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We Connect the World

## **Quarterly Media Briefing**

November 19, 2019

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  - » U.S. Airport Investment, Satisfaction and Available Funds

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# YTD 3Q 2019 OPERATIONS AND FINANCIAL RESULTS

## Notable January-September 2019 Operating Challenges

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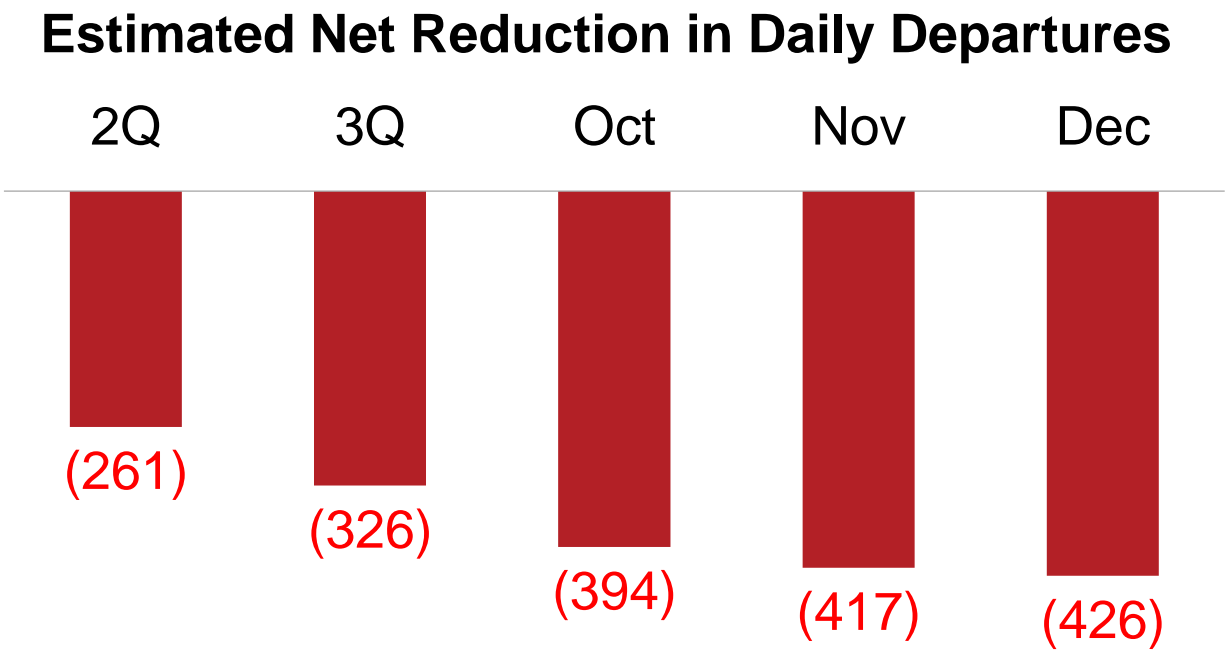
Jan	Drones disrupt LHR (1/8), EWR (1/22); 35-day USG shutdown (12/22-1/25); Polar Vortex (1/29-31)
Feb	Orlando MCO security incident (2/2), smoke at Dallas TRACON (2/13), major snowstorms
Mar	LAX power outage (3/5), B737 MAX grounding (3/13), Sabre IT outage (3/26), major snowstorms
Apr	AeroData outage (4/1), “bomb cyclone” (4/10-12), blizzards, Sabre outage (4/29)
May	Labor issues at AA/WN, extreme weather, outage at Sabre supplier CenturyLink (5/14)
Jun	Ongoing labor issues; LAX outage (6/5), Collins Aerospace GPS issues (6/8-9), thunderstorms
Jul	Ongoing AA labor issues; severe thunderstorms in Dallas, Northeast, Mid-Atlantic, Chicago
Aug	Ongoing AA labor issues; thunderstorms, HKG protests/cancellations (8/12), U.S. CBP outage (8/16)
Sep	French ATC failure (9/1), SFO runway closure (9/12-19), BA pilot strike (9/9-10), Imelda (IAH, 9/19)

Source: A4A research, FAA Air Traffic Organization and masFlight (subsidiary of Global Eagle)

# The B737 MAX Grounding Has Substantially Reduced Daily U.S. Airline Departures

Grounded March 13, 2019

Airline	In Fleet as of 3/31	On Order as of 3/31*
Southwest	34	268 (44)
American	24	76 (16)
United	14	171 (16)
Alaska	0	32 (3)
<b>Total</b>	<b>72</b>	<b>515 (76)</b>



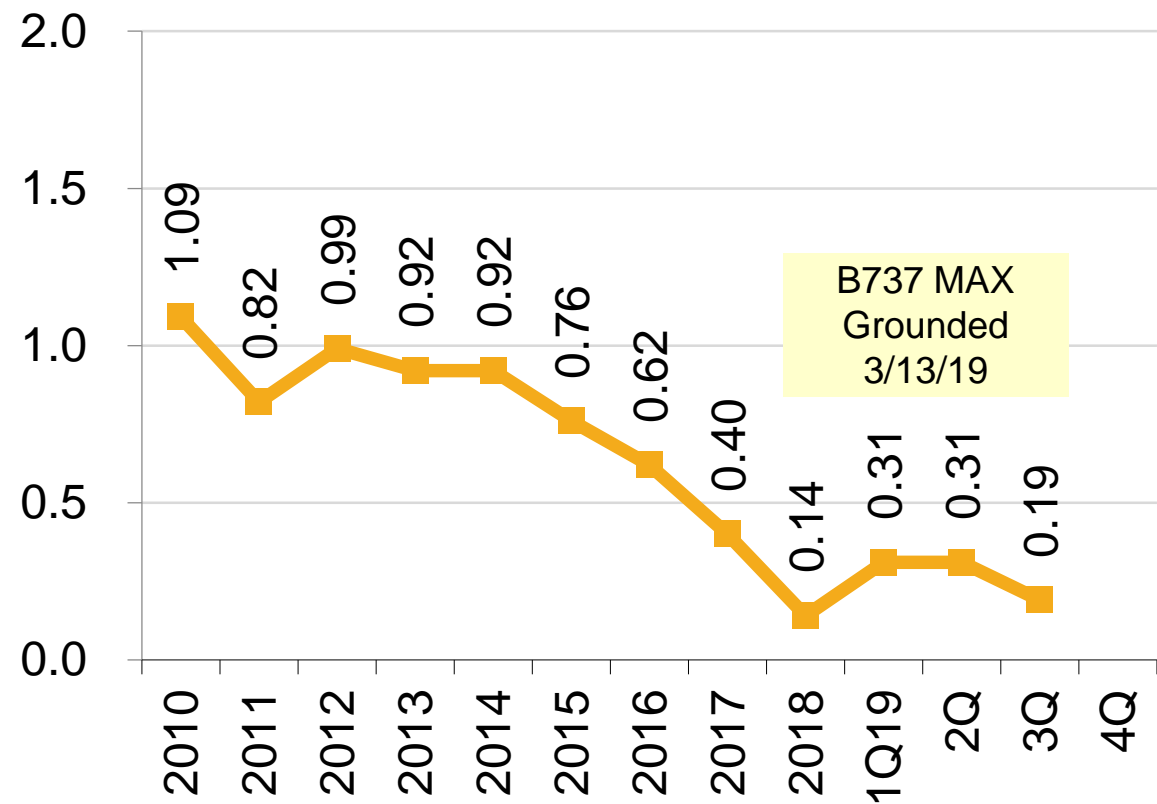
Sources: A4A and Energy Information Administration ([http://www.eia.gov/dnav/pet/pet\\_pri\\_spt\\_s1\\_d.htm](http://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm))

