



**Airlines for America<sup>®</sup>**

**We Connect the World**

## **Industry Review: Allocating Capital to Benefit Customers, Employees and Investors**

Updated January 27, 2024

<http://airlines.org/dataset/a4a-presentation-industry-review-and-outlook/>

# U.S. Airlines Facilitate the Safe and Efficient Movement of People and Goods Worldwide

## Data Reflects Passenger and Cargo-Only Operations\*

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Over 810K  
**employees**  
around the world



Powering > 26K  
**flights** per day  
across the globe



Carrying ~2.6M  
**passengers**  
per day to/from  
~80 countries



Moving ~60K  
**tons of cargo**  
per day to/from  
more than 220  
countries



Sources: A4A, Bureau of Transportation Statistics, Diio by Cirium and company literature

\* Headcount as of October 2023; other statistics are average for Jan-Sep 2023

# The “Golden Age” Myth

By Janet Bednarek (February 2023)

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“Through the 1930s and into the 1940s, almost everyone flew first class. Airlines did encourage more people to fly in the 1950s and 1960s by introducing coach or tourist fares, but **the savings were relative**: less expensive than first class, but **still pricey**. In 1955, for example, so-called ‘bargain fares’ from New York to Paris were the equivalent of just over \$3,200 in 2023 dollars. Although the advent of jets did result in lower fares, the cost was still out of reach of most Americans... The demographics of travelers did begin to shift during [the 1960s]. More women, more young people, and retirees began to fly; **still, airline travel remained financially out-of-reach for most**. If it was a golden age, **it only was for the very few.**”

Janet Bednarek, University of Dayton. “Longing for the ‘golden age’ of air travel? Be careful what you wish for,” CNN Travel (Feb. 28, 2023)

Source: <https://www.cnn.com/travel/article/golden-age-of-air-travel-downsides/index.html>

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- » Customer Satisfaction

## » APPENDIX

# Economists Are Still Right About Airline Deregulation!

By Clifford Winston (January 2023)

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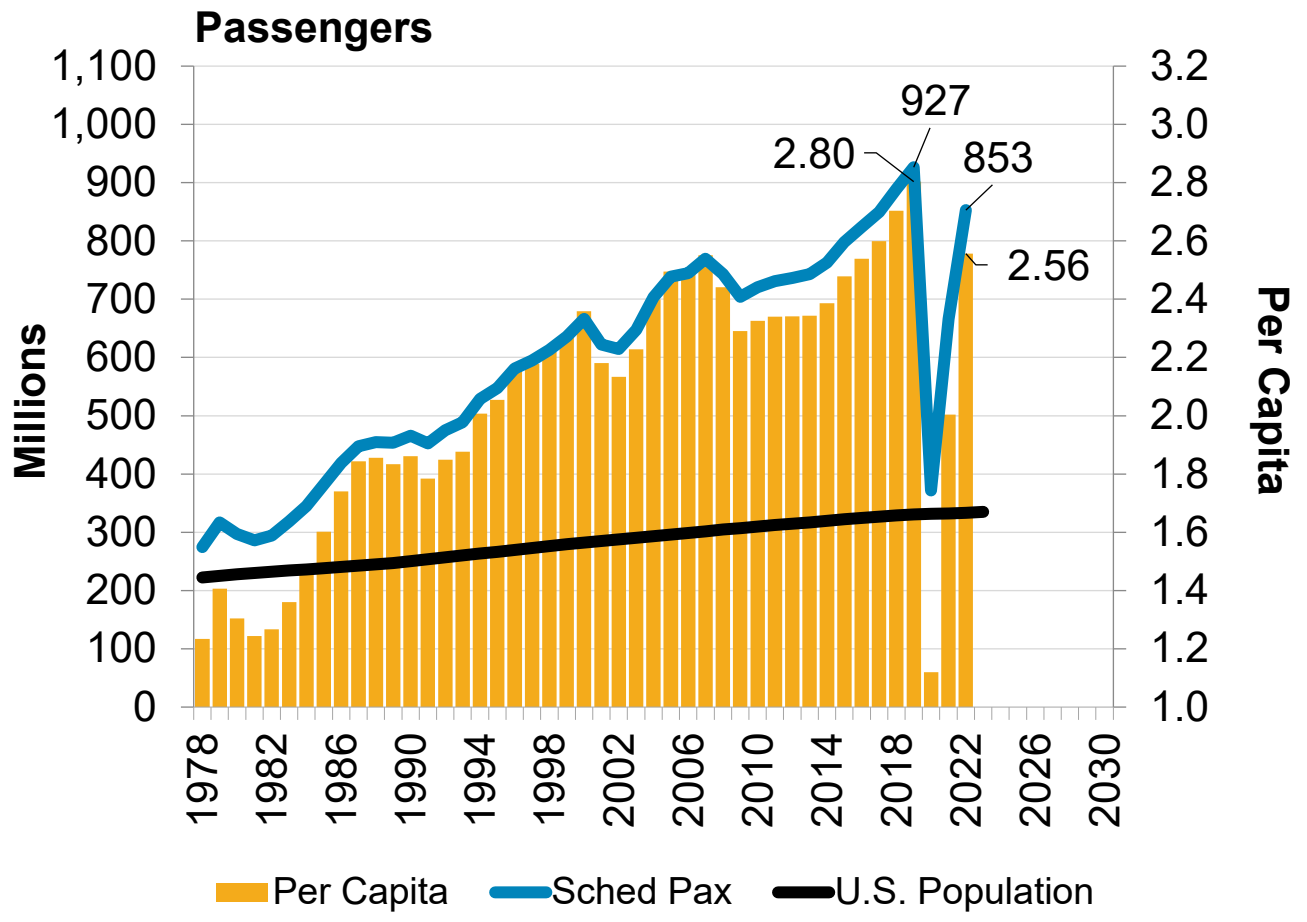
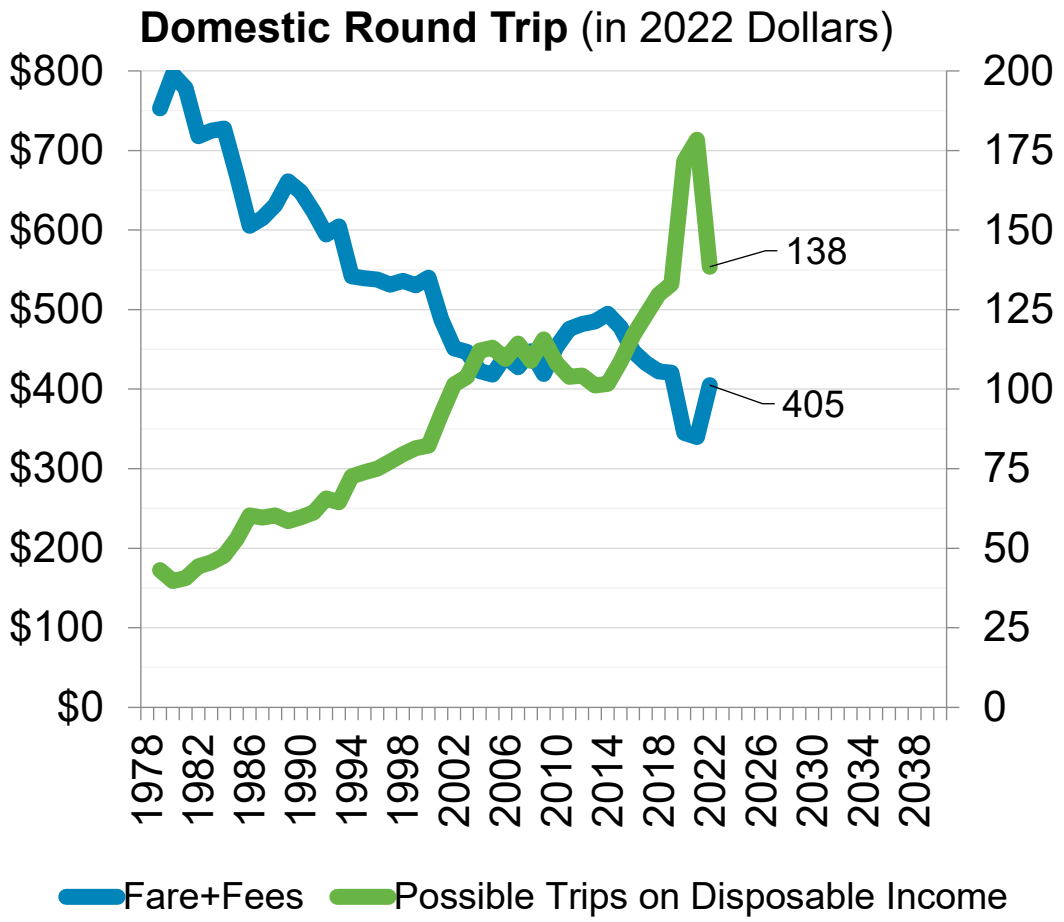
“The airline industry has periods of fat profits, but **those profits are notoriously fickle**. And if they’re expected to stay in business in down times, airlines can’t be expected to sacrifice revenue generated when demand is high without trying to make it up elsewhere.”

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Source: “Economists Are Still Right About Airline Deregulation!” Milken Institute (January 18, 2023)

# As Real Airfares Plunged Since Deregulation, Growth in Flyers Sharply Exceeded Population

Ancillary Services Included, 2022 Domestic Air Travel Was ~46% Cheaper Than in 1979

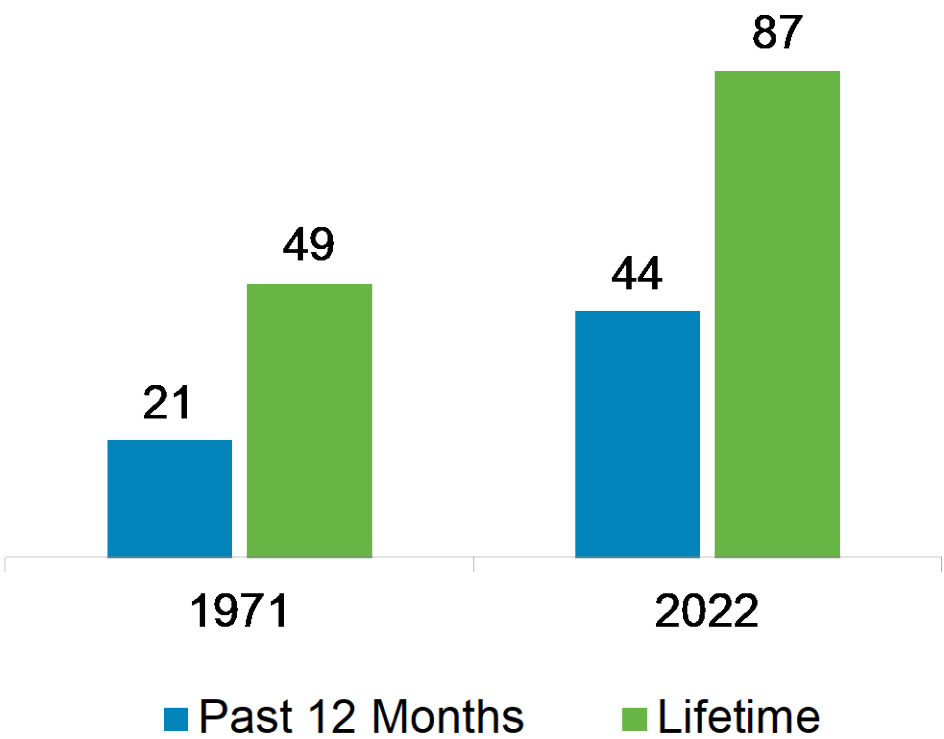


Source: Bureau of Economic Analysis, Bureau of Labor Statistics and Bureau of Transportation Statistics (Data Bank 1B) via Airline Data Inc. and T1 scheduled service for U.S. airlines)

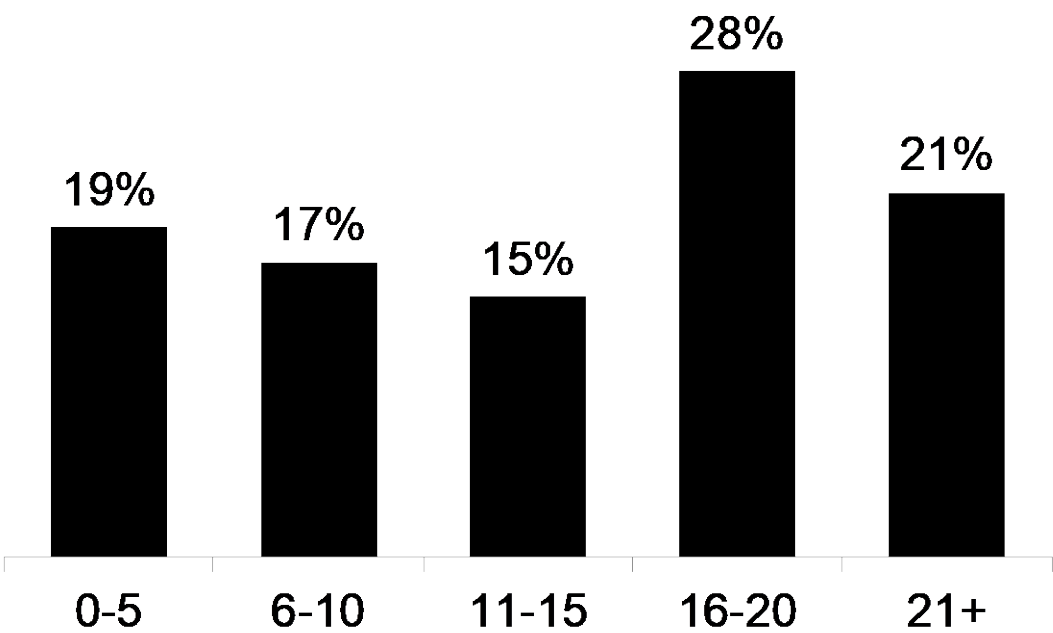
# As Air Travel Has Become Safer and More Accessible, More Americans Have Taken to the Skies

Almost Nine in Ten Americans Have Flown, And More Than Half Did So Before Turning 16

% of U.S. Adult Population That Flew in...



