on to discuss the product and marketing innovation. Product and marketing innovation:

The first product and marketing innovation is the Bombardier Regional Jets. The Bombardier regional jets originally serviced flights with destinations of up to 1, 200 miles away. The new innovated Bombardier Jet has the quietest commercial jet available with a range of up to 1, 600 miles. This larger regional jet offers many amenities including flight attendant service, stand-up cabin, overhead and under-seat storage, lavatories, and in-flight snack and beverage service. These jets were able to operate at lower costs than a 120-seat or larger jet aircraft due to its smaller size and efficient design.

The other product and marketing innovation is the Embraer and ATR Turboprop, many travelers were not very interested in these smaller jets due to their noise level and uncomfortable seating. The new Embraer and ATR Turboprop has a 30 seat 120 turboprop and a 74 seat ATR 72 turboprops that are able to operate more economically over short-haul routes than the larger jet aircrafts. These smaller jets had comfort features such as stand-up

headroom, a lavatory, overhead baggage compartments and flight attendant services.

The smaller jets were more economically feasible making it possible to provide high frequency service in markets with relatively low volumes of passenger traffic. We will now go on to discuss the technological changes.

Technological Changes: The technological changes taking place are the implementation of Stetson Quality Suite for Safety used to ensure their standards were meeting or exceeding their safety quality standards. The changes to the Bombardier and Embraer Jet to increase the overall quality and service of the jets in reference to their range of flight and the services offered to the staff and the customers boarding the flight.

Other technological changes taking place are the new ways of communicating creating less need for travel. With the economy still being in a vulnerable position people are very sensitive to the price of a flight and try to find other means of commuting to their destination or communicating to that particular party. These technological changes have caused a decrease in the airline market due to price sensitivity that even business travelers are looking to save money. Next we will discuss the changes in the long-term growth rate. Changes in the long-term growth rate:

The changes in the long-term growth rate started to increase when SkyWest partnered with Delta and United Express. The partnership had increased their annual growth rate to a compounded 29.6%. This partnership had increased the number of flights from 1,500 to 2,300, and increased their departures to 2,400 to 208 cities per day by adding connection flight through their major airlines that serviced the United States, Canada, Mexico

and the Caribbean. With the increased flights there were new government regulations that were applied. In the next paragraph we will discuss those regulations. New Government regulations:

New Government regulations were in effect immediately after the 9/11 attack to ensure safety to the passengers by increasing the security regulations. The increased security also increased operational costs to the airline carriers due to the increased safety regulations. The last increase that took place was the increased jet fuel cost, due to the economic recession in mid-2008. All these changes lead to a decrease in ticket sales due to fear of flying post 9/11 attack, and the incurred costs of flying in response to the threat of rising fuel costs. The next section will talk about the industry's key success factors.

Key Success factors: The key success factors are the competitive factors that most affect industry members' ability to prosper in the marketplace. Different types of key success factors can be technology related, manufacturing related, distribution related, marketing related and skills and capability related. Technology related: The technology related key success factors that the SkyWest Inc. was defined by how they were able to acquire new aircraft. Regional airlines were required to find the needed capital and financing to increase the size of their fleets to service the longer routes being outsourced by the major airlines.

This had to be done without compromising their scope contracts with labor. SkyWest was able to overcome that by joining with ASA to acquire new aircraft. The next factors to success being discussed are the Manufacturing and Distribution related key success factors. Manufacturing/Distribution

related: SkyWest's manufacturing and or distribution related key success factors are defined by the ability to get their passengers to their destination on time. SkyWest was able to maximize their on-time arrivals by successfully getting all of their flyers to their sites on-time and making sure they did not miss their connecting flights as well.

This gave them a good reputation with their customers in increasing satisfaction, naming them one of the highest rated regional carriers for on-time arrivals. Marketing-related The regional airline industry related its marketing key success factors to how they were able to maintain a strong safety image. In order to keep up with images of flying SkyWest increased safety standards and regulations to develop a much more safer image for those that were skeptical about flying smaller flights especially after the 9/11 attack.