\* Numbers in parentheses indicate orders originally scheduled for delivery from 4/1/19 through 12/31/19

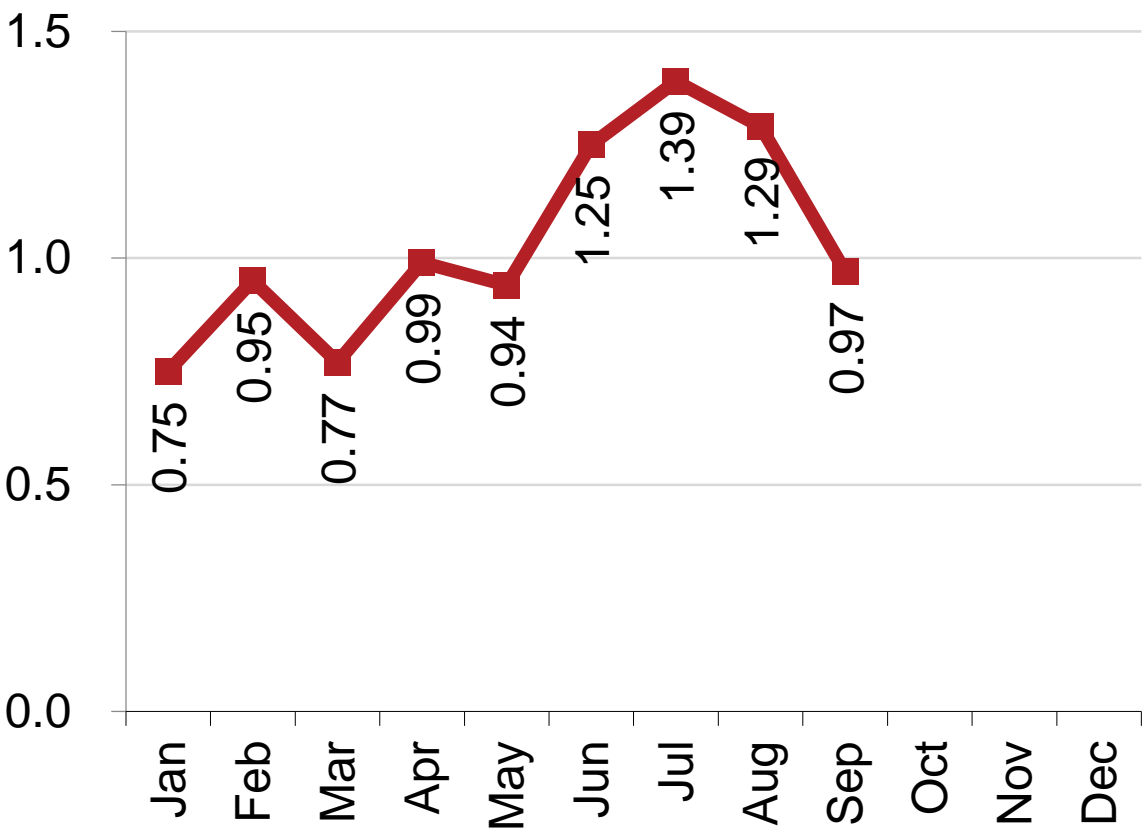
# Involuntary Denied Boardings and Customer Complaints Have Been Trending Down

Grounding of B737 MAX Largely Responsible for Anomalous 2019 Increase

Involuntary Denied Boardings per 10K Pax\*



2019 DOT Customer Complaints per 100K Pax\*



Sources: DOT Air Travel Consumer Report

\* U.S. passenger airlines

# The Grounding of the B737 Max, Airbus Production Delays, Changing Market Conditions and Other Considerations Have Led Several Airlines to Modify 2019 Growth Plans

**Company Guidance  
re: 2019 Growth (%)  
in Scheduled ASMs**

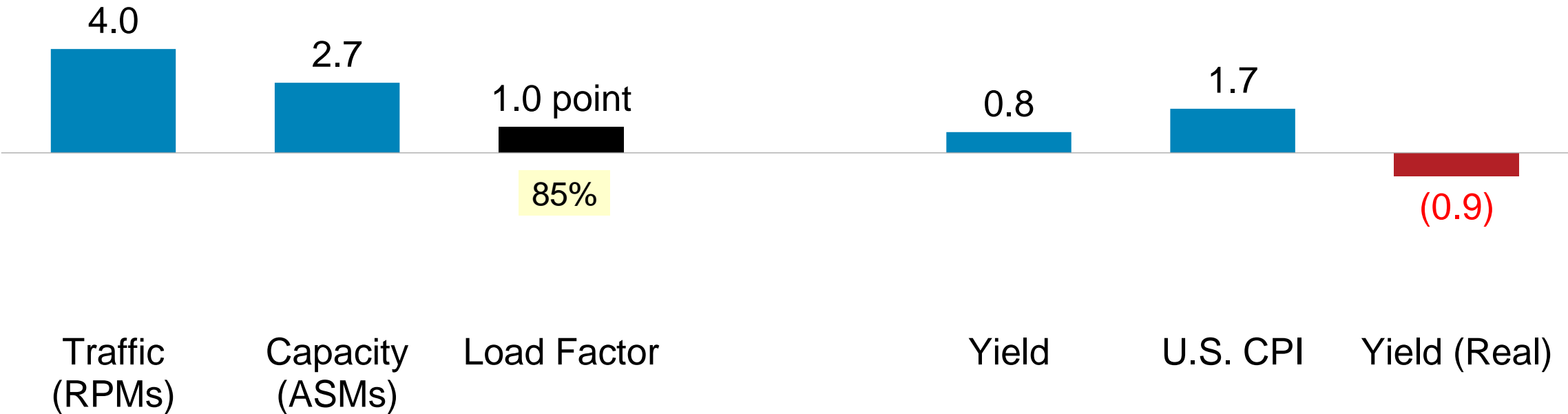
	Early 2019	10/24/19	Change
Spirit	15	14.5	--
Allegiant	7-9	8.5-8.9	--
JetBlue	4.5-6.5	6-7	↑
Delta	3	4	↑
United	4-6	3-4	↓
Hawaiian	1.5-4.5	1.9-2.4	--
Alaska	2	2.1	--
American	3	1	↓
Southwest	5	(1.5)	↓