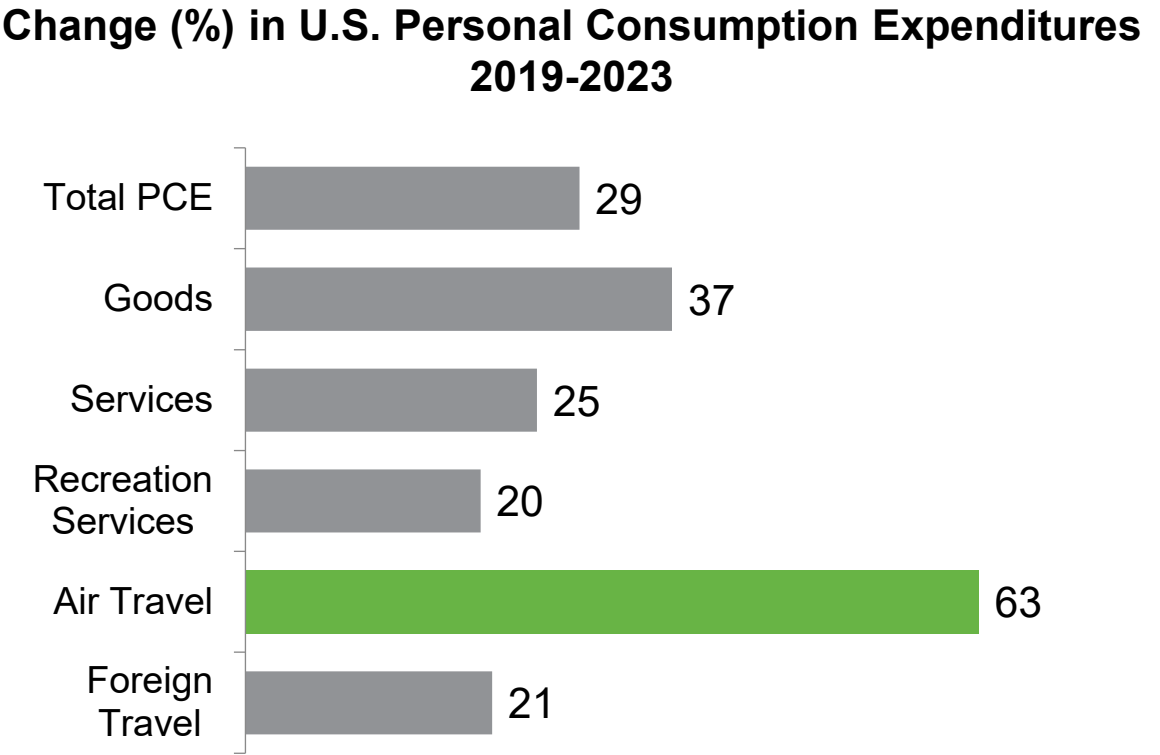
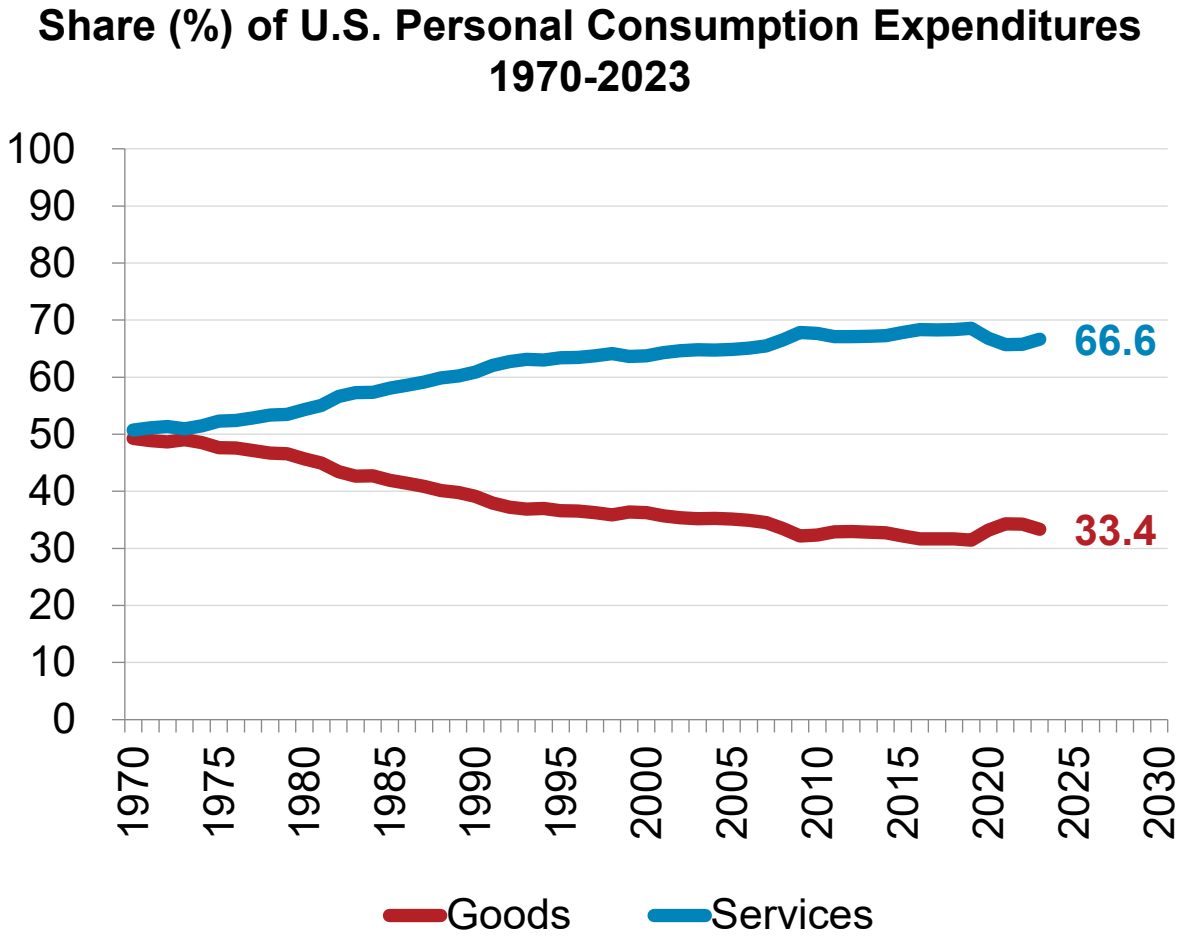
Age (in Years) When U.S. Adults Took First Flight



Sources: Historical A4A air travel surveys conducted by Gallup (1971 through 1997) and Ipsos

# Two-Thirds of Americans' Spending Now on Services—Up From Just Over Half in 1970

From 2019-2023, Spending on Air Travel Surged

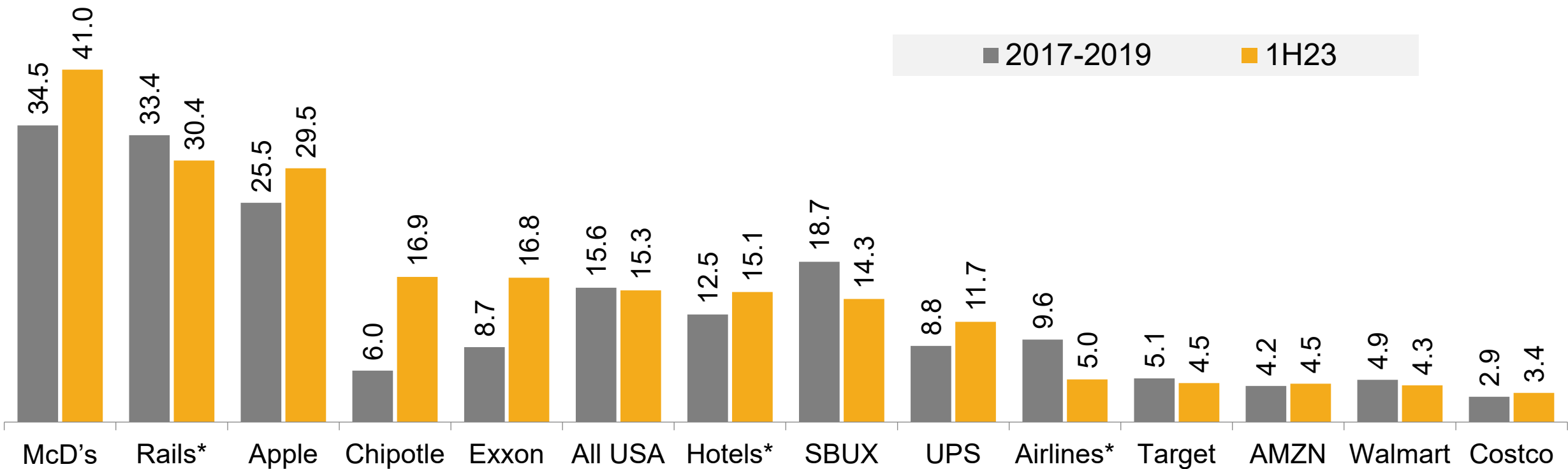


Source: Bureau of Economic Analysis

# In the First Half of 2023, U.S. Airline Profit Margins Were a Third of the U.S. Average

## McDonald's Profitability Has Surged, While Freight Rail Profitability Remains Twice the U.S. Average

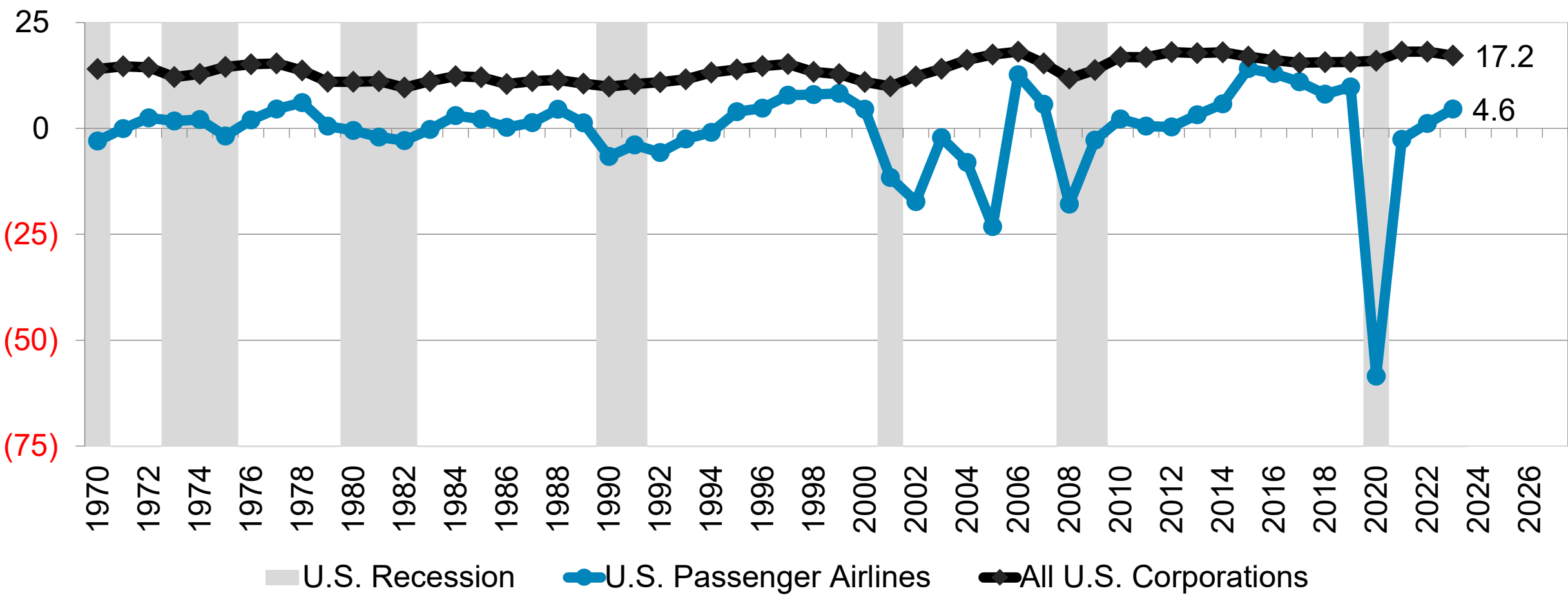
Pre-Tax Profit Margin (%) for Selected U.S. Companies and Industries



Sources: Bureau of Economic Analysis and company SEC filings      \* Airlines = ALK/ALGT/AAL/DAL/ULCC/HA/JBLU/LUV/SAVE/UAL; Hotels = Choice/Hilton/Hyatt/Marriott/Wyndham; Rails = CSX/Norfolk Southern/Union Pacific

# Even in Best Years, Airline Profitability (Pre-Tax Margin) Lags the U.S. Corporate Average

Pre-Tax Profit Margin (%) *Gap Widened in 2016-2018, But Narrowed in 2019*



Source: ATA Annual Reports (1970-1976), A4A Passenger Airline Cost Index (1977-present); Bureau of Economic Analysis Note: Years with at least two months in recession highlighted in gray

# Top-20 Corporate Travel Programs by Amount Spent on U.S.-Booked Air: 2022 vs. 2019

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<b>2019</b>	<ol style="list-style-type: none"><li>1. Deloitte</li><li>2. Amazon</li><li>3. IBM</li><li>4. Google</li><li>5. EY</li><li>6. PwC</li><li>7. Apple</li><li>8. Microsoft</li><li>9. McKinsey</li><li>10. Accenture</li><li>11. Lockheed Martin</li><li>12. Boeing</li><li>13. KPMG</li><li>14. ExxonMobil</li><li>15. Facebook</li><li>16. United Technologies</li><li>17. GE</li><li>18. Bank of America</li><li>19. JPMorgan Chase</li><li>20. Disney</li></ol>	<b>2022</b>	<ol style="list-style-type: none"><li>1. Amazon</li><li>2. Deloitte</li><li>3. Apple</li><li>4. Danaher</li><li>5. FedEx</li><li>6. Meta (Facebook)</li><li>7. Google</li><li>8. Boeing</li><li>9. Lockheed Martin</li><li>10. RTX</li><li>11. McKinsey</li><li>12. EY</li><li>13. JPMorgan Chase</li><li>14. Disney</li><li>15. Bank of America</li><li>16. PwC</li><li>17. BCG</li><li>18. The World Bank</li><li>19. Siemens</li><li>20. Gilead</li></ol>
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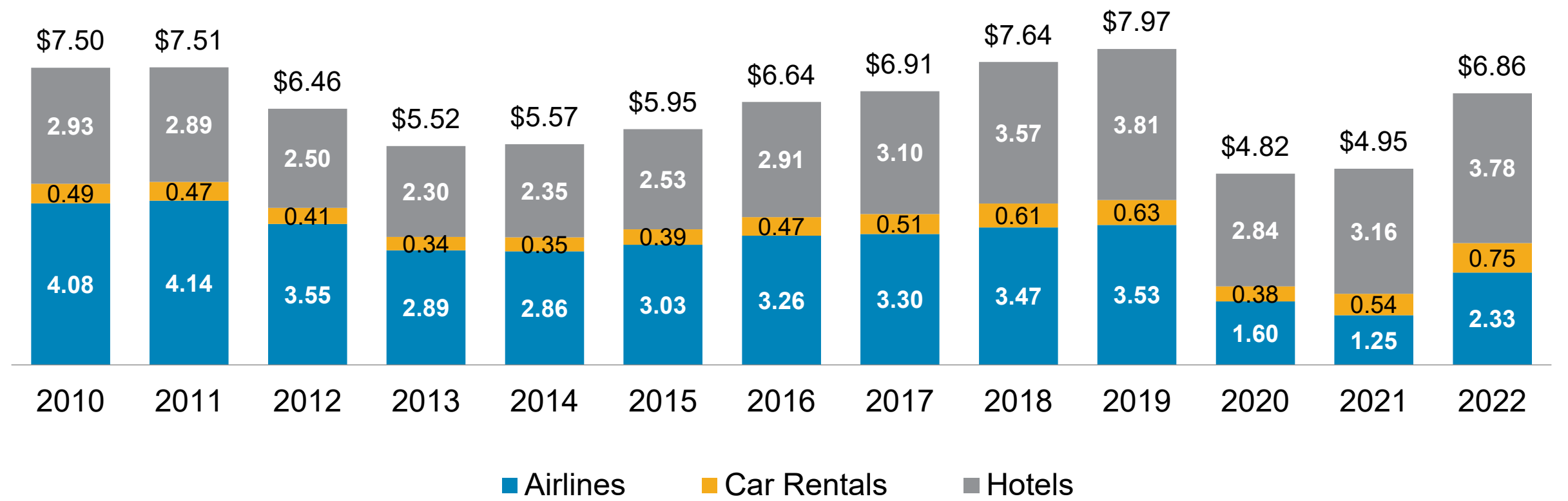
Source: *Business Travel News* ranking of corporate travel programs that spent the most on U.S.-booked air

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# Federal Agency Spending on Air Travel Rebounded to \$2.3B in FY22 — 34% Below FY19