Passengers were unsure of the safety of the smaller jets preventing them from flying with the regional airlines, but after more safety had been implemented and other procedures had taken place to ensure everything was up to code they were able to maintain this strong image to passengers to ensure their safety when flying. Skills and capability-related SkyWest's skills and capabilities were expressed in how they were able to maintain high levels of customer service. Typically regional airlines were not known for their customer service due to a large number of mishandled luggage that happened when transferring luggage from one plane to the next and an increased number of cancelled flights due to inclement weather. Most of these issues were not directly related to the regional due to their partnerships that handed all of their scheduling and majors taking priority in

runways. SkyWest was able to maintain an average number of mishandled baggage, the second lowest number of involuntary denied boarding's and the fourth in number of complaints per 100, 00o passengers.

This put them at the top to be named the Regional Airline Company of the Year for on-time arrivals by the Department of Transportation multiple times.

Five Forces Model of Competition The five forces model evaluates the industries competition based on their level of Rivalry, threat of new entry, substitutes, bargaining power of buyers and bargaining power of suppliers to be either strong, moderate or weak. We will first discuss the first and most powerful of the five forces of competition; rivalry. Rivalry: Competition in the U. S. irlines industry is very strong with their being a large number of competitors in the regional airlines. The success of low-cost carriers such as Southwest Airlines and JetBlue has increased the pressure on airlines to compete on price to attract sufficient numbers of passengers to keep flights full. In some regards, major airlines use contracts with regional carriers to keep costs and airfares low. Therefore, contracts for regional service are awarded by major carriers are to those having the lowest prices and reliable service. The overall rivalry in the airline industry is strong.

Threat of new entry: The Threat of entry into the regional airline is define by the barriers to entry that include costs of acquiring a fleet of aircraft, acquiring contracts with major airline partners, and low industry profitability. Although the capital required to start up a modestly-sized small regional airline is fairly small, entering at a scale large enough to create a competitive threat requires substantial resources. The major threat of entry comes from major carriers which have the resources to start up their own

regional airline. This threat is only moderate because the trend is for major airlines to sell off their regional airline operations and contract out service to regional carriers. Substitutes: Since regional airlines service short routes, passengers have more alternatives such as bus, automobile, or train travel than they do for long distance travel. This is particularly true when passengers are traveling only a few hundred miles. However, for major carriers that utilize regional carriers to execute hub and spoke strategies, there are few alternatives that they can use other than operating their own regional carrier.

Substitutes are a weak to moderate force in the industry. Bargaining Power of Buyers: In the airline industry there are two types of customers; Leisure and business travelers. The business travelers tend to make up most of the market because they used the regional airlines to commute to and from locations that were considered too far to drive. They were also the most profitable because the larger customers purchased flights that were bought at a premium due to their short-notice or unexpected plan for flight.

The Second type of buyers in the market were the leisure travelers that was a much smaller group of buyers because they traveled less often and were more price sensitive to the ticket sales. With their being several airline businesses in the industry all offering the same service, switching costs for tickets from airline to another tend to be very high. Airline industries have a fixed price on airline tickets preventing from buyers being able to bargain a lower price. Since most if not all customers search airline tickets based on price this makes the bargaining powers of buyers in the industry to be weak to moderate.

Bargaining Power of Suppliers: In the regional airline industry there are two main types of suppliers Brazil's Empresa Brasileira de Aeronautica SA and Bombardier. With their only being two different types of suppliers in the regional airline industry that have two differentiated products, makes the demand for them to be very high. Since these are the only two for the regional airlines it makes the bargaining power of suppliers to be very strong allowing them to charge higher prices without losing their service to another manufacturer.

3-Internal Analysis

SWOT Analysis The SWOT analysis is an incredibly useful tool that helps review and analyzes the company's current strategy. The SWOT analysis also identifies a potentially new direction for the company's strategy to go. SWOT stands for strength, weakness, opportunities, and threats. Strength and weaknesses generally relate to factors that are internal to the organization, while opportunities and weakness in contrast often relates to factors that are external to the organization. We will now analyze SkyWest, Inc. using the SWOT analysis. Strengths:

A company's strength is something that the company is good at doing, or an attribute that enhances its competitiveness in the marketplace. SkyWest leads the industry in safety and maintenance by being a pillar in the industry for seeking safety prevention, and leading by example and getting involved to help the community overall be safer. SkyWest also has good statistics for safety and for on-time arrivals along with other factors that affect customer satisfaction. For years 2004 through 2009 SkyWest had the highest percentage for scheduled flights arriving on time.