Source: Company SEC filings

# In First Nine Months of 2019, Traffic Grew Faster Than Capacity, Constrained by Aircraft Issues

## Real Yield *Fell* as Average Price to Fly a Mile Grew at Less Than Half the Rate of U.S. Inflation

Change (%) – YTD 3Q19 vs. YTD 3Q18



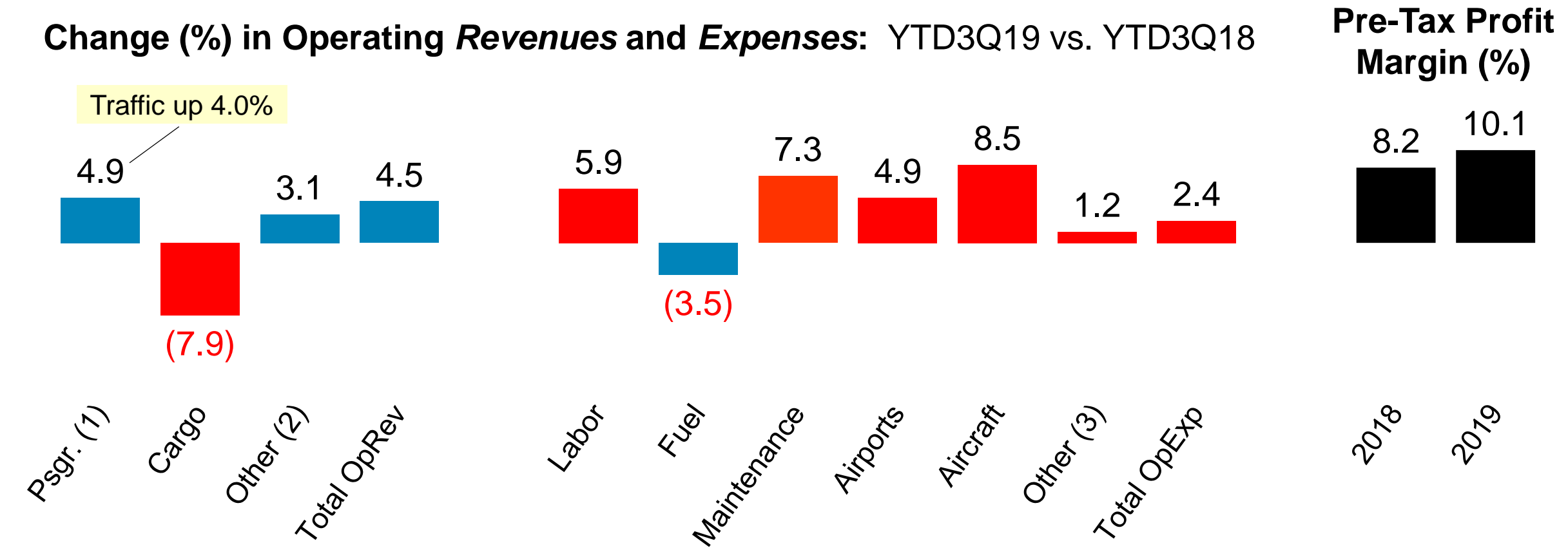
Source: BLS and A4A analysis of reports by Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United

1. RPM = revenue passenger mile; ASM = available seat mile; load factor = RPM ÷ ASM  
 2. Yield = revenue per passenger-mile flown; CPI = U.S. Consumer Price Index ("inflation")



# In First Nine Months of 2019, U.S. Airlines Saw Average Profit Margin Rise 1.9 Points

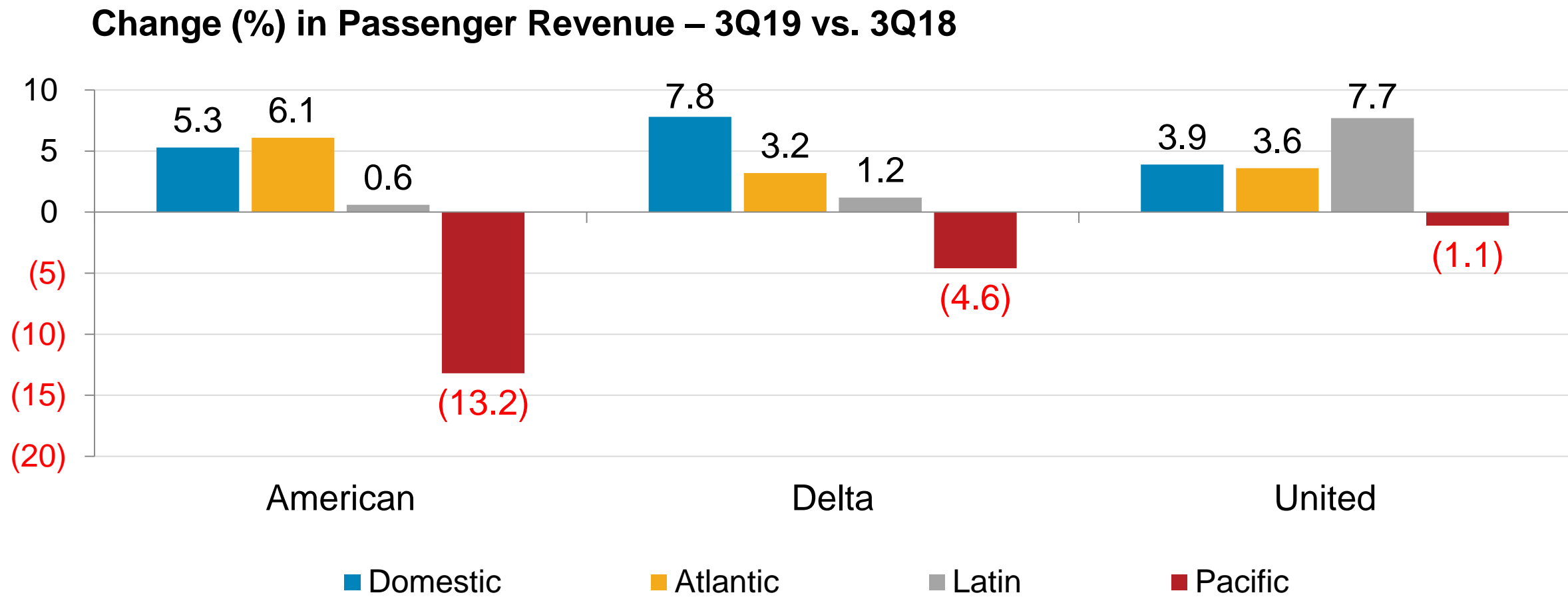
## Strong Travel Demand Helped Offset Cargo Weakness and Continued Cost Pressure



1. Traffic = revenue passenger miles; yield = revenue per passenger-mile flown; U.S. CPI up 1.7 percent  
2. Sale of frequent flyer award miles to airline business partners, transportation of pets, in-sourced aircraft and engine repair, flight simulator rentals, inflight sales, etc.  
3. Aircraft rents, professional fees, food/beverage, insurance, commissions, GDS fees, communications, advertising, utilities, office supplies, crew hotels, payments to regionals