Spending on Hotels Was Just 1% Shy of FY19 Levels, While Spending on Car Rentals Was Up 19%

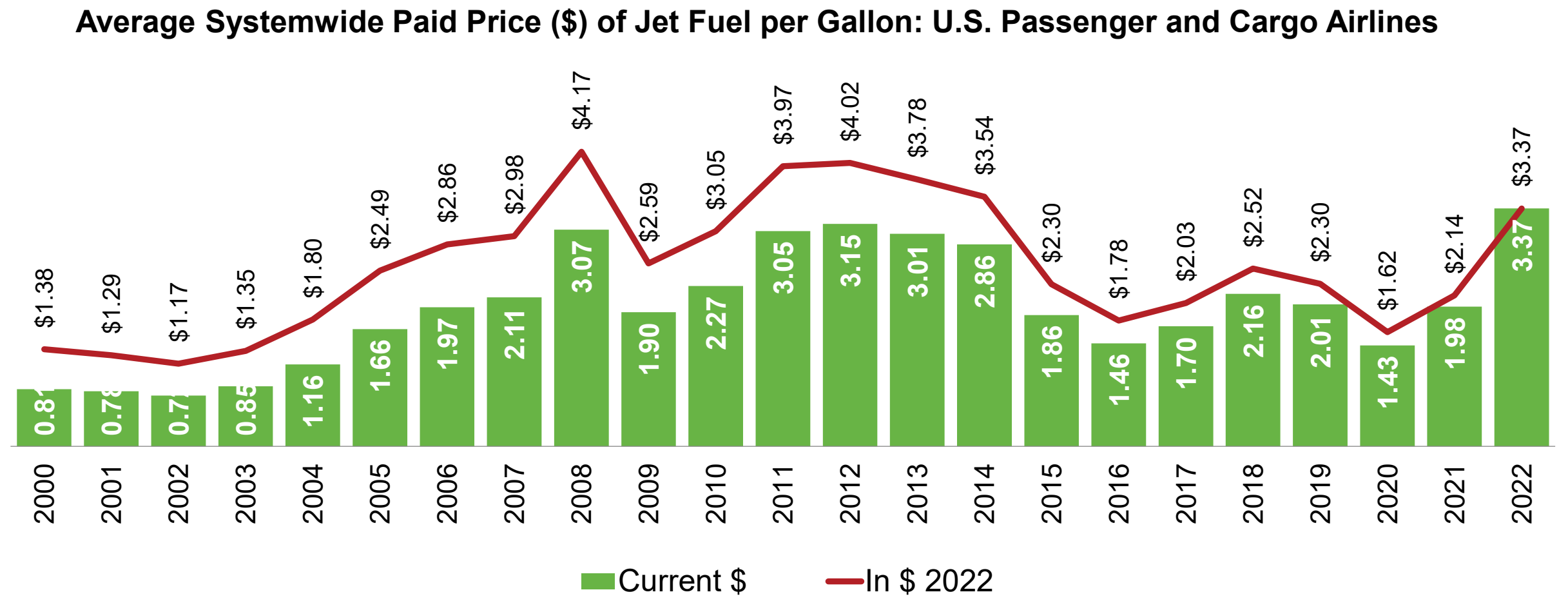
U.S. Government Travel Spending (\$ Billions) via GSA SmartPay



Source: U.S. General Services Administration (GSA) SmartPay® travel program \* Facilities, vehicles, information technology, package handling and ground support equipment

# In Nominal Terms, Average Jet-Fuel Prices for U.S. Airlines Reached an All-Time High in 2022

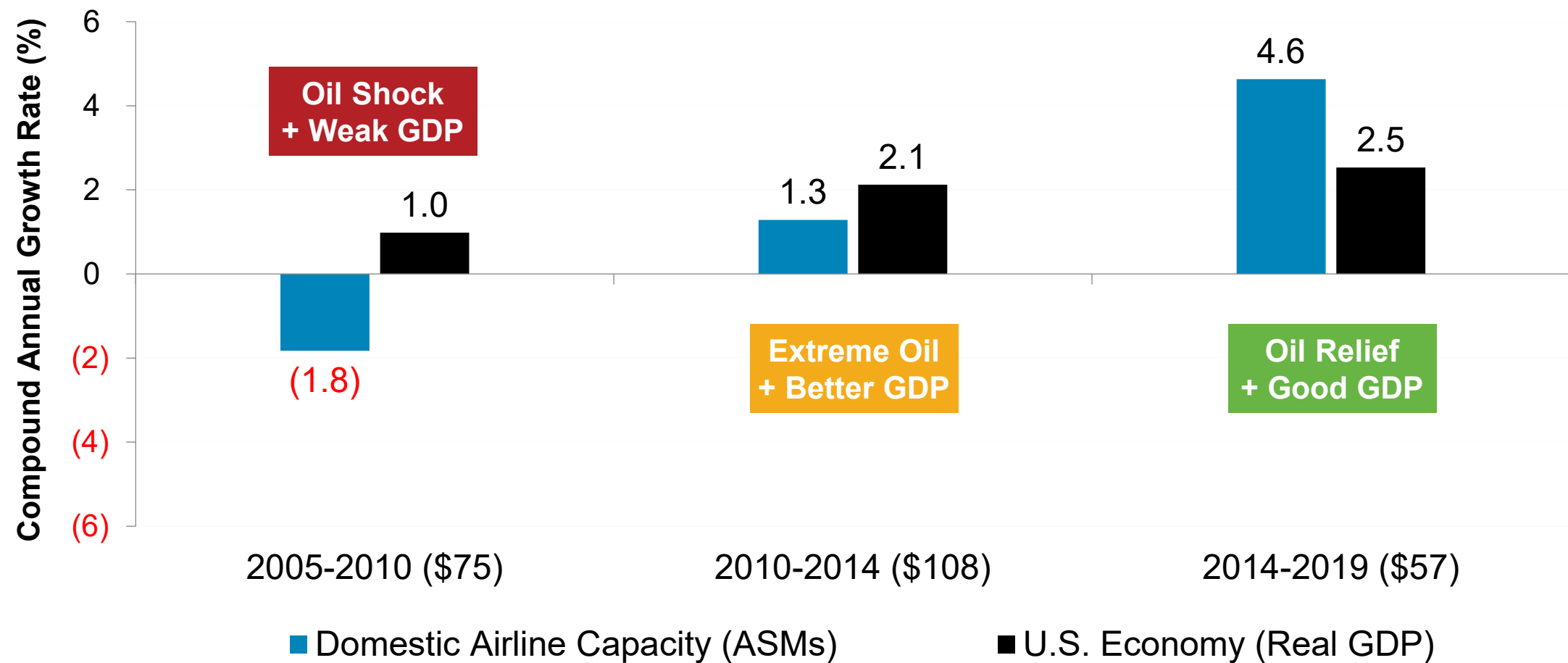
## The Inflation-Adjusted Peak Occurred in 2008



Source: Bureau of Transportation Statistics (all U.S. carriers, systemwide scheduled and nonscheduled services)

# For U.S. Airlines, the Price of Oil\* Is a Significant Determinant of Capacity Growth

When Fuel Costs Decline and Finances Improve, Growth Accelerates

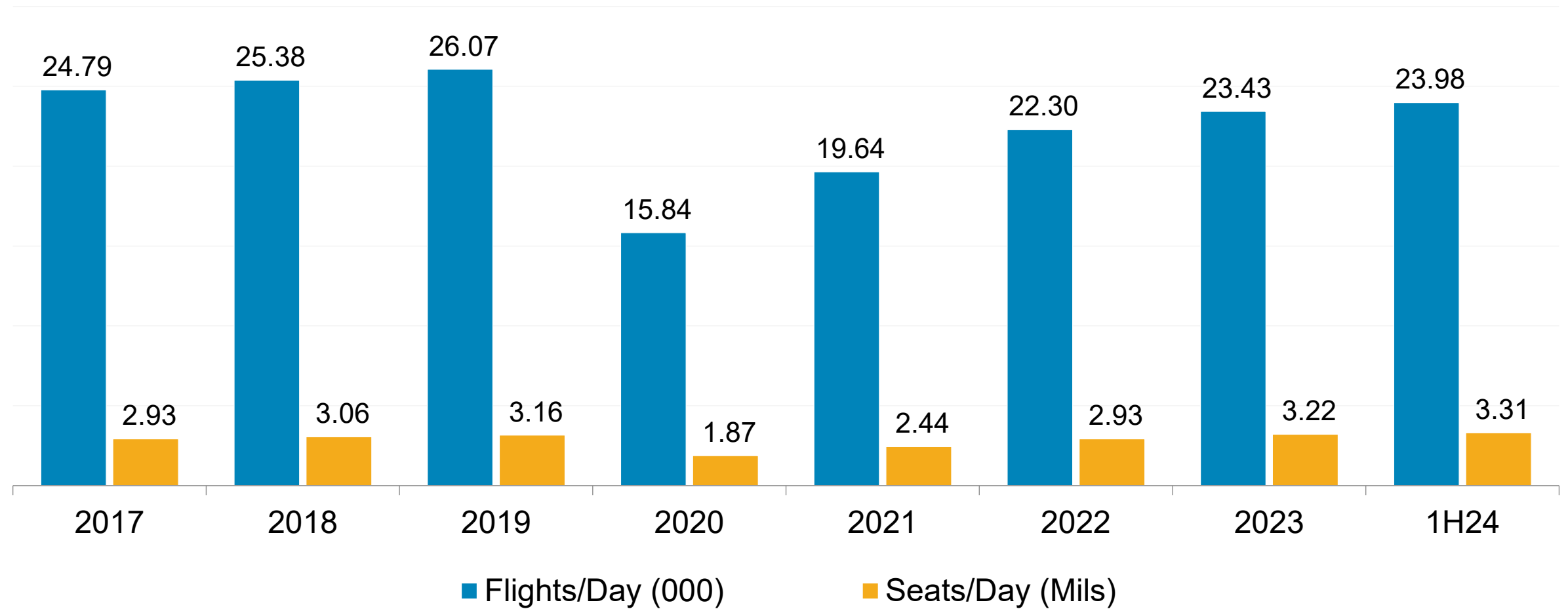


Sources: Bureau of Economic Analysis, Energy Information Administration, IHS Markit® and Cirium

\* Brent crude oil in dollars per barrel, in parentheses

# In 1H 2024, U.S. Airports Will See an All-Time High Supply of Seats

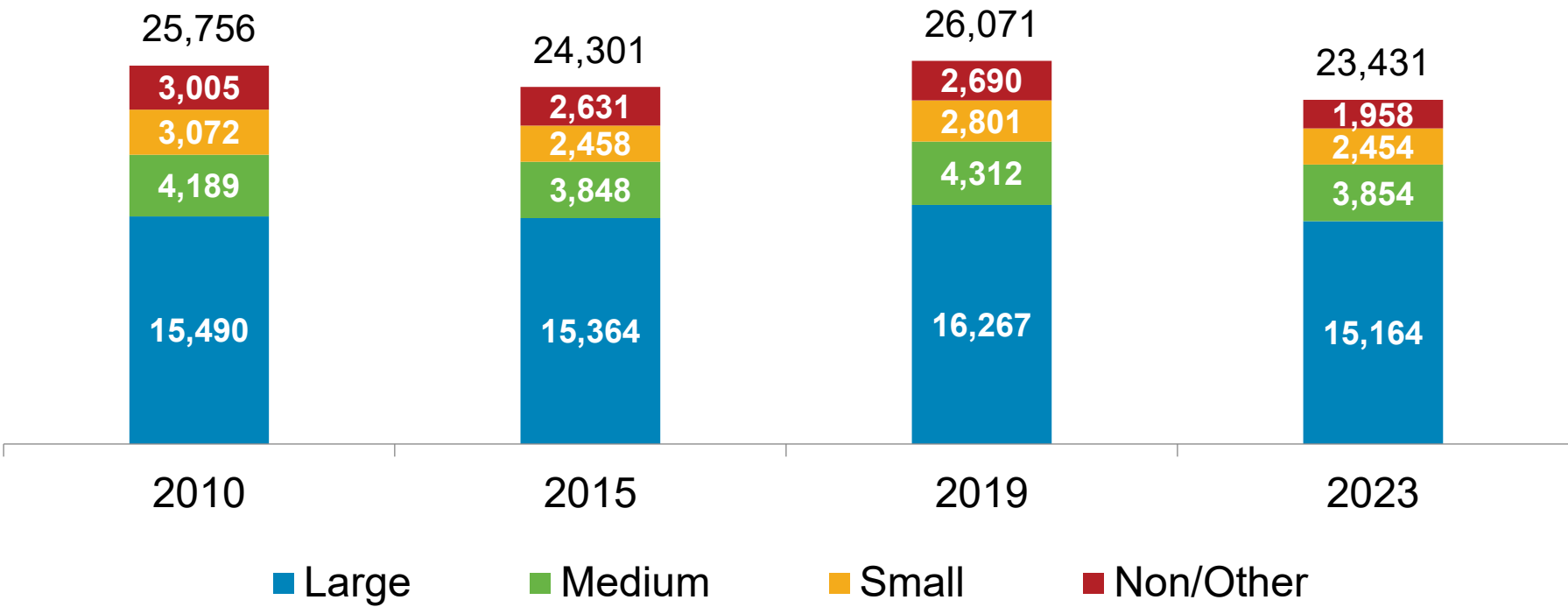
## Scheduled Passenger Flights Departing U.S. Airports Will Average 138 Seats



Sources: Cirium published schedules (Jan. 26, 2024) for all U.S. and non-U.S. airlines operating scheduled passenger service

# Collectively, Public Policy, Higher Costs (Labor/Fuel), Retirement of Small\* Aircraft, Growth at Nearby Airports and Tight Pilot Supply Have Reduced Flying at the Smallest U.S. Airports

Average Daily Flights at U.S. Airports by FAA Hub Size Classification



Notes: FAA pilot qualification (1,500-hour) rule effective Jul-2013; pilot flight/duty/rest rule effective Jan-2014

\* Per [https://www.faa.gov/airports/planning\\_capacity/passenger\\_allcargo\\_stats/](https://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/), U.S. airports with less than 0.05% of annual passenger boardings

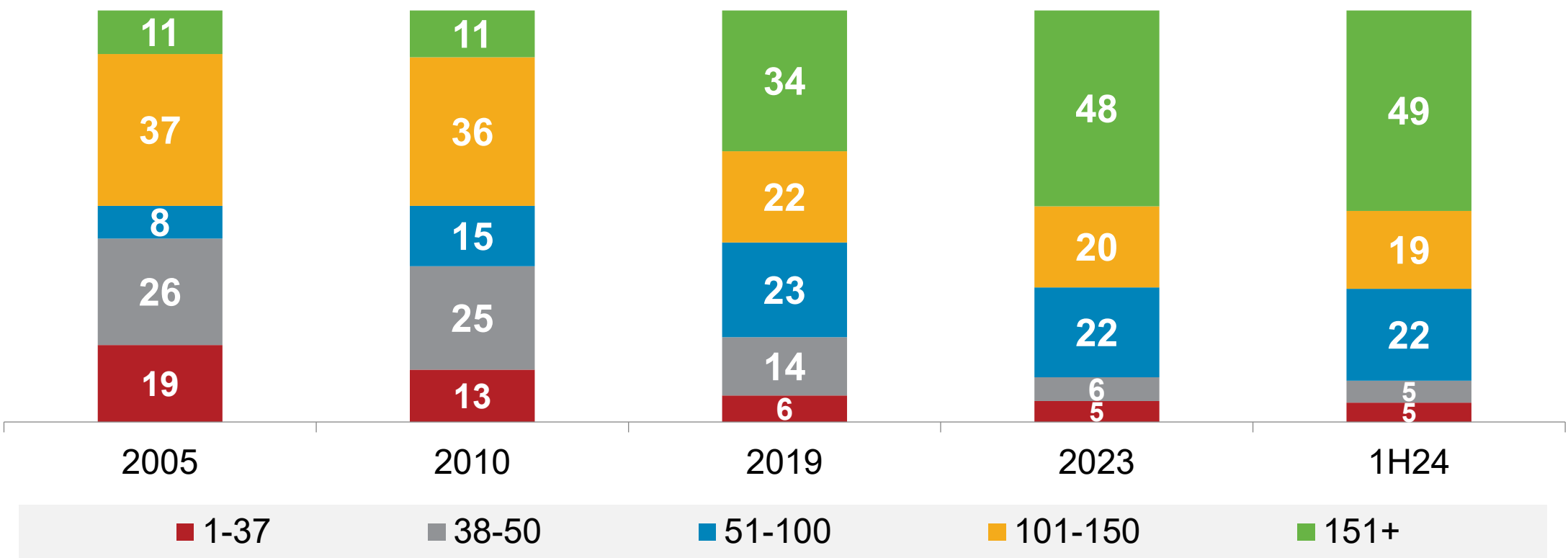
Sources: Cirium published schedules (Jan. 5, 2024) for all airlines providing scheduled passenger service from U.S. airports to all destinations