They also were second for the least amount of involuntary denied boarding's. SkyWest also has a high level of employee satisfaction due to its workforce being nonunion. SkyWest owns jets like the Bombardier regional jet or the Embraer and ATR turboprops that are more economical and cost-efficient but also have speed that is comparable to those of larger jets; and they even have many of the same features that larger jets offer. A significant strength is that SkyWest has experienced a compounded annual growth rate of 29.6 percent from 2003 to 2008.

A key strength for SkyWest's success is its ability to secure partnerships that expand its geographic and customer base. Now that we have completed analyzing SkyWest's strengths we can take move on to analyzing their weaknesses. Weaknesses: A weakness is something a company lacks or does poorly; in comparison to competitors or a condition that puts the company at a competitive disadvantage. One weakness is SkyWest's poor relationship with Delta Airlines which was caused by their disagreement over their contract and whether or not Delta owed SkyWest \$25 million dollars.

This inhibits SkyWest's ability to fully function within that partnership, and of course being short changed \$25 million dollars is also a significant loss. Another factor that contributes to SkyWest's weaknesses was once considered a strength; SkyWest's partnership with Midwest. After partnering together for two years Midwest filed for bankruptcy leaving a messy wind-down process for both companies, which undoubtedly will take a toll on SkyWest's competitive advantage. Unfortunately that's not where the mess ends; in 2009, Midwest was purchased by Republic, a larger company that is considered a direct competitor of SkyWest.

Another strategic issue for SkyWest is the fact that because they partner with larger airlines and even though their own statistics for safety and for on-time arrivals along with other factors that affect customer satisfaction are either average or above average, from the customer's point of view they are connected with the major carriers. Therefore the larger airlines statistics are intertwined with their own; which, results in customers perceiving a poor reputation for customer service; mishandling baggage, canceling flights, delayed flights for both carriers.

Another weakness caused by customer's perceptions is that customers typically perceive that the planes regional carriers use are small, uncomfortable, noisy, and also unsafe. Now that we have finished evaluating SkyWest's weakness, we can now move on to analyze opportunities. Finally the last weakness we will go over is the scope clauses with United ; Delta Airlines. In the labor contracts with their pilots union it is spelled out the maximum size of airplane that an outside partner can operate. This limits the size of aircrafts to 70-seat and 76-seat aircrafts.

This translates into a limited amount of ticket sales which means its limiting profits and market share and the number of flights a company could support. Now that we have evaluated the different factors that put SkyWest at a disadvantage we will take a look at the external factors; starting with opportunities. Opportunities: Opportunities are found within the external environment and arise when a company can take advantage of current circumstances or changes in the environment to gain a competitive advantage and become more profitable. Generally the best opportunities are the ones that match with your company's strategic goals.

One opportunity for SkyWest is with more and more major carriers that start outsourcing a portion of their routes to regional airlines this creates an opportunity for SkyWest to build those relationships and eventually become partners with those major airlines, giving SkyWest a chance to expand and grab more market share. Another opportunity for SkyWest to expand its market share is with United ; Delta Airlines filing for chapter 11 this creates a short window of opportunity for SkyWest to serve those customers and to do it with great service and low prices building an expanded loyal customer base.

Another opportunity that SkyWest needs to watch the horizon for is if the scope cause liberation were to be approved it would create an opportunity for SkyWest to increase the number of routes flown in contract with other airlines and the seat capacity of those routes. It would be a wise decision to spend time making plans that could be quickly executed should the scope cause liberation get approved. It's important to keep an eye on the horizon watching for changing technology, government policies, or social trends that way the company can respond quickly and seize the opportunity to gain the competitive advantage.

A changing external environment doesn't only mean possible opportunities it also means possible threats. We will now examine SkyWest's possible threats. Threats: Threats are factors in a company's external environment that pose a threat to the company's profitability and competitive well-being. The 2007 economic recession is an example of a threat that many people did not see, because of this many industries including the airline industry suffered.

Some people believe that we still have not fully felt the aftershocks of the recession and because the airline industry is highly sensitive to the economy as a significant portion of travel; both leisure and business travelers, are discretionary, it is still a potential threat. Another threat to the airline industry is the increasing costs for jet fuel and its general availability. This can have a crippling effect on a company's profitability and threatens their overall business operations. Fuel expenses already account for 35-50 percent of an airlines operation cost in 2009.

Another external threat is if either new or changes are made to the ASA Regulation for either weather related factors or safety inspections. Both would increase costs and could threaten the success and the competitive advantage of SkyWest, which in turn could lead to decreased customer satisfaction and fewer sales. Since SkyWest is a regional carrier they need to keep a careful watch not only on how they are performing but also how their major carriers whom they have partnerships with are performing.