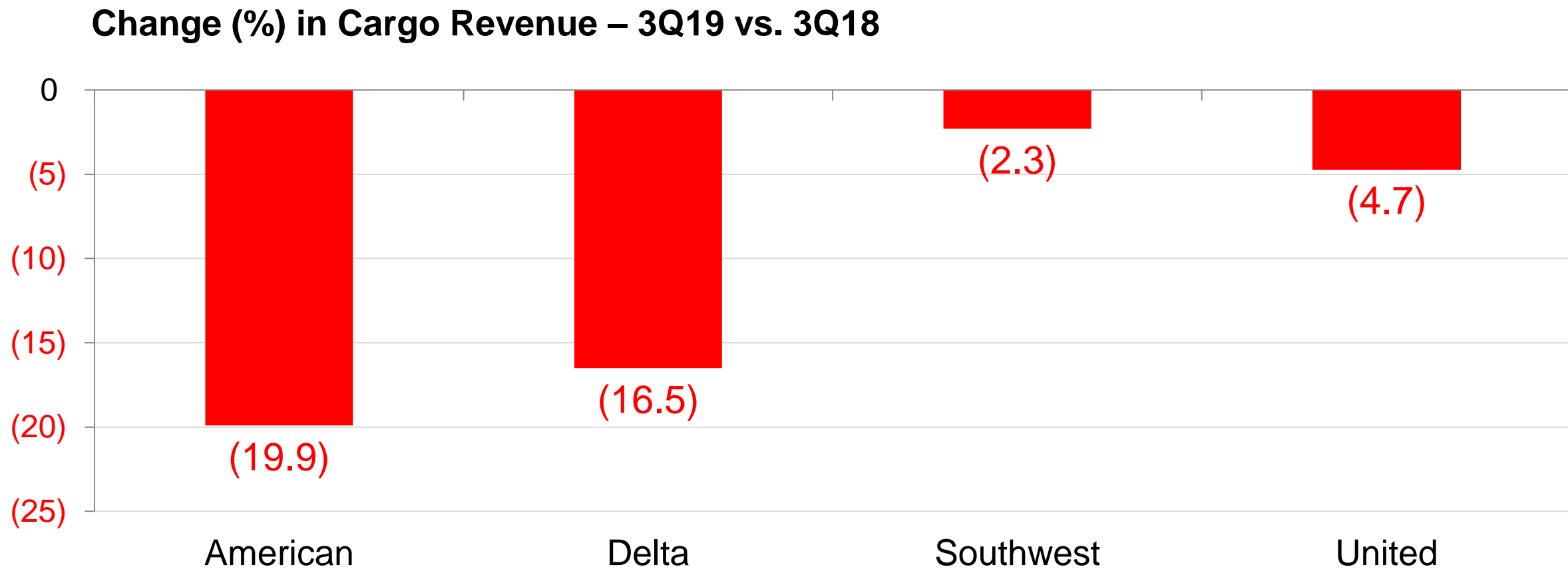
Source: A4A analysis of reports by Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United

# Domestic Demand Remains Strong, But Transpacific Markets Have Been a Drag on Growth



Source: Company reports

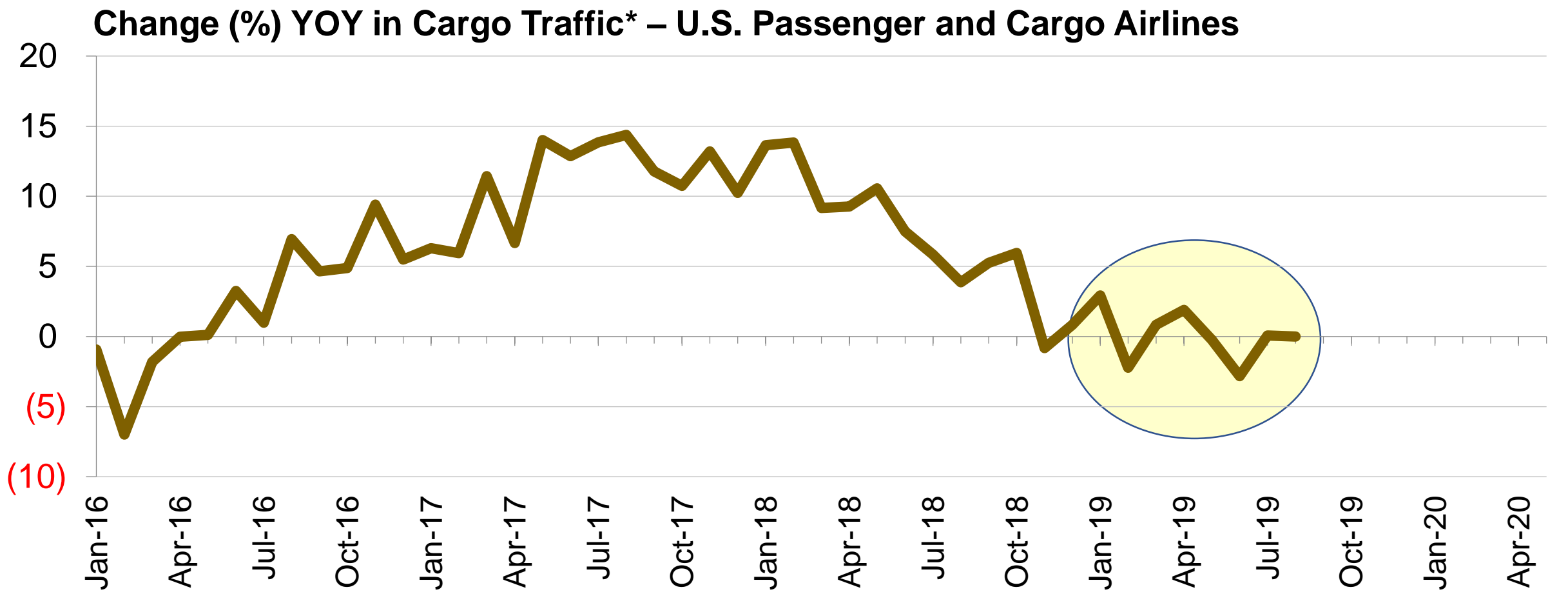
# Cargo Revenue Was a Major Soft Spot for Large U.S. Passenger Airlines in the Third Quarter



Source: Company reports

# Air Cargo Volumes Beginning to Plateau

## Possible Indicator of Industrial Recession



Sources: Bureau of Transportation Statistics T1 all services

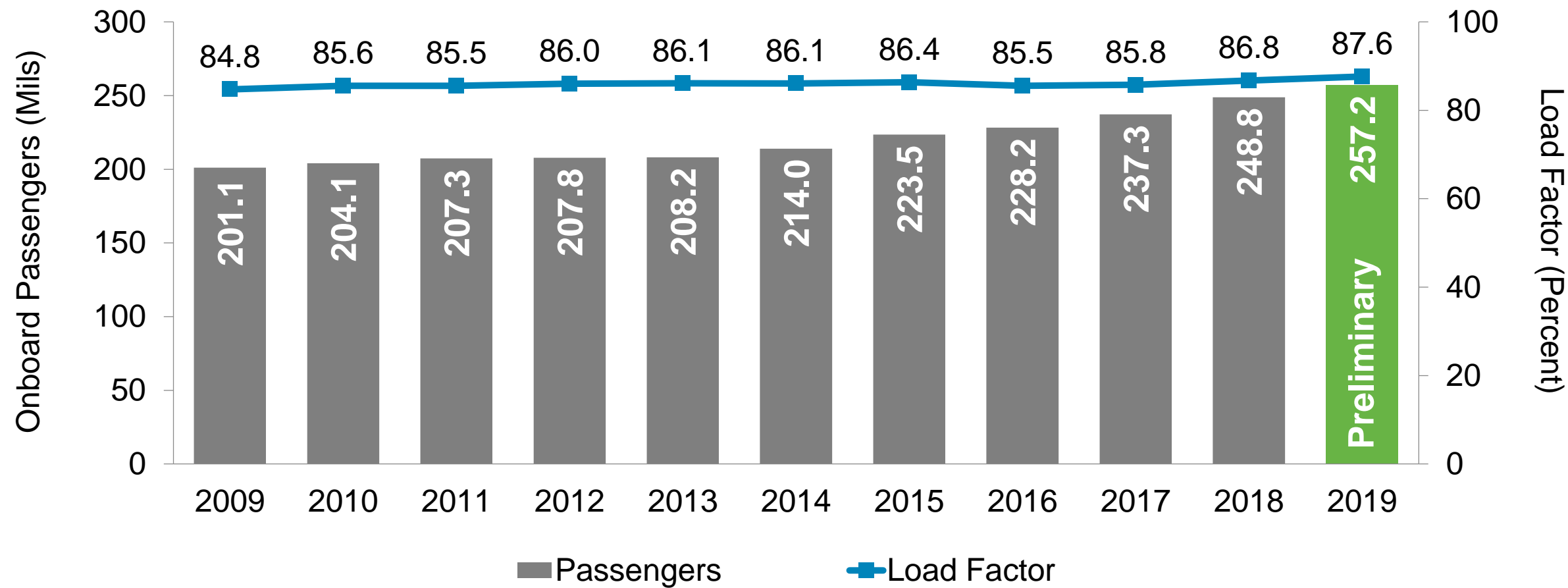
\* Freight, mail and express revenue ton miles RTMs) flown systemwide