\* Operating with 50 or fewer seats

# Upgauging and Growth of ULCCs / Other Mainline-Only Carriers Have Boosted Aircraft Size

Mainline Flying = 68% of Domestic Departures in 1H24, and 69% of Regional Flights Exceed 50 Seats

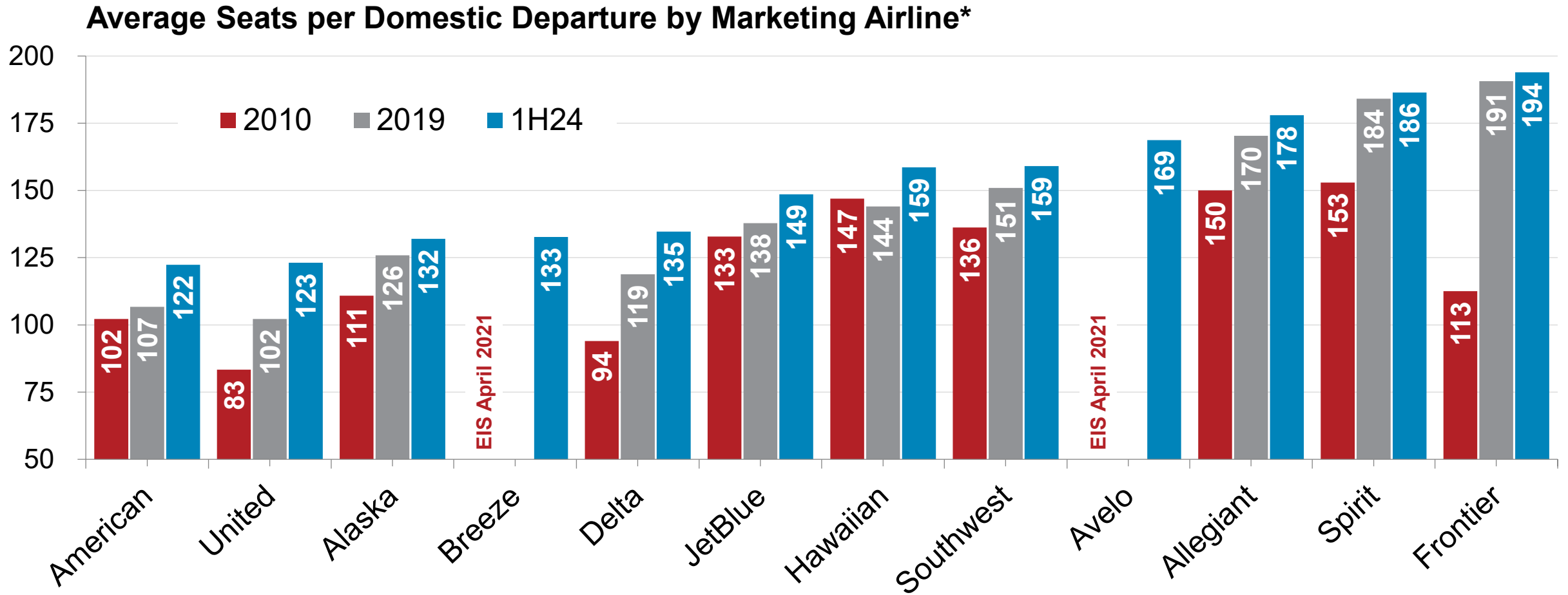
% of Domestic U.S. Scheduled Passenger Airline Departures by Aircraft Size\*



Source: Cirium published schedules (Jan. 5, 2024) Note: Numbers may not add to 100 due to rounding

# All U.S. Airlines Have Migrated to Larger (or Denser) Aircraft Domestically

## Global Network Carriers Tend to Have Fewer Seats per Domestic Flight, ULCCs the Most

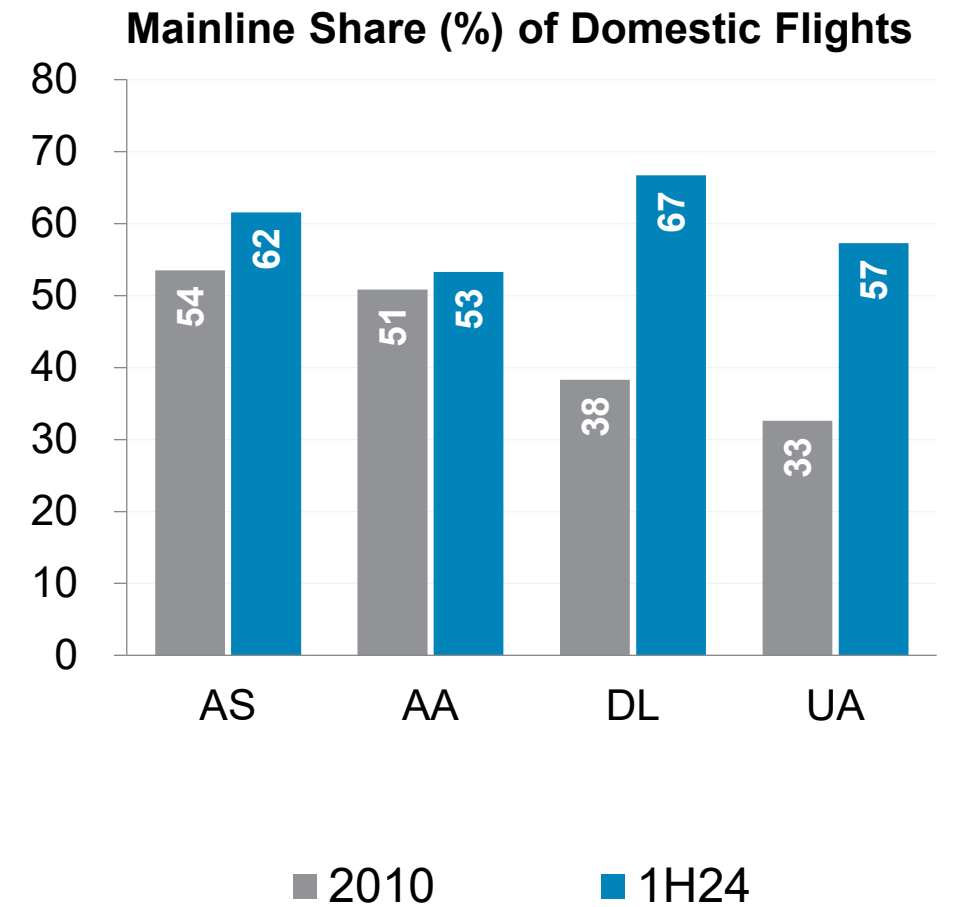
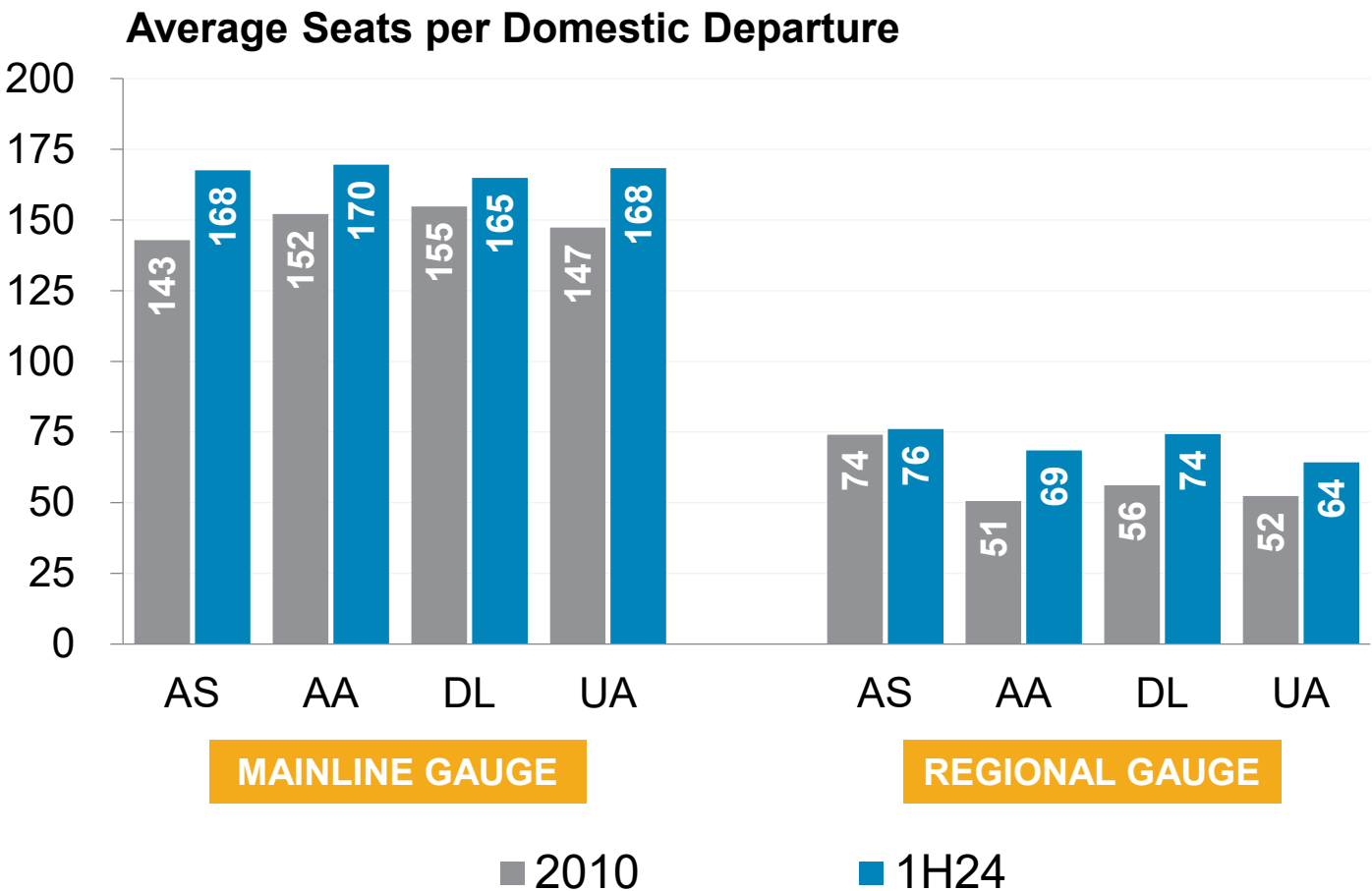


Source: Cirium schedules (Dec. 29, 2023) for selected marketing airlines

\* Includes flights operated by regional/express airline partners; EIS = entry into service

# Domestically, Network Carriers Have Upgauged Mainline *and* Regional Operations

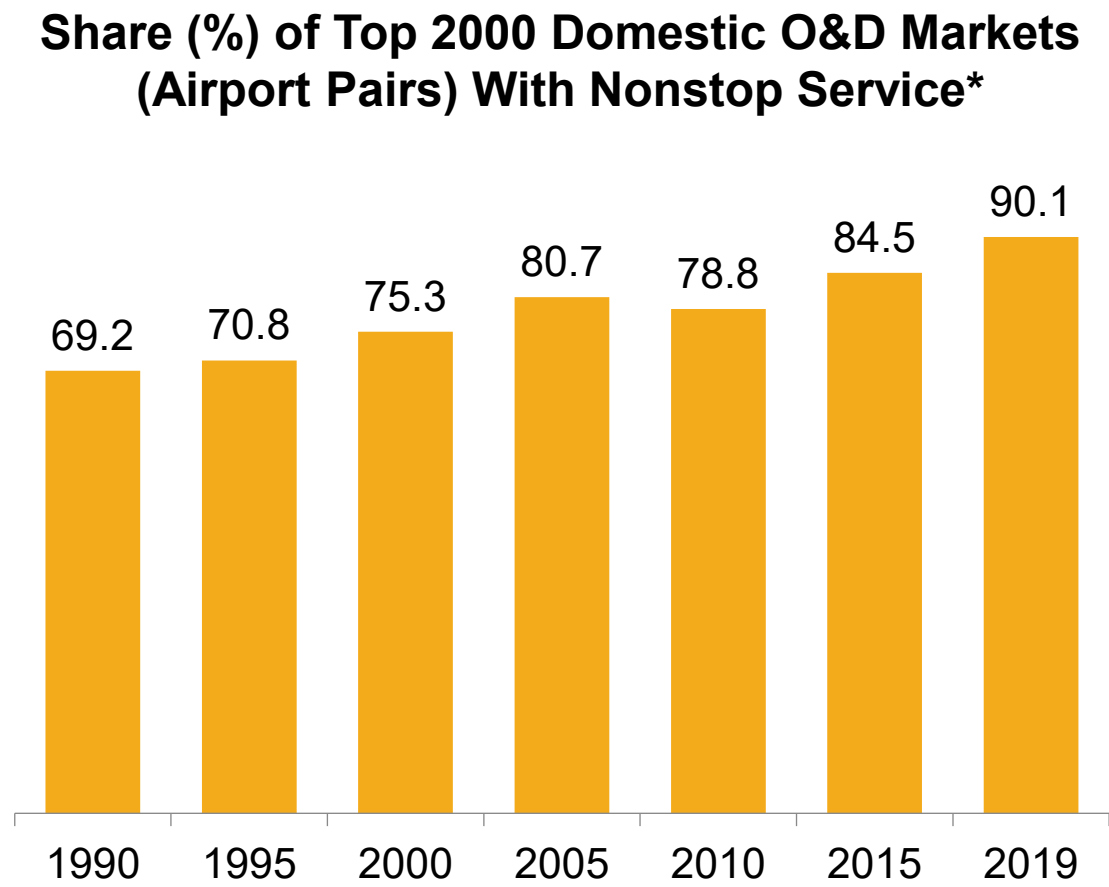
## Delta and United Have Significantly Boosted the Share of Mainline Flying



Source: Cirium published schedules (Jan. 5, 2024)

# Preceding the Pandemic, Nonstop Domestic Service Was More Prevalent Than Ever Before

## Share of Busiest Markets With a Nonstop Service Option Rose From 69% in 1990 to 90% in 2019



**Passengers per Day Each Way (PDEW) in #1 and #2000 Domestic O&D Markets\***

Year	Market #1	PDEW	Market #2000	PDEW
1990	HNL-OGG	3,266	MEM-MKE	32
1995	HNL-OGG	3,784	PHX-ROC	35
2000	HNL-OGG	3,261	HOU-IND	51
2005	FLL-LGA	2,715	AUS-BDL	56
2010	JFK-LAX	3,239	ALB-DFW	54
2015	JFK-LAX	3,860	DTW-SAV	57
2019	JFK-LAX	4,292	CLT-PWM	70

