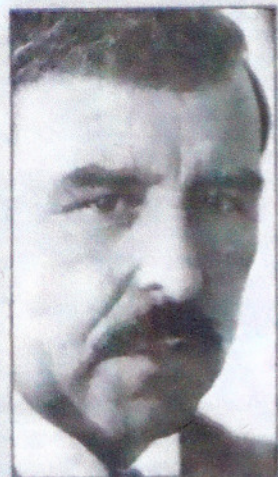


Tribune-Barry Kough

Cascade Airways' Lewiston station manager Becky Cowley closes the door of a new Beechcraft 1900 airliner at the Lewiston-NezPerce County airport. Cascade officials say they offer some good deals to local travelers on air fares originating from Quad Cities airports.

The right connections can save money



Chestnutt: Success story

By Chris Tate
of the Tribune

Mark M. Chestnutt started Cascade Airways in 1969 with two leased Beechcraft 99s and about \$100,000 in capital.

Fifteen years later, Cascade has grown into a regional carrier with \$23 million in current assets. The Spokane-based airline, which started with one scheduled flight from Spokane-Pasco-Seattle, now flies about 320 flights to 17 airports in Washington, Oregon, Idaho, Montana and Canada.

Cascade began flying into Pullman in 1971 and to Lewiston in 1976.

A holding company, American Investor's Corp., now owns 82 percent of Cascade's interest. Chestnutt's father is a primary in that corporation. The rest of the airline's holdings are split between about 15 other

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Does the bargain-hunting traveler drive to Spokane to make connections when leaving the Quad Cities region? Not necessarily. And speaking of economics, how are Cascade and Horizon, the two regional airlines that serve the area, doing in the battle to keep themselves flying high?

Last of a 3-part series

By Chris Tate
of the Tribune

Quad Cities travel agents say about 50 percent of local travelers who make arrangements with area travel agencies drive to Spokane to catch a jet.

Some of those people, undoubtedly, do so because they don't like flying on the small prop-jets that serve the Quad Cities airports.

But chances are that at least as many do it because they think it's faster and less expensive to depart from Spokane than the Lewiston-Nez

Perce County Airport or the Pullman-Moscow Regional Airport.

But those people are often wrong. For example, one travel agent said a one-way ticket to Oklahoma City from Lewiston could be purchased last week for \$193. If a traveler were to depart from Spokane, the trip would have cost \$331.

Sometimes it is cheaper and easier to drive to Spokane to board a jet, said Donald R. Largent, general manager of Easy Travel and Global Travel, of Lewiston and Clarkston.

However, he, too, recently quoted a client the costs of flying to Charlotte, N.C., comparing final destinations at Spokane and at Lewiston.

If reservations are made a week in advance, a Cascade Airways or Horizon Air flight leaving on a Tuesday or Wednesday from Lewiston and connecting at Spokane with a United Airlines flight bound for North Carolina would cost \$448. That same United flight would cost a passenger who

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Seattle entrepreneur is the man behind Horizon

By Chris Tate
of the Tribune

Milton G. Koult II, a Seattle entrepreneur, is president and chairman of the board of Horizon Air Industries, Inc.

"I am 57 going on 76," he said during a 6:30 a.m. telephone interview.

As Horizon's chief executive officer since the firm's inception in 1981, Koult says he finds it necessary to put in long days.

Koult says he is a businessman turned airplane fanatic rather than the other way around.

"I saw a need for a good, regional airline," he said, was the reason he started the company. "The airline service was fragmented in the Northwest."

Koult began the company with 50 employees and two Fairchild F-27s flying from Seattle to Yakima and from Seattle to Pasco. In just three years, the firm has grown to 700 employees with 24 planes flying to 21 cities in the five Northwest states.

Part of the firm's rapid growth has been attributed to the recent purchase of Air Oregon and Trans-Western Airlines. Late in 1982, Horizon announced an agreement also had been reached for Horizon to purchase Cascade Airways of Spokane, Horizon's only major competitor. Howev-

er, the deal fell through a few months later and officials from both airlines say there has been no talk of a merger since then.

Horizon reported \$19.5 million in total revenue as of March 31 last year at that time. The company reported about \$9 million in January. Horizon became a publicly traded company.

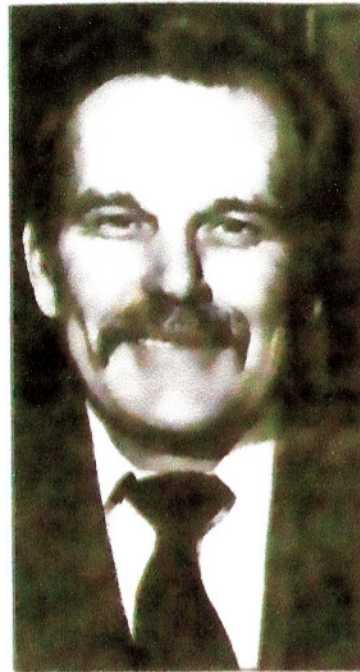
"Growth has been difficult and fast but it has been orderly," Koult said.

Twelve of the planes in Horizon's fleet are F-27s, most of which are at least 20 years old, he said.

"An F-27 is only as old as its D check (major engine overhaul)," he said. Koult said the 4-passenger turboprop planes are perfect for certain segments of Horizon's route. However, the planes do not fly to Lewiston or Pullman yet.

Prior to founding Horizon in 1979, he founded Thousand Trails, Inc., a Seattle-based recreational company with annual sales expected to total \$100 million during 1984. He is no longer the chief executive officer of that company, but he remains a member of Thousand Trails' board of directors.