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# THANKSGIVING 2019 AIR-TRAVEL FORECAST

# This Summer,\* U.S. Airlines Carried a Record 2.8 Million Passengers per Day Across the Globe

Given the Absence of the B737 MAX, Load Factors Averaged Close to 88 Percent



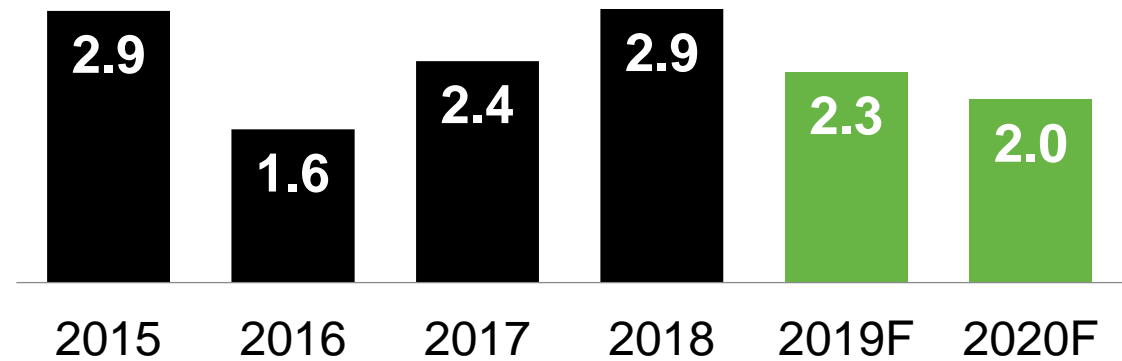
Source: A4A and BTS T100 segment data – U.S. carriers only; scheduled and nonscheduled services

\* For this purpose, defined as June 1 through August 31

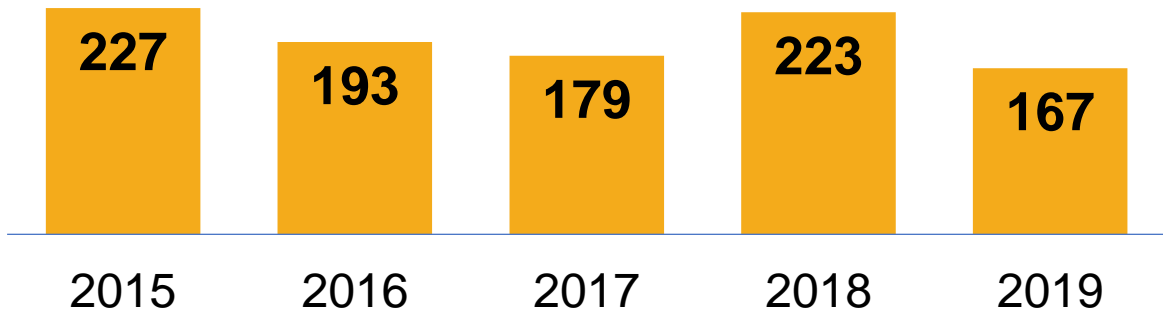
# U.S. Economy, Jobs Growing; Household Net Worth Continues to Set New Records

## Consumer Sentiment Up Three Months in a Row

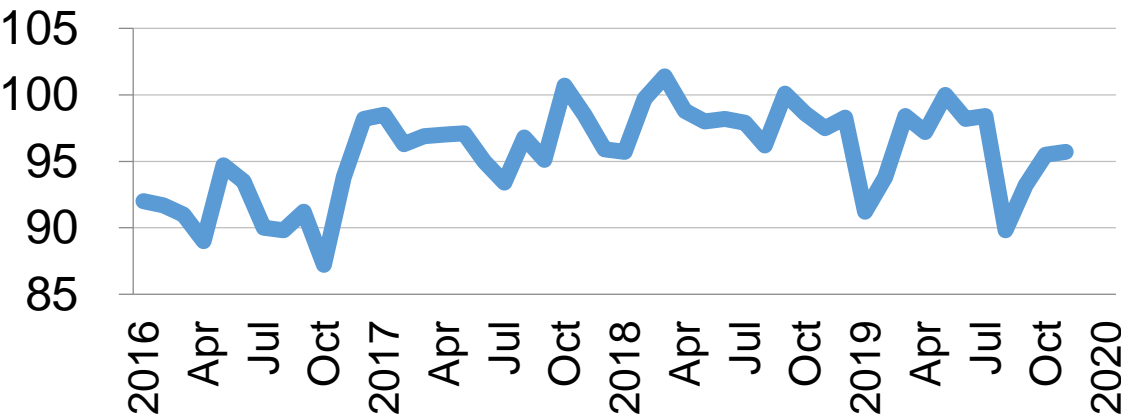
U.S. Real GDP Growth (% CAGR)



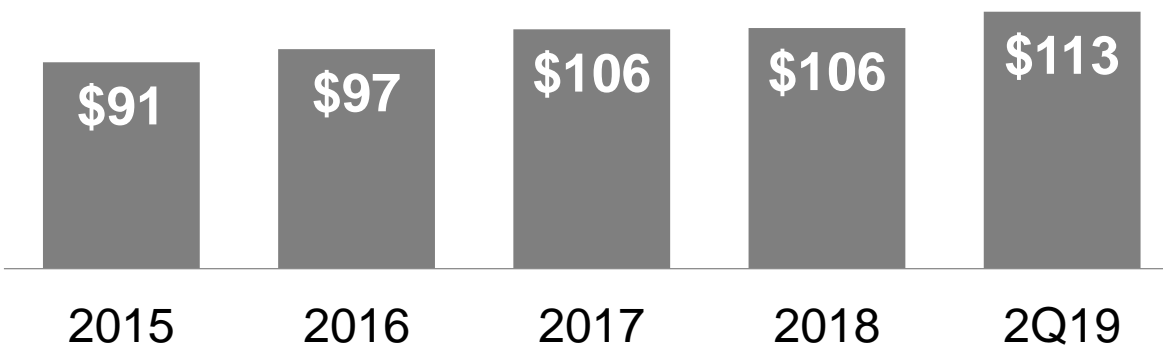
U.S. Employment Growth (000s per Month)