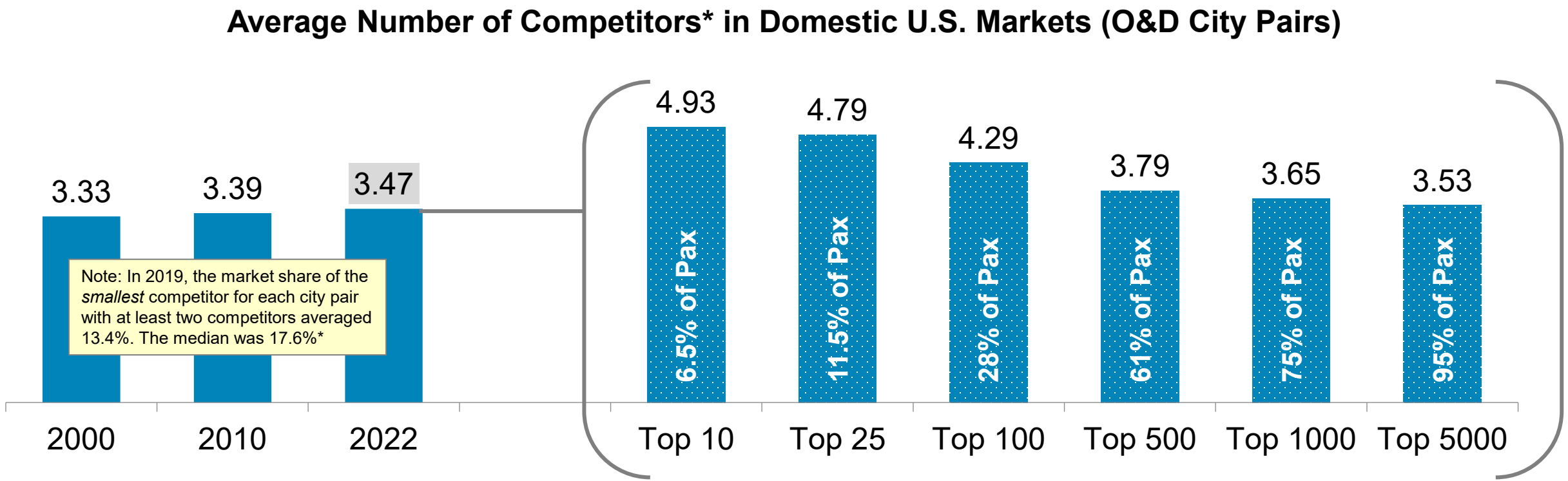
Source: Compass Lexecon analysis of DOT O&D, OAG and T-100 and Form 298C

\* Top 2000 markets accounted for 80% of domestic O&D passengers in 2019; nonstop = as at least 40 round-trip flights in any quarter

# From 2000-2022, the Number of Competitors per Domestic Trip Rose From 3.33 to 3.47

## In 2022, the 500 Busiest City Pairs—Accounting for 61% of Passengers—Averaged 3.8 Competitors

Made possible by 1) lack of entry barriers allowing rapid nationwide expansion of lower-cost carriers and 2) mergers of complementary networks enabling large network carriers to offer competitive connecting service on more city pairs *and* new nonstop service into markets they previously did not serve.



Source: Compass Lexecon analysis of DOT O&D Survey data (DB1B) \* Per DOT and GAO, carrying at least 5% of O&D passengers in the city pair; average number of competitors is passenger-weighted across city pairs.

# Competition in Sample City Pairs: Airline Share of O&D Passengers in 1H23 vs. 2007

## More Diversity of Business Models and Change in Distribution of Market Share\*

### LA (BUR/LAX/LGB)-Seattle (PAE/SEA)

	<u>2007</u>		<u>1H23</u>
Alaska	67.4	Alaska	58.5
JetBlue	15.1	Delta	24.0
Southwest	7.2	Southwest	5.4
American	5.6	United	5.4

### Boston-Cleveland (CAK/CLE)

	<u>2007</u>		<u>1H23</u>
Continental	62.6	JetBlue	50.4
AirTran	30.2	Delta	39.1
		American	6.7

### Rochester, NY-South Florida (FLL/MIA)

	<u>2007</u>		<u>1H23</u>
AirTran	33.9	Southwest	33.4
US Airways	22.8	Delta	25.0
Delta	18.5	American	22.7
JetBlue	14.7	JetBlue	9.4
		United	9.1

### Chicago (MDW/ORD)-Sacramento

	<u>2007</u>		<u>1H23</u>
United	44.8	United	41.9
Southwest	41.9	Southwest	33.3
US Airways	5.1	American	17.2

### Memphis-Orlando (MCO/SFB)

	<u>2007</u>		<u>1H23</u>
Northwest	60.1	Southwest	33.6
AirTran	21.6	Spirit	28.1
Frontier	9.8	Allegiant	11.7
Delta	5.7	Delta	11.0
		American	9.3
		Frontier	5.4

### Austin-Raleigh/Durham

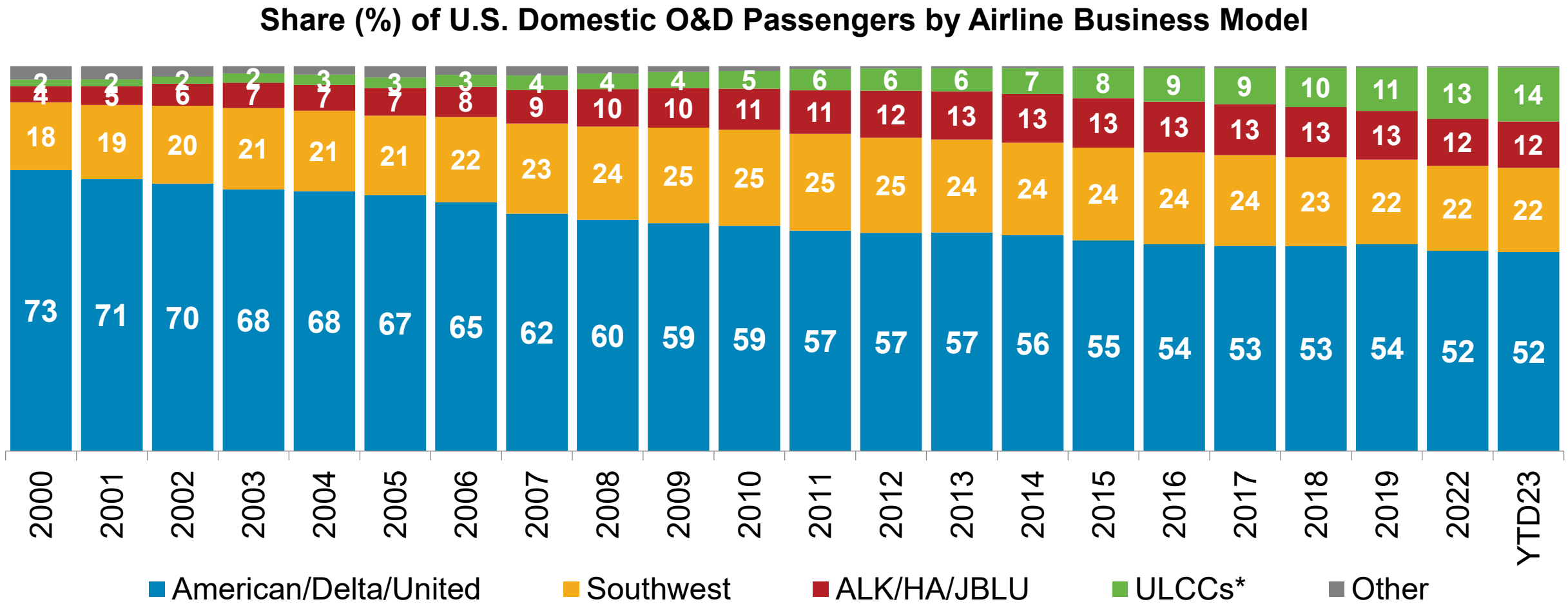
	<u>2007</u>		<u>1H23</u>
American	62.1	American	40.3
Southwest	19.0	Southwest	35.3
Delta	7.4	Delta	20.4
Continental	5.8		

Source: DOT Data Bank 1B (nondirectional data) via Cirium

\* Showing only those airlines with at least 5% of O&D share in each year

# Global Network Carrier Share of Domestic Passengers Fell From 73% in 2000 to 52% in 2023

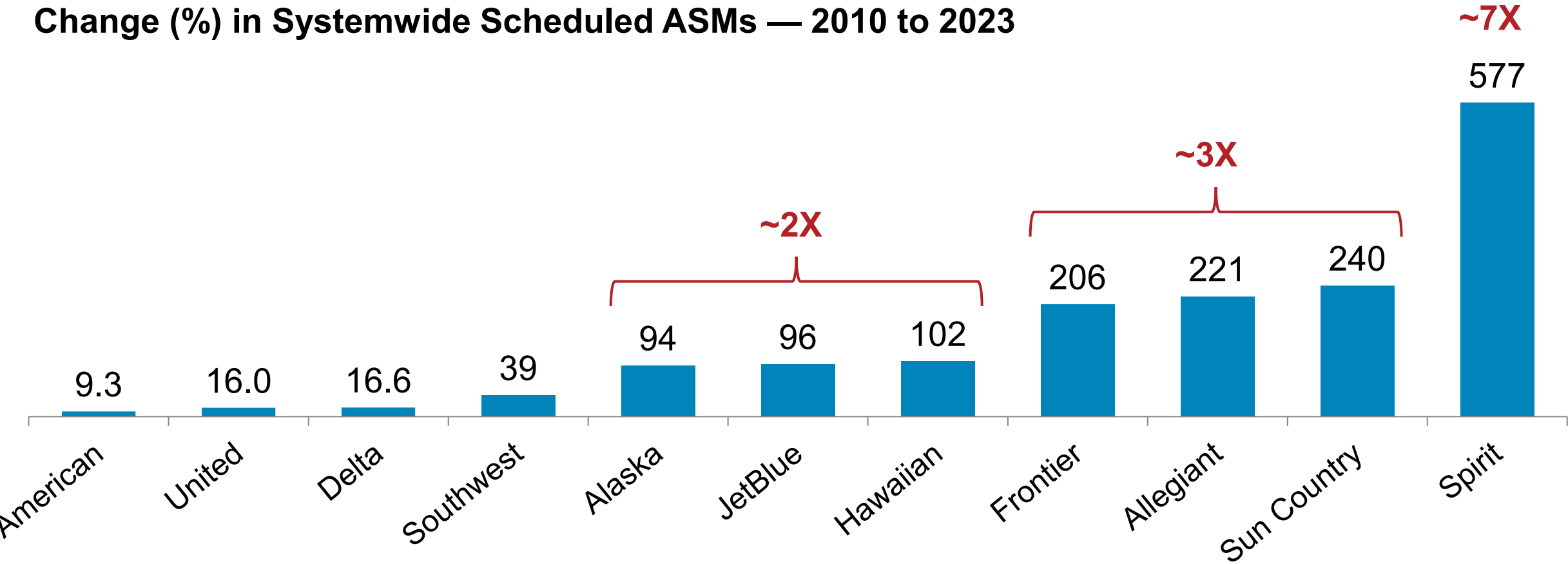
## In 2023, Ultra Low-Cost Airlines Carried 14% of Domestic O&D Passengers



Source: DOT Data Bank 1B (each airline shown on a marketing-carrier basis and tracked with its respective merged/acquired predecessors [e.g., DL/NW]) via Cirium \* Allegiant/Avelo/Breeze/Frontier/Spirit/Sun Country

# Among U.S. Airline Brands, Lower-Cost Carriers Grew the Fastest From 2010 to 2023

## Spirit Airlines Is Almost Seven Times as Large As It Was in 2010

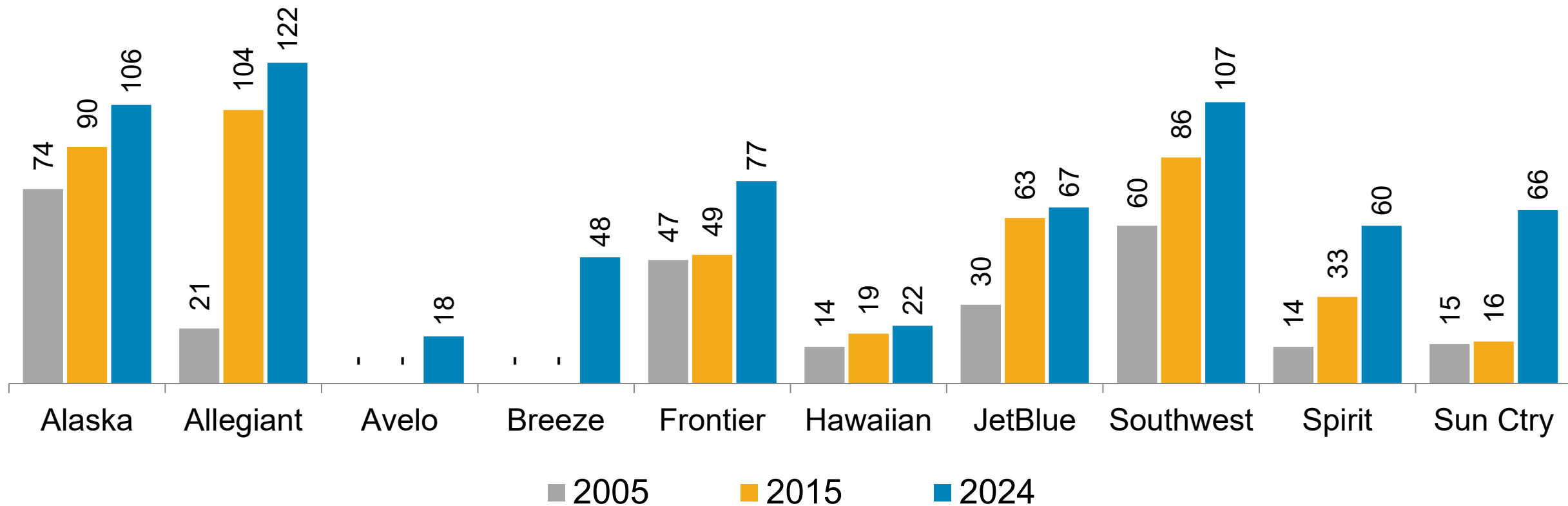


Source: Cirium schedules (Jan. 5, 2024) for selected marketing airlines including merged/acquired predecessors