Before 1969, Koult was a planning manager for Boeing Co.'s 737 aircraft programs.



Milton G. Koult

airline. That is, Spokane International Airport is where most Cascade flights connect with larger airlines. He also named Pasco, Yakima, Boise and Seattle as hubs as well.

"I will have to candidly say that we consciously knew that we wanted it (Spokane) to be a hub," he said. "But it wasn't until three or four months ago that we really realized that it was becoming one."

After deregulation, subsidies that were given to many pure-jet airlines to provide service to small communities were discontinued. The Civil Aeronautics Board provided small communities with official hub-city assignments for smaller airlines to provide essential service so the small markets wouldn't suffer a sudden loss of air service.

Earlier this year, the CAB changed Lewiston's hub cities from Boise and Spokane to Boise and Seattle.

"I cannot find a great deal of consistency in how it (essential service) is administered, however that is an opinion, and it is a biased one, because I think Cascade has more than

once been very frustrated in dealing with this situation," he said.

Cascade recently was fined for not meeting the terms of an essential air agreement for Pullman.

"The essential air service as defined called for single-plane, one-stop service to Seattle," he said. "We were providing single-airplane, two-stop service and connecting one-stop service and many, many more flights than were required by the regulation."

The airline was fined \$50,000 for the violation, however, that fine was negotiated down to \$5,000, he said.

"Even so, I don't think we deserved a dollar fine," he said. "We didn't hurt anybody, it was unintentional, and for that matter we turned ourselves in."

The CAB is scheduled to discontinue the essential air service program in October of 1988. As part of deregulation, the CAB itself will be dissolved by the end of this year and will be absorbed by the National Transportation Safety Board.

Nilson said Cascade's own designation of Spokane as a hub doesn't have a negative impact on the airline's services to markets in other cit-

ies. If anything, he said, it helps strengthen them.

When asked to what extent Cascade recognizes Seattle as a hub for Lewiston-Nez Perce County Airport and Pullman-Moscow Regional Airport, Nilson was noncommittal.

"I guess the best way to put it is that we have some other ideas, but for competitive reasons, we don't particularly want to discuss them because there is no sense to give our marketing plans to anybody, our competitor, for example."

Cascade and Horizon Air are the only competing regional airlines in the Northwest.

Lee Miles, regional sales representative for Horizon Air, said the Seattle-based firm has always considered Boise and Seattle as major hubs.

Miles said the CAB hub designations are important to Horizon.

Miles said Horizon may not schedule more flights to hubs, but the airline will try to schedule flights in small communities to conveniently meet connecting flights in the hubs, she said. Not only are they interested in feeding larger airlines with passen-

gers, they are want to feed themselves.

As an example, "If we fly from Lewiston to Boise to the passenger's destination, then we want to make sure to keep them on our plane all the way through," she said.

It is less expensive for the passenger to stay on Horizon all the way than to transfer to a larger airline like United, she said.

Horizon has grown since it has been flying to Pullman and Lewiston. For the past three months, the 3-year-old airline has been flying 31 flights per week out of the Lewiston airport and 26 per week out of Pullman, according to Danny R. Eddy, Horizon's station manager for Lewiston and Pullman.

The average number of passengers boarding at Lewiston for the past three months has been 550, compared with 250 a year ago, he said.

Some of Horizon's growth has been attributed to its recent purchases of Trans-Western and Air Oregon. At one time, the airline was also considering a merger with Cascade Airways.

"I think the reason we were considering it (the merger) goes back to Milt (Milton Koult, Horizon's president) and his entrepreneurial approach to everything," she said. "He saw Cascade and Horizon as defeating each other, not defeating each other, but draining each others' energies. He thought a merger would make one strong airline."

Miles said the reason it fell through was because Cascade backed out of the deal.

However, she said more growth is planned for Horizon.

Miles said jets are needed because some of the passenger loads in some of Horizon's markets are so crowded that bigger planes are needed.

However, Horizon jets don't appear to be part of the near future for Lewiston. She said proposed jet routes include Boise-Portland, Portland-Spokane, Seattle-Sun Valley, San Francisco-Sun Valley, and probably Boise-Spokane.

Cascade has also recently purchased two jets, however, those too, will not be used at Lewiston or Pullman. The runway at Pullman cannot accommodate commercial jets.

Asked how big Horizon intends to grow, Miles related the philosophy of the firm's president.

"This is what he said to me: 'I want to get better. If we get bigger in the process, that's fine, but my goal is to get better.'

'Usually, automatically you get bigger when you get better, but you don't automatically get better when you get bigger.'"

Chestnutt

From 1A

private individuals, including Chestnutt.

Chestnutt, now 50, said his reason for founding the airline was probably stupidity — “but don’t quote me on that literally,” he said. “We had stars in our eyes; it is a glamorous business.”

But more realistically, Chestnutt said he saw a need for a small airline to serve the region. When Commuter Air, a small Montana-based airline for which he was chief pilot, folded in 1968, Chestnutt and four others from that company decided to form their own airline. Chestnutt is the only founder that remained with Cascade.

The firm now has 400 employees and reported gross revenues of \$25 million for 1983, a 20 percent increase over the previous year.

His fascination with flying machines dates back to the 12 years he spent in the U.S. Army and Air Force as a navigator.

He left the U.S. Army in 1967, when he accepted the job with Commuter Air, which was to last only two years.

Cascade was Chestnutt’s first entrepreneurial pursuit, and of it, he says only that “it is been a lot of hard work. I can’t hold a candle to my competitor (Horizon’s Milt Koult) for being a rich and powerful man,” he said.