Consumer Sentiment (UMich Index 1Q66=100)



U.S. Household Net Worth (Trillions)



Source: U.S. GDP (Bureau of Economic Analysis actuals and IHS Markit forecast); U.S. nonfarm payroll employment growth (month-over-month, seasonally adjusted) from BLS; consumer sentiment (University of Michigan, Index 1Q 1966=100); U.S. household net worth in current dollars, not seasonally adjusted (Federal Reserve)

# Thanksgiving 2019 Air Travel Forecast: Comparing A4A and TSA Methodologies

## A4A Uses the U.S. Bureau of Transportation Statistics (BTS) Definition of Passengers

	A4A	TSA
Time Period	Fri, Nov. 22, through Tue, Dec. 3 -- 12 days --	Thu, Nov. 21, through Mon, Dec. 2 -- 12 days --
Units Counted	Aligned with DOT: Number of travelers occupying seats on every flight, including connecting and continuing (“through”) passengers	Number of travelers and crewmembers going through security checkpoints (typically just originations)
Universe of Airlines	U.S. airlines <i>only</i>	All airlines serving the USA
Universe of Airports	All airports throughout the world	U.S. airports <i>only</i>

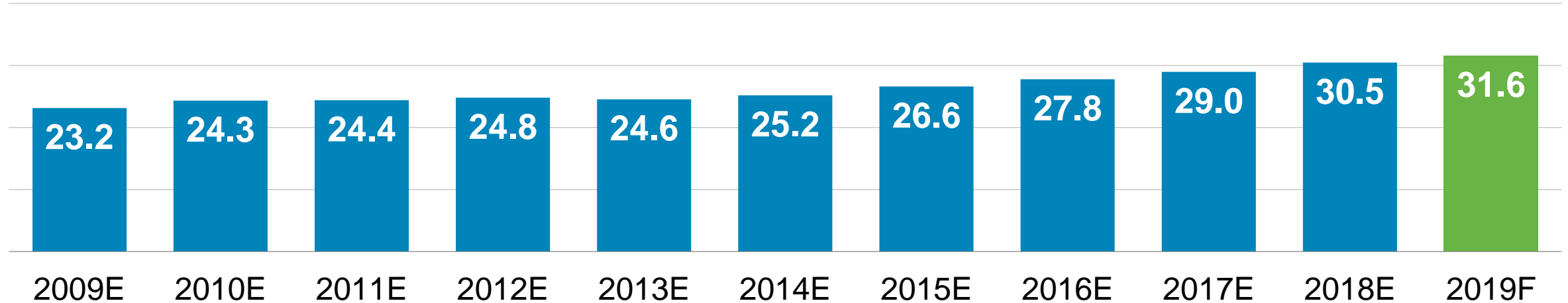
Source: A4A and TSA



# A4A Projects U.S. Airlines to Carry a Record 31.6M Thanksgiving Passengers in 2019, Up 3.7%

12-Day Forecast Period = Fri., Nov. 22 Through Tues., Dec. 3

## U.S. Airline Onboard Passengers (Millions) -- 12-Day Thanksgiving Period, 2009E-2019F



- U.S. airlines expecting 2.63M **passengers** per day, up ~93,000 year over year
- U.S. airlines have scheduled 3.05M **seats** per day, up ~108,000 year over year
- Daily volumes expected to range from 1.79M to 3.05M; planes will be 79%-91% full
- In 2018, Thanksgiving Day was the 4<sup>th</sup> **lightest** day of the entire year; Sunday return was **the busiest**

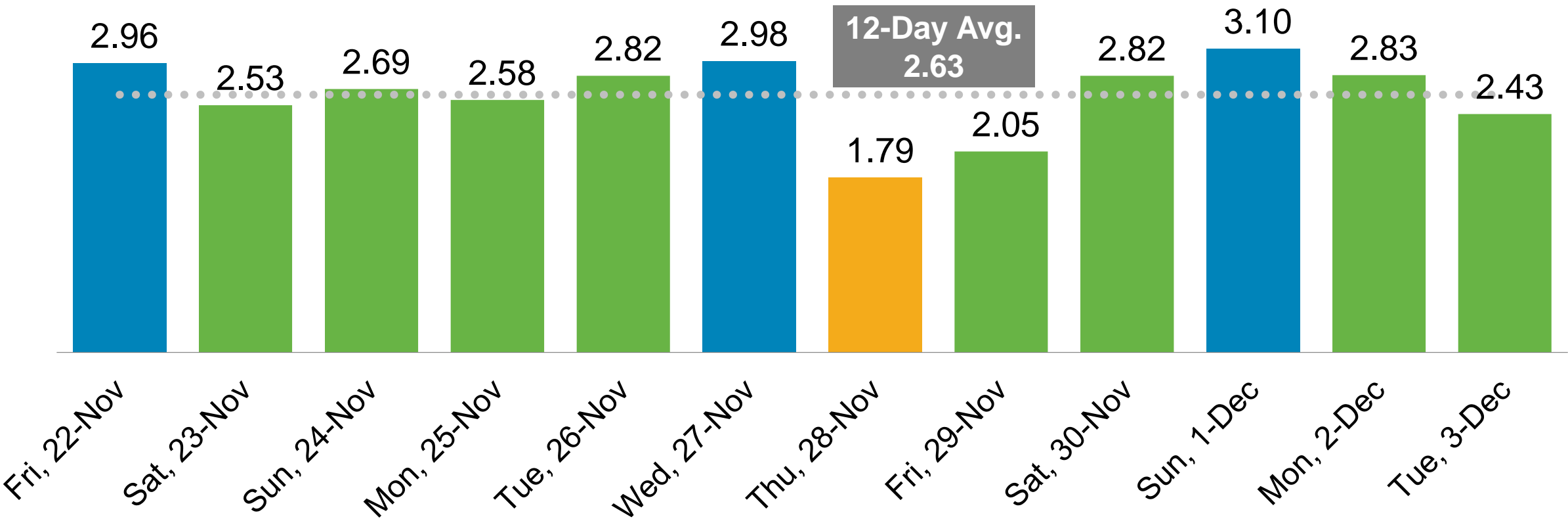
Source: A4A analysis of TSA and BTS T100 segment data (all services); volumes from past years are *estimates* from comparable 12-day period

Note: E=estimate; F=forecast

# Daily Thanksgiving Passenger Volumes to Vary by as Much as 1.32M

Thanksgiving Day Volumes to Fall 32% Below 12-Day Average, Sunday Return 18% Above Average

U.S. Airline Projected Onboard Passengers (Millions) – Systemwide Service



Source: A4A analysis of TSA and BTS T100 segment data (all services); volumes from past years are *estimates* from comparable 12-day period