# Lower-Cost U.S. Carriers Have Continued to Expand Their U.S. Footprint

## Competitive Presence of Low-Cost and Ultra Low-Cost Carriers Continues to Expand

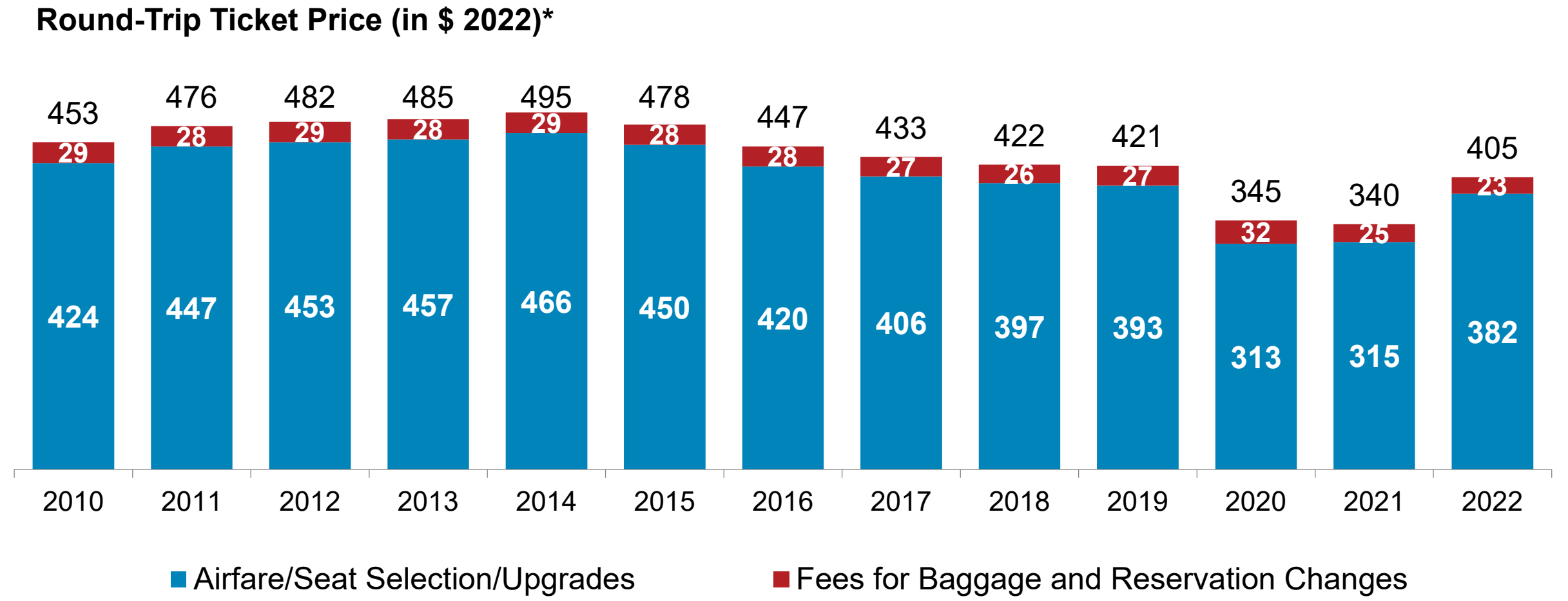
Number of U.S. Airports Served\*



Source: Cirium published schedules (Jan. 26, 2024) for selected marketing airlines

\* July for 2005 and 2015; June for 2024

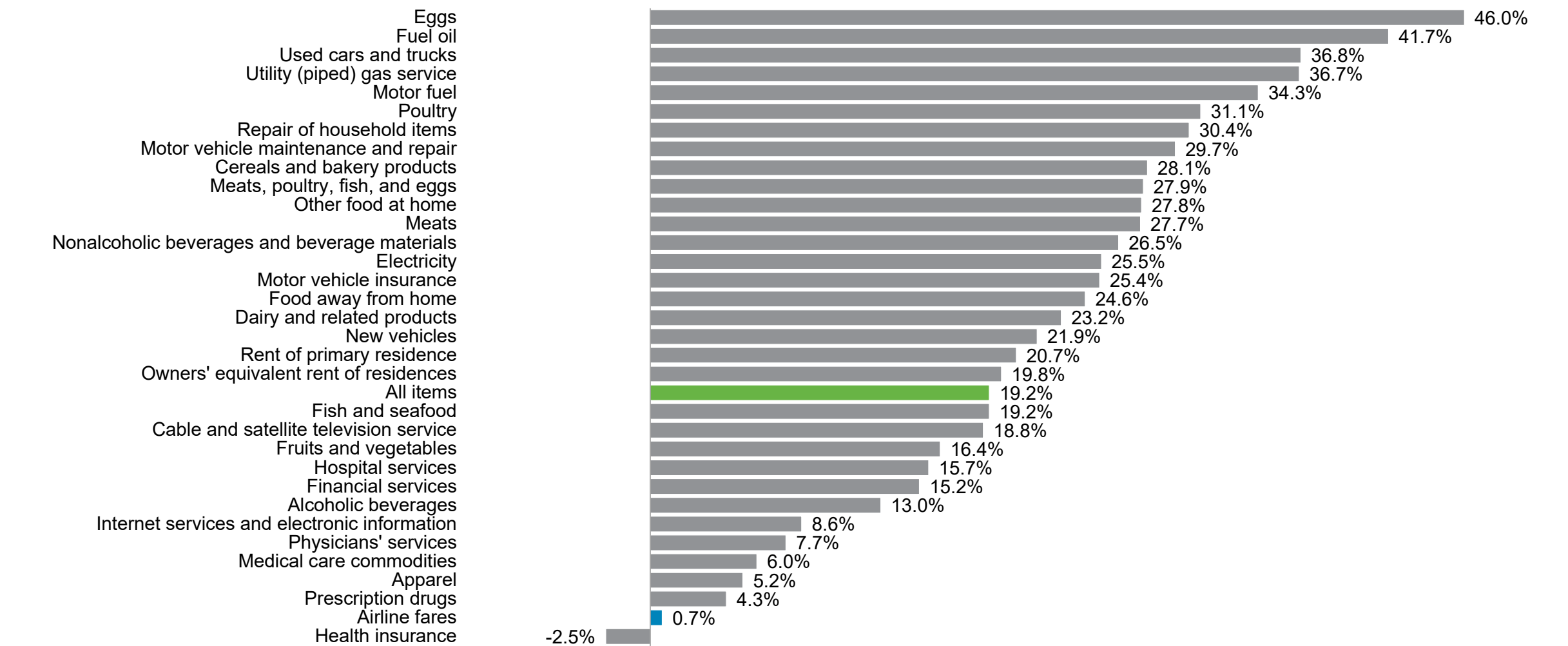
**In 2022, Inflation-Adjusted Domestic Fares/Fees Fell ~4% Below 2019 Levels**  
From 2010-2022, the Real Price\* of Domestic Air Travel—including Ancillaries—Fell ~11%



Source: A4A analysis of DOT Data Bank 1B (all cabins and fare basis codes) and DOT Form 41 via Airline Data Inc. (airlinedata.com) \* Excludes taxes

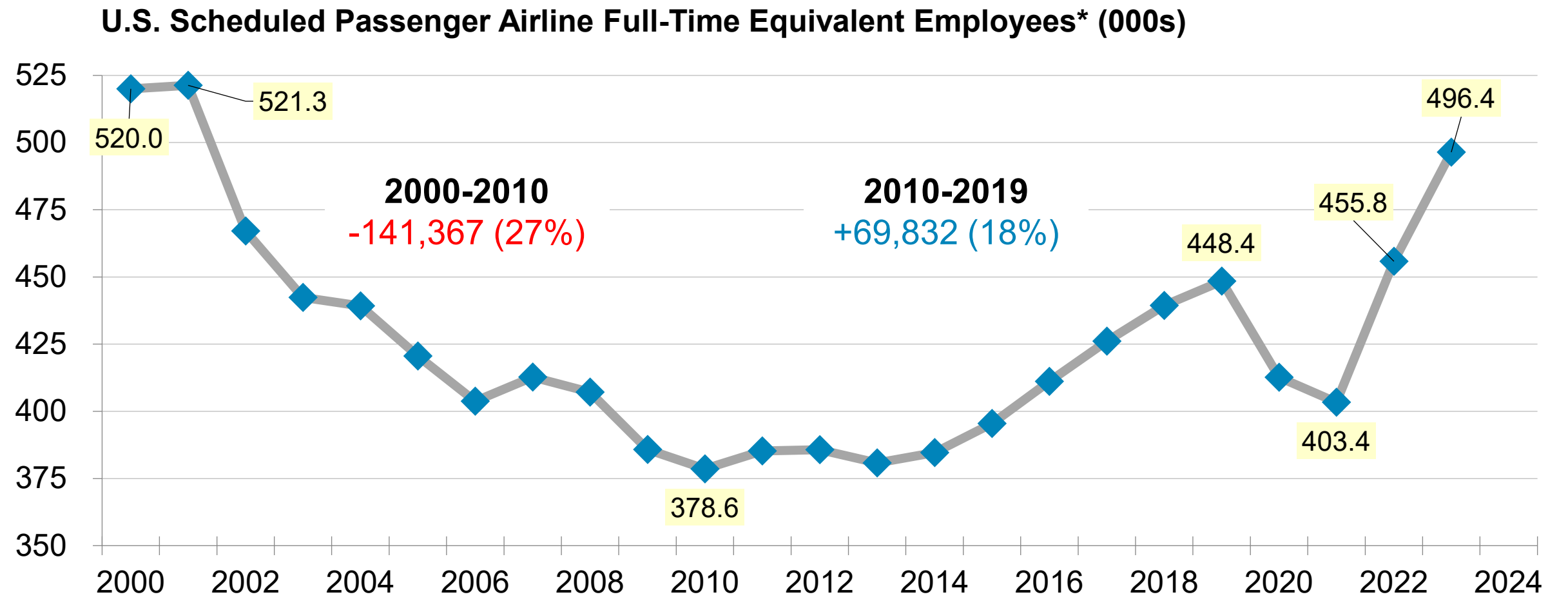
# From 2019 to 2023, the Overall Consumer Prices Rose 28x Faster Than Airline Fares

## Change in U.S. Consumer Price Index (CPI) — 2023 vs. 2019



Source: Bureau of Labor Statistics

# U.S. Passenger Airlines Are Averaging the Largest Workforce Since 2001



Source: Bureau of Transportation Statistics for scheduled U.S. passenger airlines \* 2023 = Jan-Nov

# By Far, U.S. Passenger Airlines Allocate the Most Capital to the Workforce

## After Human Capital, Airlines Prioritize Product Reinvestment and Balance Sheet Repair

### U.S. Passenger Airlines: Principal Uses of Capital (in \$ Billions)

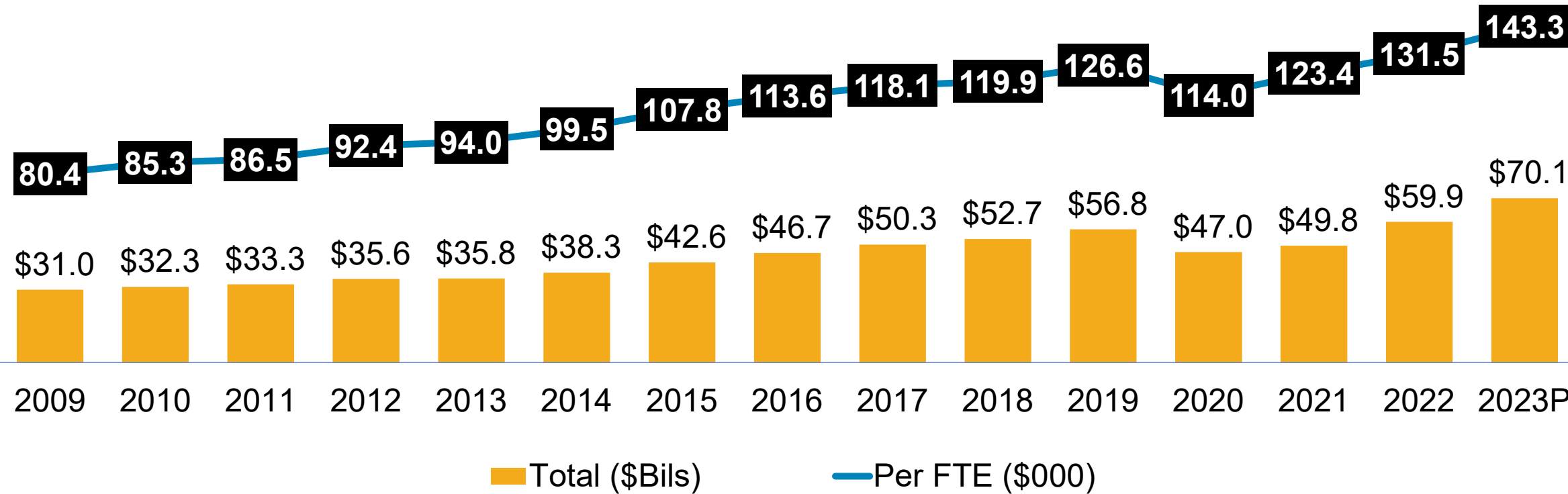
	2010-2019	2020-2022*
Employee Wages and Benefits	424	157
Fleet and Other Investments (“CapEx”)	139	38
Debt Retirement	91	60
Dividends & Share Repurchases	57	2

Source: A4A Passenger Airline Cost Index (using Bureau of Transportation Statistics data), SEC filings (10-K annual reports)

\* Includes activity preceding the pandemic and passage of the CARES Act

# Average Compensation per Employee Has Reached All-Time High in 2023

## U.S. Passenger Airline Industry Employee Wages and Benefits

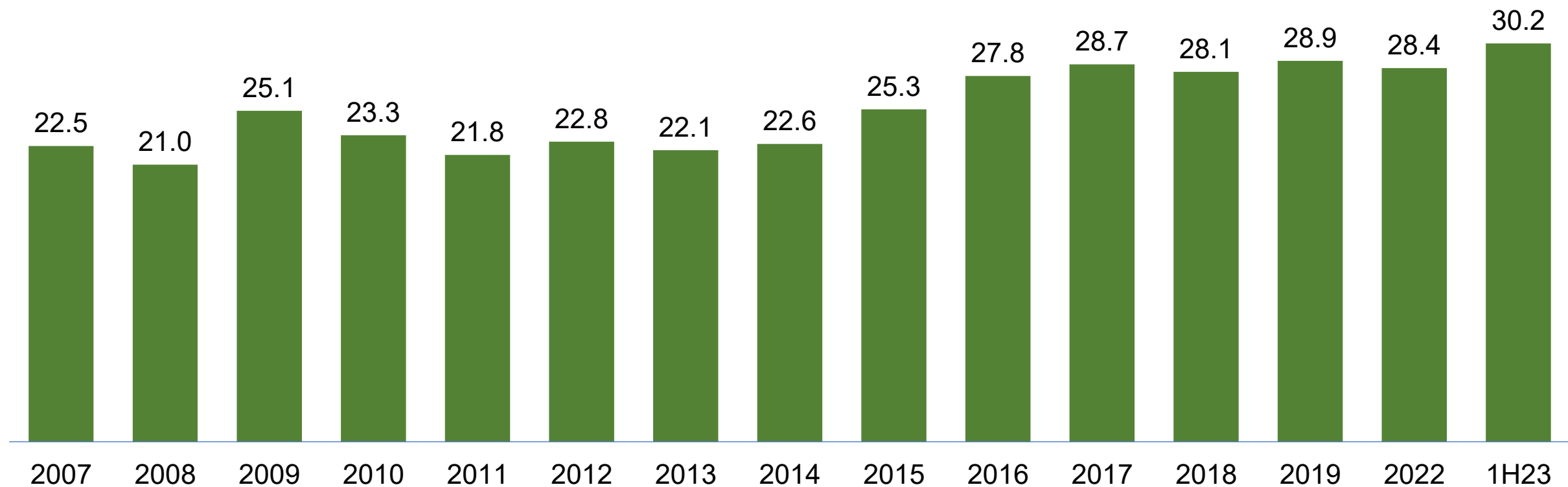


Source: A4A Passenger Airline Cost Index

P = preliminary

# Firmer Financial Footing Has Enabled Airlines to Re-Invest in Their Employees

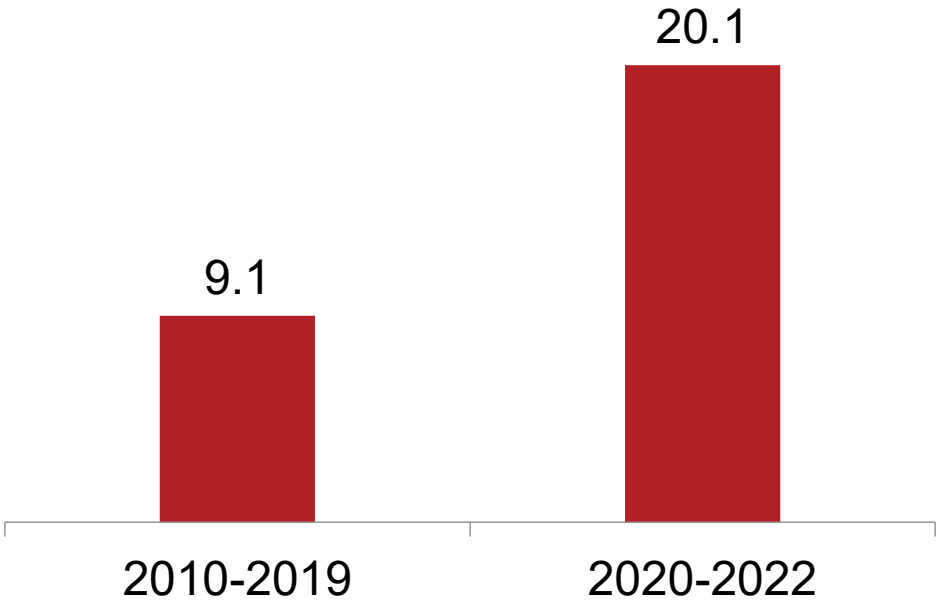
U.S. Airline Employee Wages and Benefits as a Share (%) of Operating Revenues