If a major carrier were to file for bankruptcy it would most certainly threaten SkyWest with loss of customers and profits and could lead them to follow suit and file for bankruptcy as well. Another threat that could affect regional carriers in the industry is if two major carriers merge the result would most likely be consolidating of routes and possibly completely shutting down smaller hubs, which as we have explained would also affect their regional partners. Financial assessment Ratios: Financial data is important to analyze as it provides the concrete results as for how the company's strategy is performing.

Ratio analysis is often used to determine a company's financial position. Ratio analysis breaks down into 5 key subgroups; profitability ratios, liquidity ratios, leverage ratios, activity ratios, and finally share-holder ratios. We will break down each one of these types of ratios starting with profit ratio. It should be noted that analyzing the individual companies financial performance alone, is not a complete analysis. To have a complete analysis, the ratios should be compared against the industry's average; however, we will not be covering that in our assessment with SkyWest. Profitability ratios:

Profitability ratios generally tell us how well the company is using their resources efficiently. One of the several profitability ratios is the Operating profit margin. This ratio tells us how much profit is earned on each dollar of sales before paying interest charges and income taxes. | 2004| 2005| 2006| 2007| 2008| Operating Income| 144776| 220408| 339160| 344524| 255231| Total Operating Revenue| 1156044| 1964048| 3114656| 3374332| 3496249| Operating Profit Margin| 0. 1252| 0. 1122| 0. 1089| 0. 1021| 0. 0730| Here we see that the operating profit margin has been declining, while the total operating revenue is increasing.

This can be interpreted as less money is being made on each dollar of sale. When looking at the operating profit margin ratio higher is better and you want to see an upward trend, since we don't see that it is cause for concern and should be looked into. Liquidity ratios: Now let's look into the liquidity ratios. Liquidity ratios measure a company's ability to pay off short-term obligations by using their liquid assets, one of these ratios is the current ratio. The current ratio tells us how much of the company's short-term obligation can be covered by using and converting their liquid assets.

12/31/2008| 12/31/2007| Current Assets| 125, 892| 122, 802| Current Liabilities| 129, 783| 118, 202| Current Ratio:| 0. 9700| 1. 0389| SkyWest's current ratio had a small decrease from 2007 to 2008. For 2007 their ratio was 1. 04, and for 2008 it decreased to . 97. The ratio should be higher than 1, however what an acceptable ratio is depends on the type of industry as it varies. The fact that their ratio is decreasing could suggest impending insolvency. However to accurately analyze we would need to compare the current ratio to other companies in the airline industry. Leverage ratios:

Next we will move on to analyze leverage ratios. Leverage ratios are concerned with the balance between debt and equity. One of the leverage ratios is the debt-to asset ratio. The debt-to asset ratio measure the extent to which borrowed funds have been used to financethe firm's operations and investments. | 2007| 2008| Total Debt| 3990525| 4014291| Total Assests| 3990525| 4014291| Debt-to assets ratio| 1| 1| Here we see that for both 2007 and 2008 the debt-to asset ratio equals 1; however this is a cause for concern. It would be better if the debt-to assets ratio were a low fraction.

A low fraction would indicate that the firm less debt then assets and therefor does not have a high risk of bankruptcy occurring. Activity Ratios: Another area to analyze is how effectively a company is managing its assets this group is called activity ratios. An example of an activity ratio is the inventory turnover ratio; which takes the cost of goods sold divided by the inventory to determine the number of times the inventory is turned over and whether they are carrying excess stock. One example of an activity ratio is the average collection ratio. | 2007| 2008| Accounts receivables| 81216| 55458|

Total Sales (Total Revenue)| 3374332| 3496249| Average collection period| 8. 7851| 5. 7897| This measurement indicates the average length of time it takes SkyWest to receive a cash payment after making the sale. The shorter amount of time is optimal. From 2007 to 2008 SkyWest shortened the amount of time by almost 3 days, bringing it to roughly 6 days. Other important measures of financial performance: The last category is kind of a miscellaneous category; however this category is sometimes referred to as the shareholder-return ratio because many of the ratios measure the return earned by shareholders from holding stock in the company.

There are other measures as well like the internal cash flow measurement. This measures how much cash a company's business is generating after paying operating expenses, interest, and taxes (often referred to as NIAT).