Note: E=estimate; F=forecast

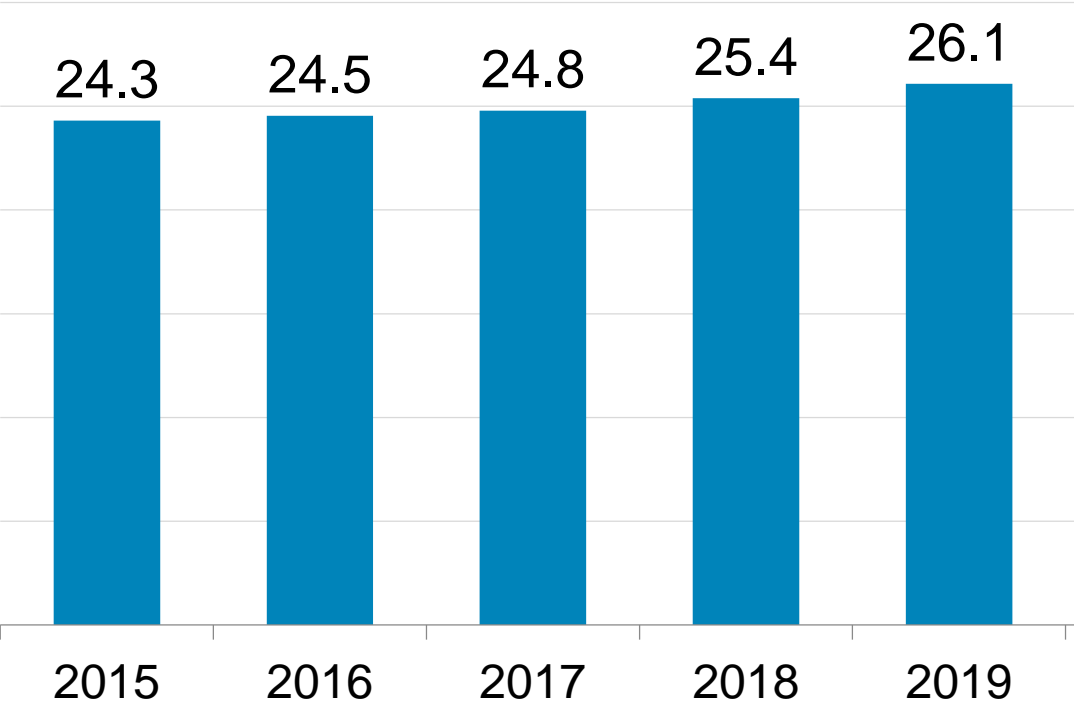
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# FULL-YEAR 2019 CAPACITY AND CAPITAL INVESTMENT

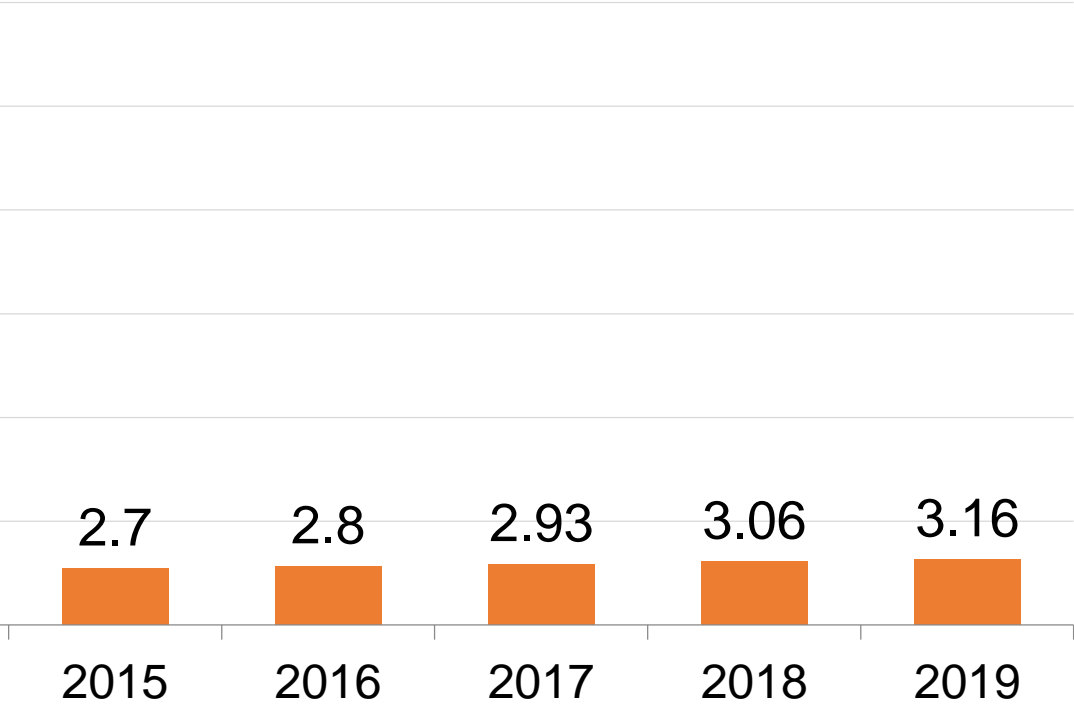
# U.S. and Foreign Airlines Offering a Record 3.16M Daily Seats From U.S. Airports

In 2019, ~2.7 Percent YOY Growth in Flights Driving ~3.5 Percent Growth in Seats

Scheduled U.S. Airport Flights/Day (000s)



Scheduled U.S. Airport Seats/Day (Millions)



Sources: Innovata (via Diio Mi) published schedules as of Nov. 15, 2019, for all U.S. and non-U.S. airlines

# U.S. Airlines Have Been Spending Billions on Planes/Facilities/Ground Equipment/Technology

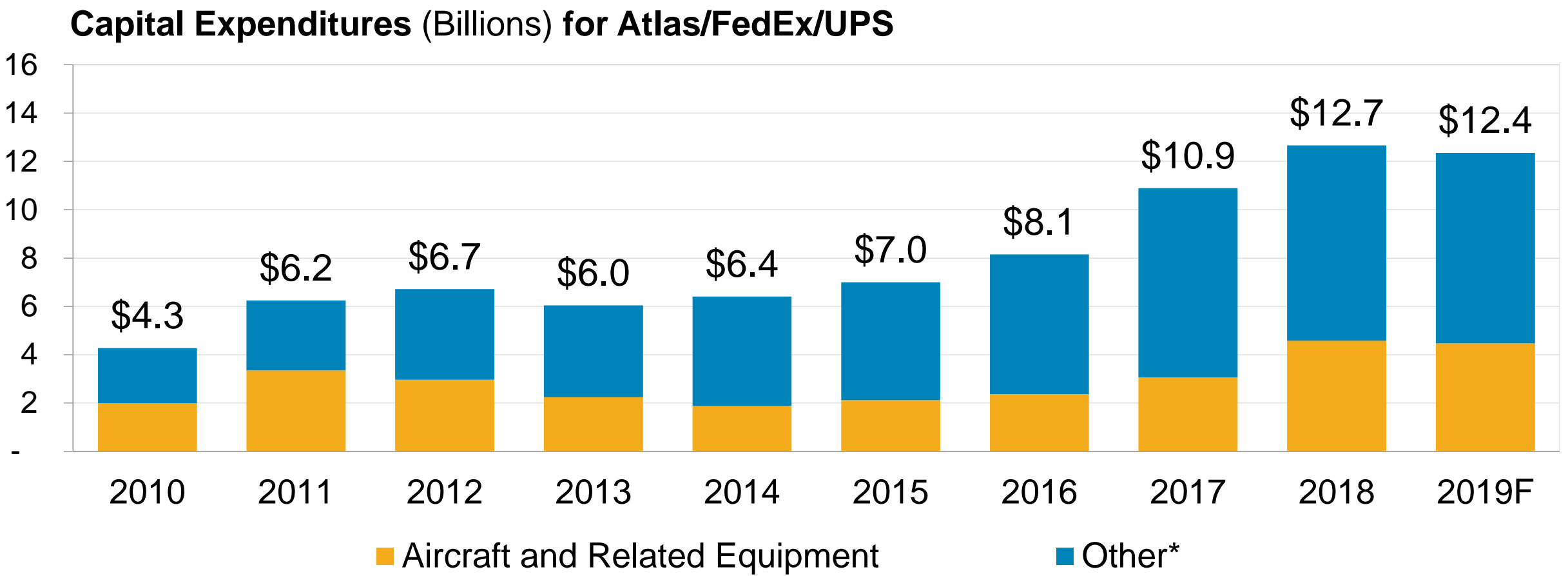
Collectively, Passenger Carriers Took Delivery of One New Aircraft per Day in 2017-2019