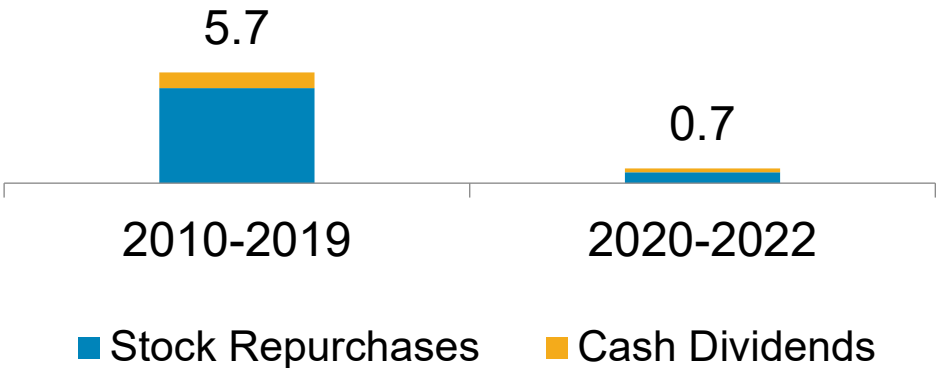
Source: A4A Passenger Airline Cost Index and <https://www.vox.com/new-money/2017/4/29/15471634/american-airlines-raise>

# From 2010-2019, Following the Financial Crisis, U.S. Airlines Retired \$9.1B in Debt Annually and Returned \$5.7B Annually to Shareholders to Lure and Retain New Equity Investors

Average Annual Retirement\*  
of Long-Term Debt (\$ Bils)



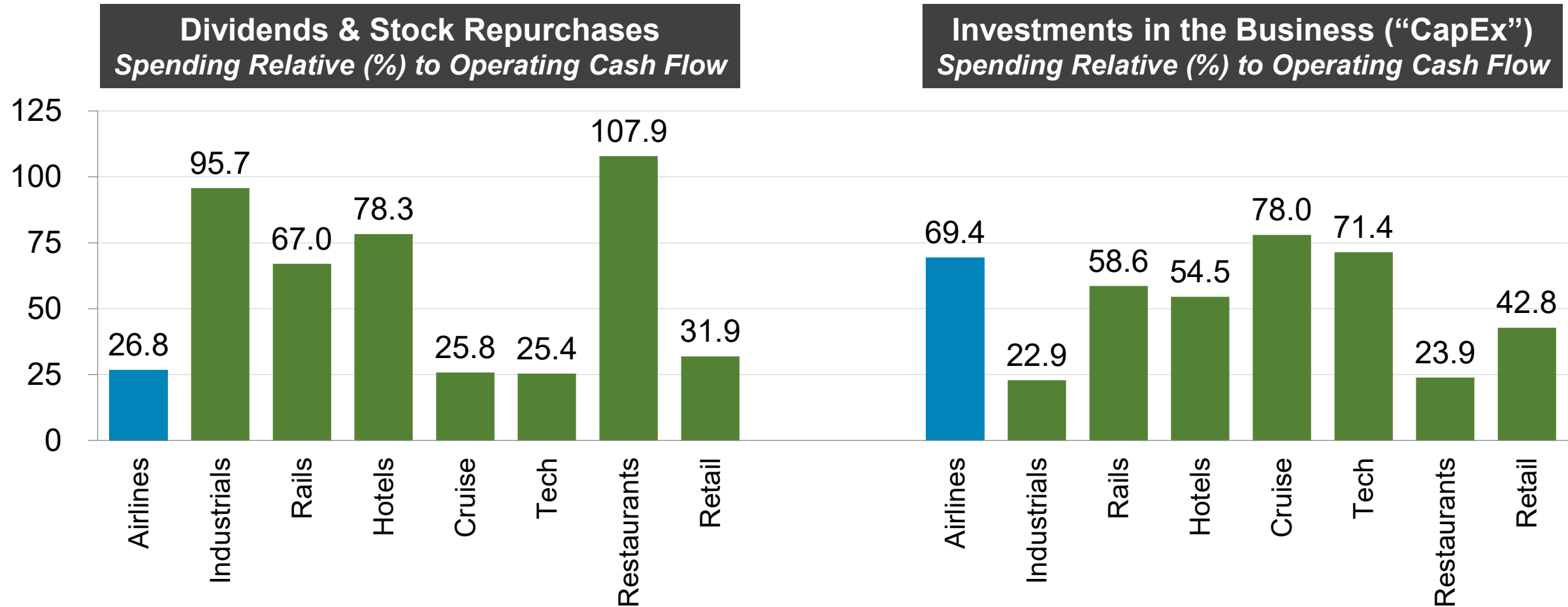
Average Annual Returns  
to Shareholders (\$ Bils)



Source: SEC filings of AAL/ALGT/ALK/DAL/HA/JBLU/LUV/SAVE/SNCY/UAL/ULCC and merged predecessors

\* Payments on long-term debt and capital lease obligations

# In 2015-2019, Relative to Other U.S. Industries, Airlines Reinvested Far More Cash Into the Business (via Capital Expenditures) Than They Spent on Shareholders (“Capital Returns”)

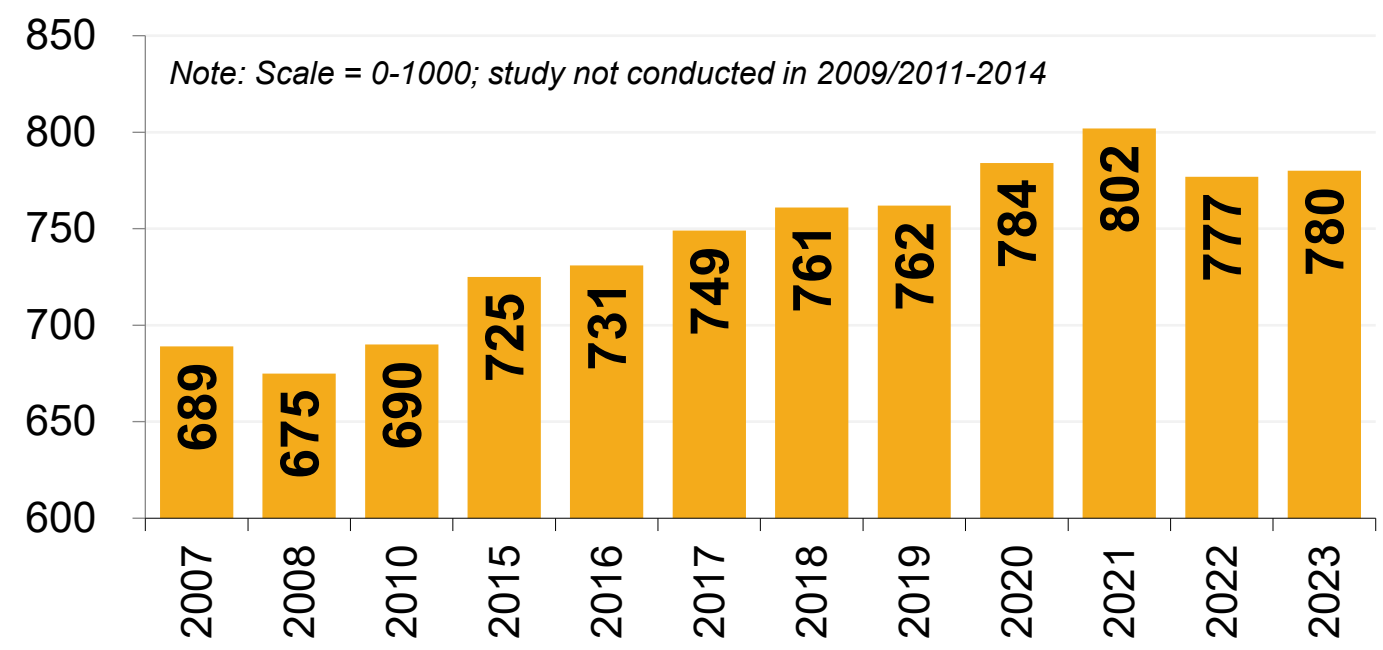


Source: Goldman Sachs, “Cash Flow Benchmarking by Sector” (March 2020), with data from CapIQ and Bloomberg compiled for 2015-2019 \* Industry medians for 2015-2019

# J.D. Power: “North American Airports Earn Higher Marks for Traveler Satisfaction”

Latest Results Released Sept. 20, 2023

“It has not been an easy year for North American airports, but **major capital improvements they’ve made over the last several years** and new investments in getting food, beverage and retail operations back up and running at full capacity have helped them manage the crush of passengers.” (Michael Taylor, J.D. Power)



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

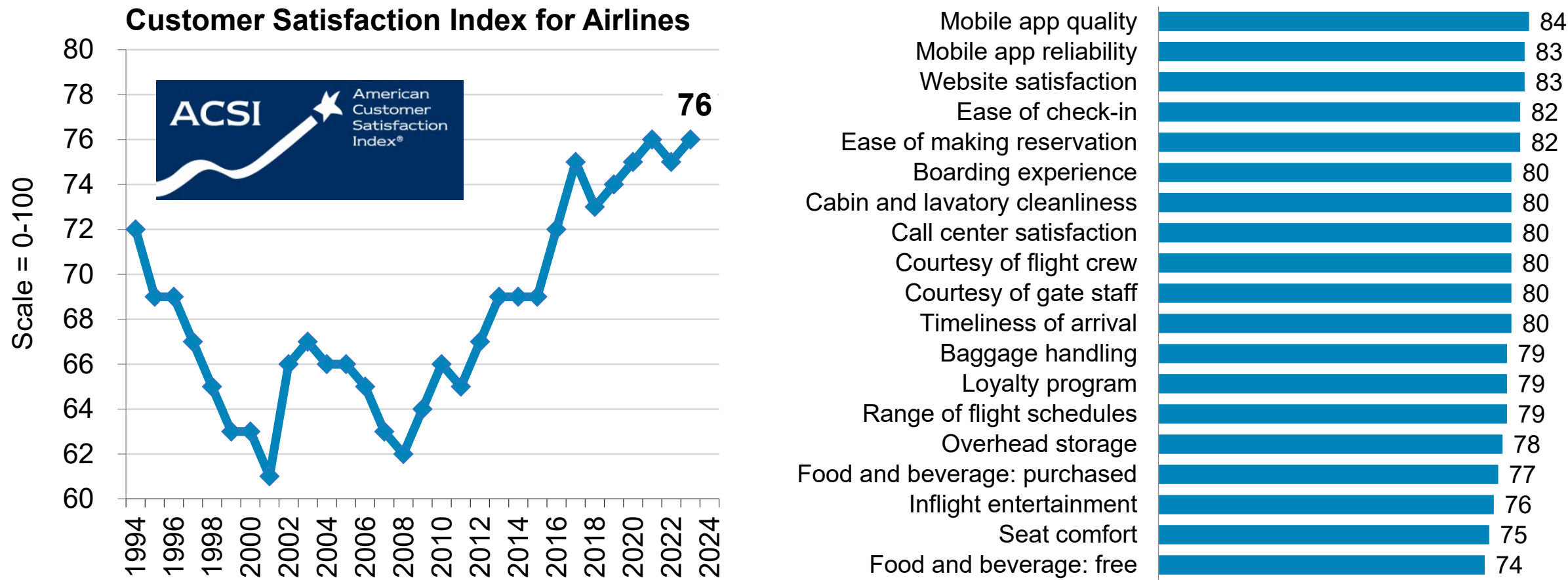
\* Concourses, lounges, signage, restrooms, gate areas

\* The study is based on 27,147 completed surveys from 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 30 days. Travelers evaluated either a departing or arriving airport from their round-trip experience. The study was fielded from August 2022 through July 2023.

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

# ACSI 2023 Airline Customer Satisfaction Index Matched All-Time High

## Ease of Check-In, Mobile Apps, Websites Rank Highest

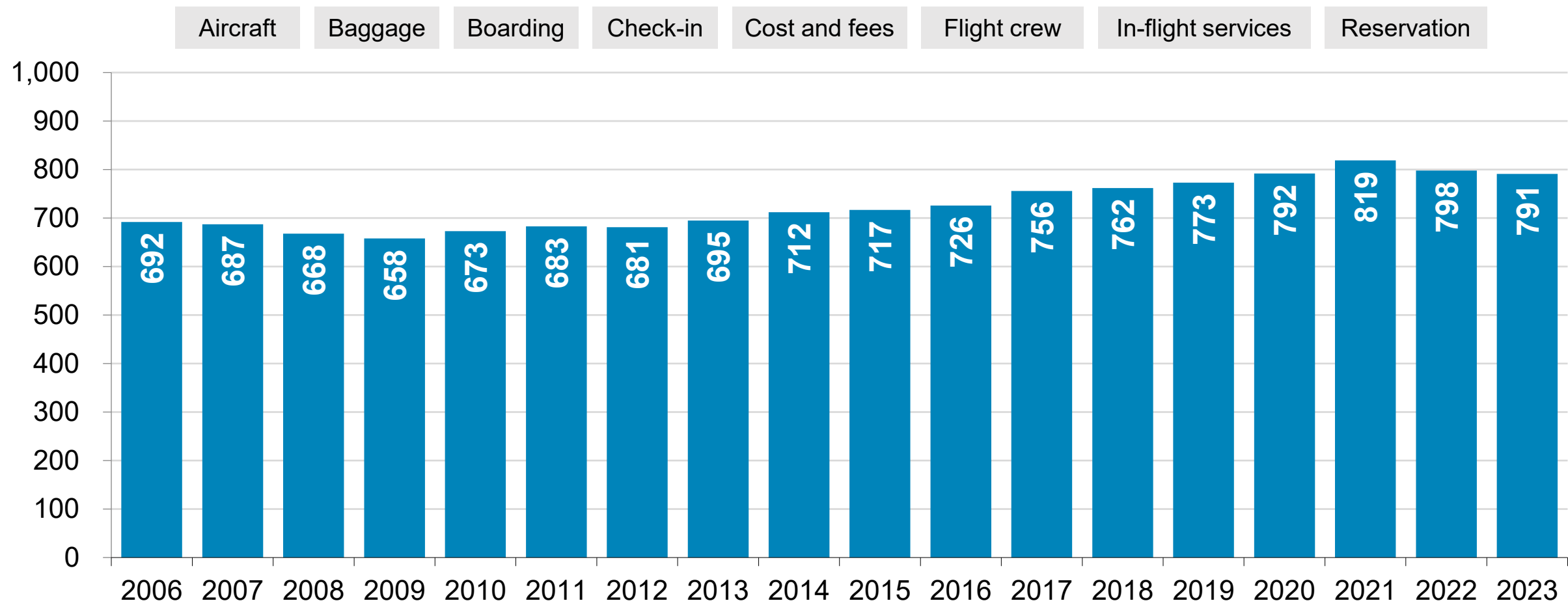


Note: ACSI® and its logo are Registered Marks of the University of Michigan; see <http://www.theacsi.org/the-american-customer-satisfaction-index>. Study commenced in 1994.