Years	2004	2005	2006	2007	2008	Net income
	\$81, 952	\$112, 267	\$145, 806	\$159, 192	\$112, 929	Depreciation
	\$76, 817	\$115, 275	\$189, 885	\$208, 944	\$220, 195	NIAT
	\$158, 769	\$227, 542	\$335, 691	\$368, 136	\$333, 124	

- Key Decisions 1. One of the main points the case covers is the state of the global and national economy. As previously discussed the airline industry and its success is highly correlated with the state of the economy. 2. Another main point that SkyWest should be concerned with is their ability to attract and retain partnerships. Its already been established that SkyWest's relationship with Delta has been changed to " it's complicated" over the disagreement of 25 million dollars unpaid and not going after Delta in a lawsuit for the unpaid money for fear of losing their partnership and connected business.

As Delta Airlines contributed 59.9% of SkyWest's customer capacity. Also their previous partnership with Midwest Airlines which then filed for bankrupt and later was purchased by a direct competitor, which could become larger and more capable; threatening SkyWest's future. 3. Another issue plaguing SkyWest is the impact of high fuel prices. It is estimated that 30-50% of total costs are from the costs of fuel. This in conjunction with the scope clauses that limit the size of planes SkyWest can operate increases the costs and amount of fuel needed. . The Last problem the case covers is the issue of government legislation and regulations and the effect it has on the airline industry. Safety regulations and labor contracts that limit the number of passenger's pilots can fly. Along with the issue of planes being grounded to perform safety inspections or the proposals of new legislation like the regulation that was going to require they provide oxygen for passengers that would have added a significant amount of additional costs. 5- Alternatives 1.

Economy: Clearly one cannot control the state of the economy, but if SkyWest continues to take advantage of their strengths and repair weakness that are due to partner companies' poor customer service, human resources and low profits they are likely to be successful when the economy is doing better. While the economic recession continues SkyWest should attempt to renegotiate their agreements with their major carrier partners and cancel flights, when capacity is low, in order to reduce their costs.

They need to make sure they maintain competitive prices and not just meet customer's expectations but also exceed them, this will lead to a stronger customer loyalty hopefully keeping SkyWest out of the red. 2. Partnerships: SkyWest needs to continue to develop their partnerships with major carriers

to further diversify the amount of major partners, which would ultimately reduce the risk of being dependent on Delta and United. Also combining efforts would reduce the companies overhead. . Fuel costs: The rising costs and fluctuations in fuel price pose a significant risk as they are the largest chunk of operation costs for the airline industry. SkyWest should plan their routes to maximize their fuel efficiency along with again trying to renegotiate their agreements with their major carrier partners to permit flying larger size planes with more seating capacity; which would therefor create larger economies of scale. 4.

Regulations: SkyWest needs to continue to pay close attention to union activity within the ASA Corporation and also continue to avoid labor unions and instead focus on employees through effective benefit packages and employee engagement. 6- Recommended Decisions 1. SkyWest airlines considerably has cash in had it could make a risky move by starting to serve in new countries since they are already exposed to some of the foreign destinations it would not be a bad idea but they must be prepared to face new competitors.

This would help the company to offer more international connecting flights and strengthen the operations that already exists for instance in Canada. 2. As we discussed before as a whole the industry is enjoying an accumulated revenue, so at this point making new partnerships may increase the revenue share of SkyWest Airlines and this would help the company to face the unknown future challenges and lessen its affect to SkyWest airlines since the economy is not steady. . Even though SkyWest is well known for being the best at safety of the services rendered it should invest more on researches

with the other industry competitors so they could split the cost and enjoy the benefits (joint research agreements). This would help the SkyWest to keep up to the new regulations that is set by FAA, TSA and DOT. 4. In the first quarter of 2009 they had a SkyWest had a revenue loss of \$7. million which was merely by ASA because of poor maintains and inefficiency of the flights. Management should take initiatives to reduce these types of inefficiency and integrate a successful system for sustainable growth of the company. 5. SkyWest Inc. should be concerned with the route maps and they should look for opportunities that could potentially help them to expand route coverage with the existing partnerships or to get into new business agreements with new partners. . Management should work closely with the finance department to cut down fuel and maintains cost to earn more revenues in the volatile economy. For instance management should be working together with finance department on hedging for fuel, and they could get into partnerships with smaller companies in the industry to share maintains cost rather than a large air carrier where SkyWest's needs wouldn't be considered upon a larger company.