Capital Expenditures (Billions) for U.S. Passenger Airlines



\* Includes payments made for aircraft and other flight equipment, ground and other property and equipment (e.g., vans, air stairs, lavatory trucks, deicing vehicles), airport and other facility construction and information technology  
Source: SEC filings of Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit, United and merged/acquired predecessors

# Investments in Aircraft, Facilities, Ground Vehicles and IT on the Rise for U.S. Cargo Airlines



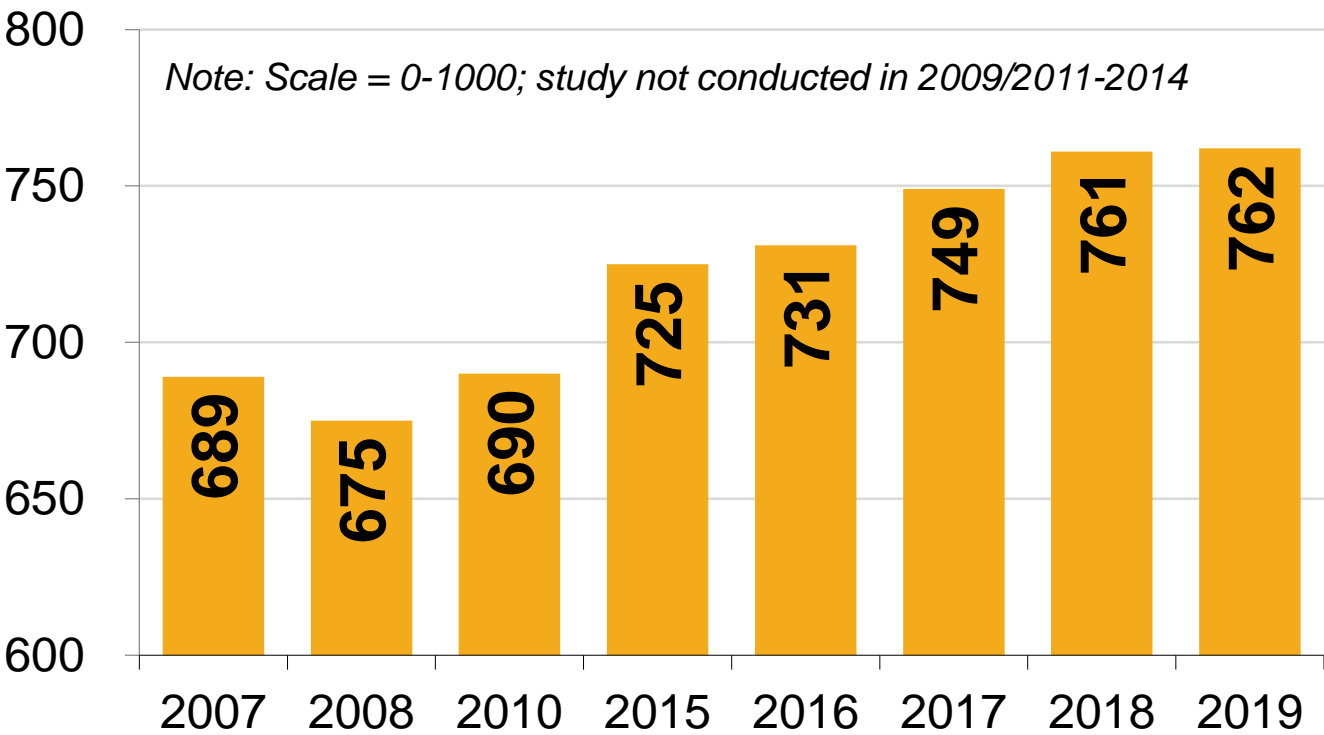
Source: SEC filings of Atlas, FedEx and UPS      \* Facilities, vehicles, information technology, package handling and ground support equipment

# J.D. Power: North America Airport Satisfaction\* Climbs to Record High

Latest Results Released Sept. 25, 2019



“Scaffolding and cranes are official welcome signs to several North American airports these days as record passenger volumes force **major expansion efforts.**”



- Six factors** (in order of importance):
- Terminal Facilities\*
  - Airport Accessibility
  - Baggage Claim
  - Security Check
  - Check-In / Baggage Check
  - Food / Beverage / Retail

\* Concourses, lounges, signage, restrooms, gate areas

\* Now in its 14<sup>th</sup> year, the study is based on responses from 32,276 U.S. or Canadian residents who traveled through at least one U.S. or Canadian airport and covers both departure and arrival experiences (including connecting airports) during the past three months. Travelers evaluated either a departing or arriving airport from their round-trip experience. The study was fielded from October 2018 through September 2019..

Source: : J.D. Power 2019 North America Airport Satisfaction Study<sup>SM</sup>

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# PUBLIC POLICY ISSUES



# U.S. Airlines Contribute Just 2 Percent of the Nation's CO<sub>2</sub> Emissions

Learn More at [AirlinesFlyGreen.com](https://airlinesflygreen.com)



**“[T]his is not an industry that is sitting still on sustainability. It is working, investing and collaborating to minimize its environmental impact. “**

Source: Karen Walker, "Aviation taxes don't reduce emissions," *Air Transport World* (Sept. 24, 2019)

# Beginning **October 1, 2020**, Every Air Traveler 18+ Years Will Need a REAL ID-Compliant Driver's License or Another Acceptable Form of ID to Fly Within the USA

## Save The Date

ID Requirements Are Changing



Beginning **October 1, 2020**, you will need a REAL ID driver's license or other valid ID to fly within the U.S.



[tsa.gov/real-id](https://tsa.gov/real-id)

## Does your ID have a star?

REAL ID cards generally have a star at the top of the card. If you're not sure, contact your state driver's license agency.

For a list of acceptable IDs, visit [tsa.gov](https://tsa.gov)



1-866-289-9673 Federal Relay 711  
TSA ContactCenter@tsa.dhs.gov  
[@AskTSA](#) [#Check4TheStar](#)

Questions about flying?

**How do I get a REAL ID? Check with your state driver's license agency. You will need to go in person to present documentation to verify who you are.**

Source: TSA (<https://www.tsa.gov/real-id>)









What on Earth? Is that really a service animal? Or is it a vest bought online for emotional support? (I'll bet the latter.)

 **Eric** @GoldboxATL · 19h

I have seen a lot over the years, but this has to take the #ESAofTheDay cake.

Wonder how the overall #PaxEx was for others in the forward cabin. 🙄





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