Source: American Customer Satisfaction Index LLC. The ACSI Travel Study 2022-2023 is based on interviews with 10,588 customers, chosen at random and contacted via email between April 2022 and March 2023.

# J.D. Power: North America Airline Customer Satisfaction on Par With Pre-Pandemic Levels

## Composite Score Fell in Latest Survey (Conducted March 2022 Through March 2023)

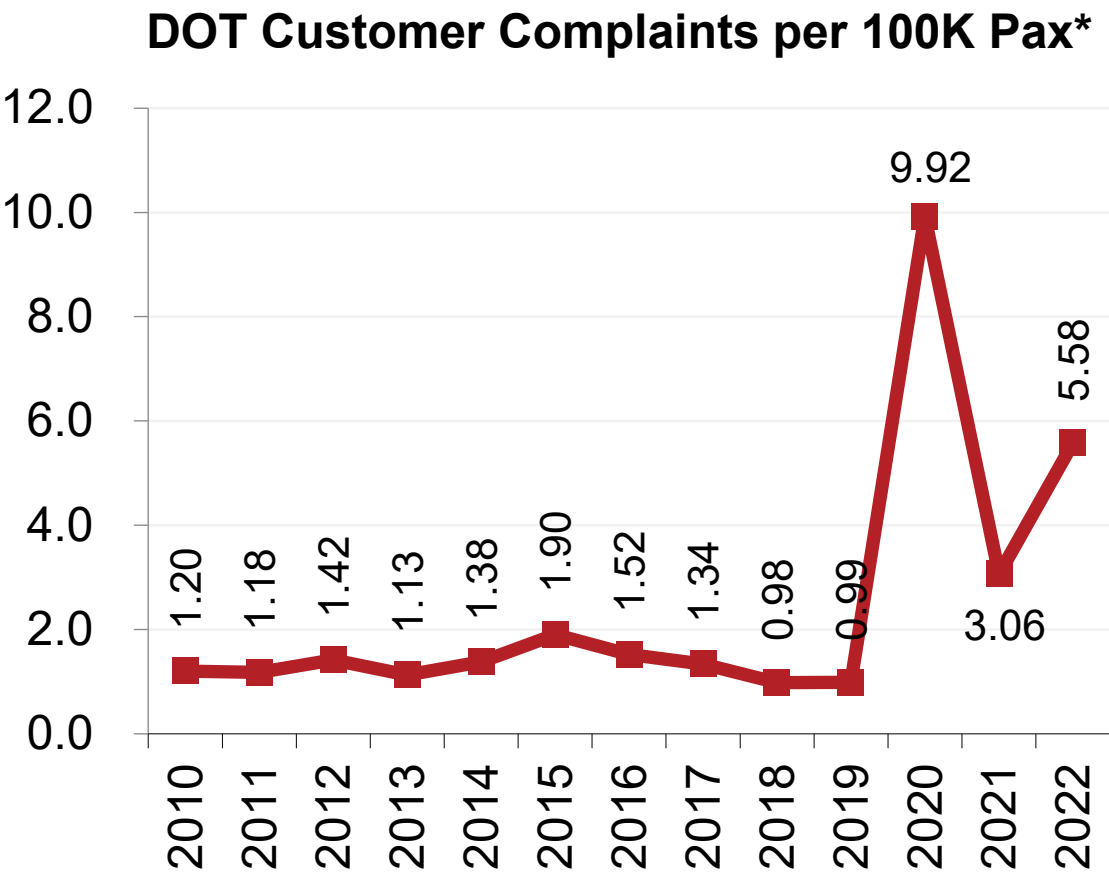
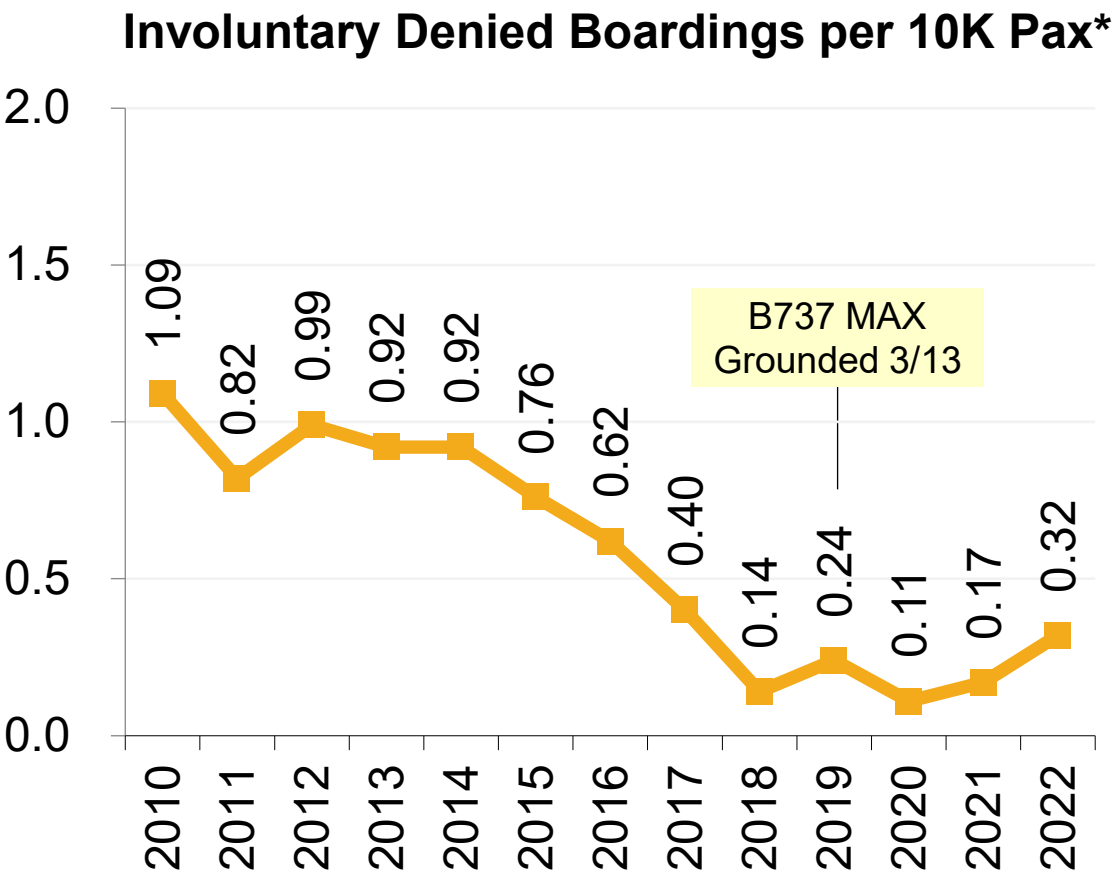


Note: The study is based on responses from 7,774 passengers who flew on a major North America airline within the past month of completing a survey. The study was fielded from March 2022 through March 2023.

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

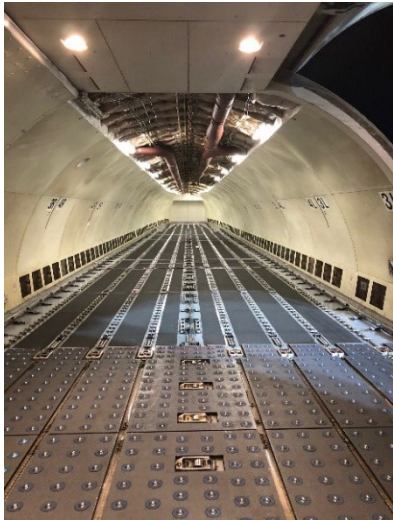
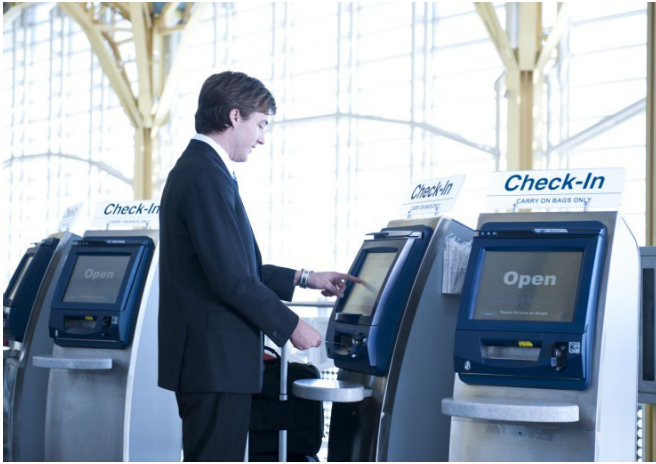
# Denied Boardings and Customer Complaints

Grounding of B737 MAX Largely Responsible for Anomalous 2019 Increase in Denied Boardings



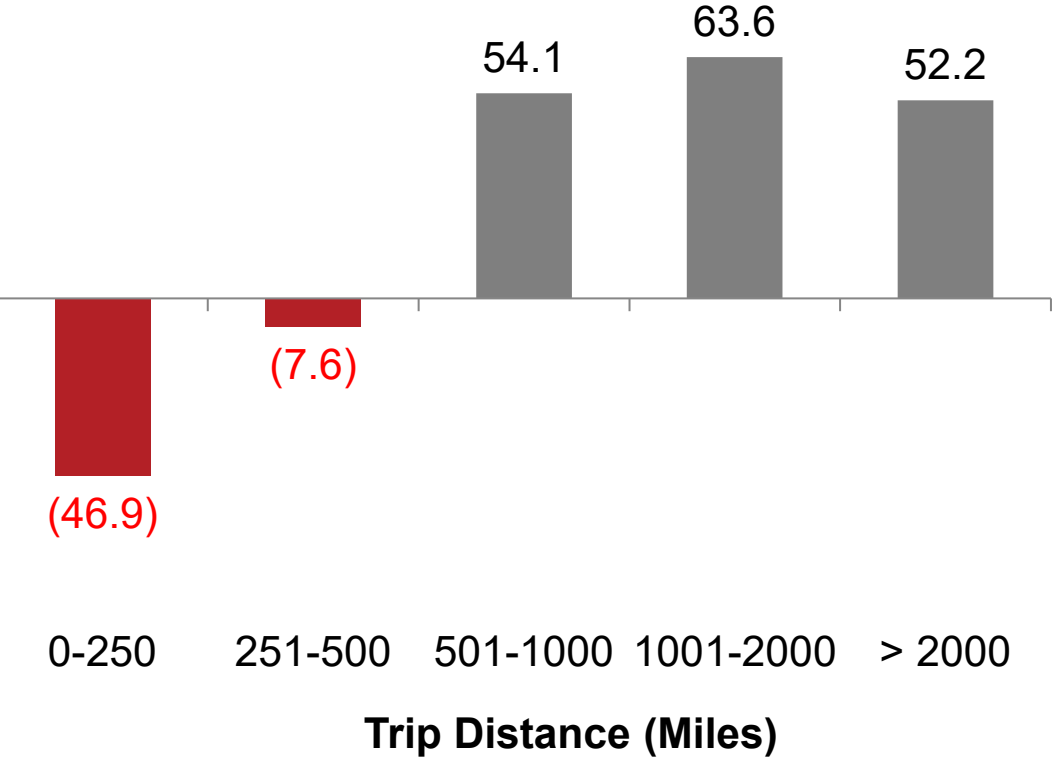
Source: DOT Air Travel Consumer Report (<http://www.dot.gov/airconsumer/air-travel-consumer-reports>)

\* U.S. passenger airlines

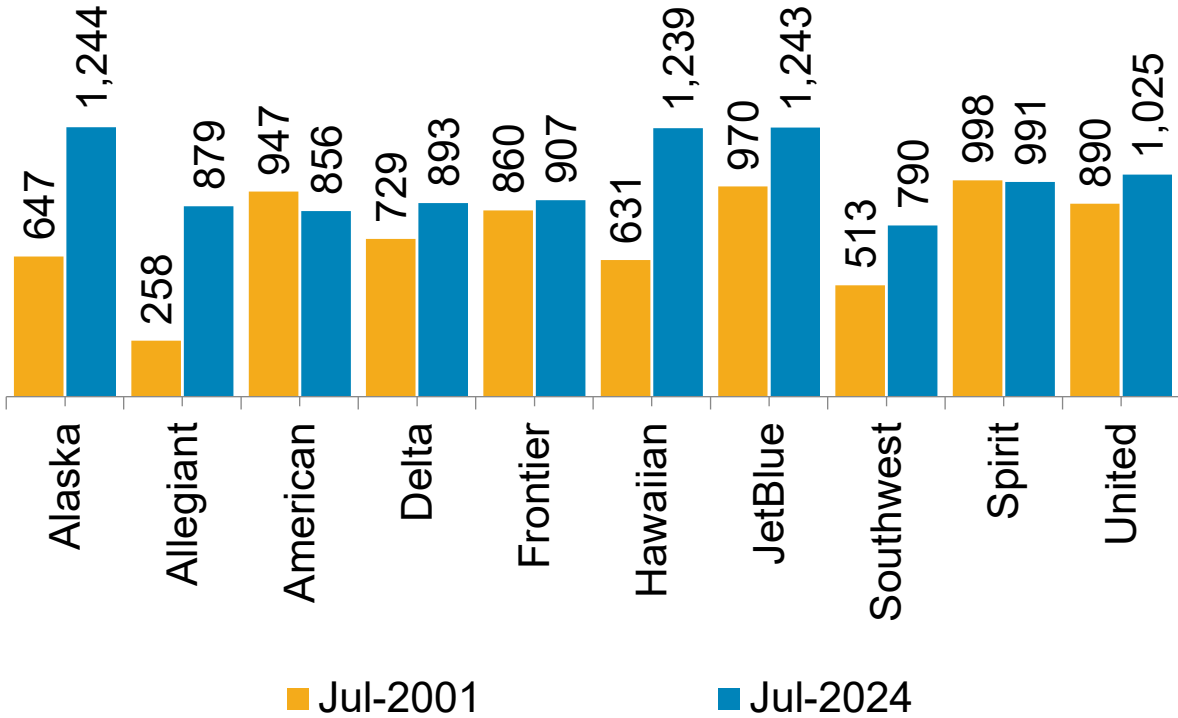


# After 9/11, Domestic Passengers Avoided Air Travel on Shorter Distances; Airlines Adjusted Their Networks Accordingly, Aided by Aircraft Advances, to Increase Average Seat Distance

Change (%) in Domestic O&D Passengers by Distance Band (Miles) — Pre-9/11\* to YE 3Q23

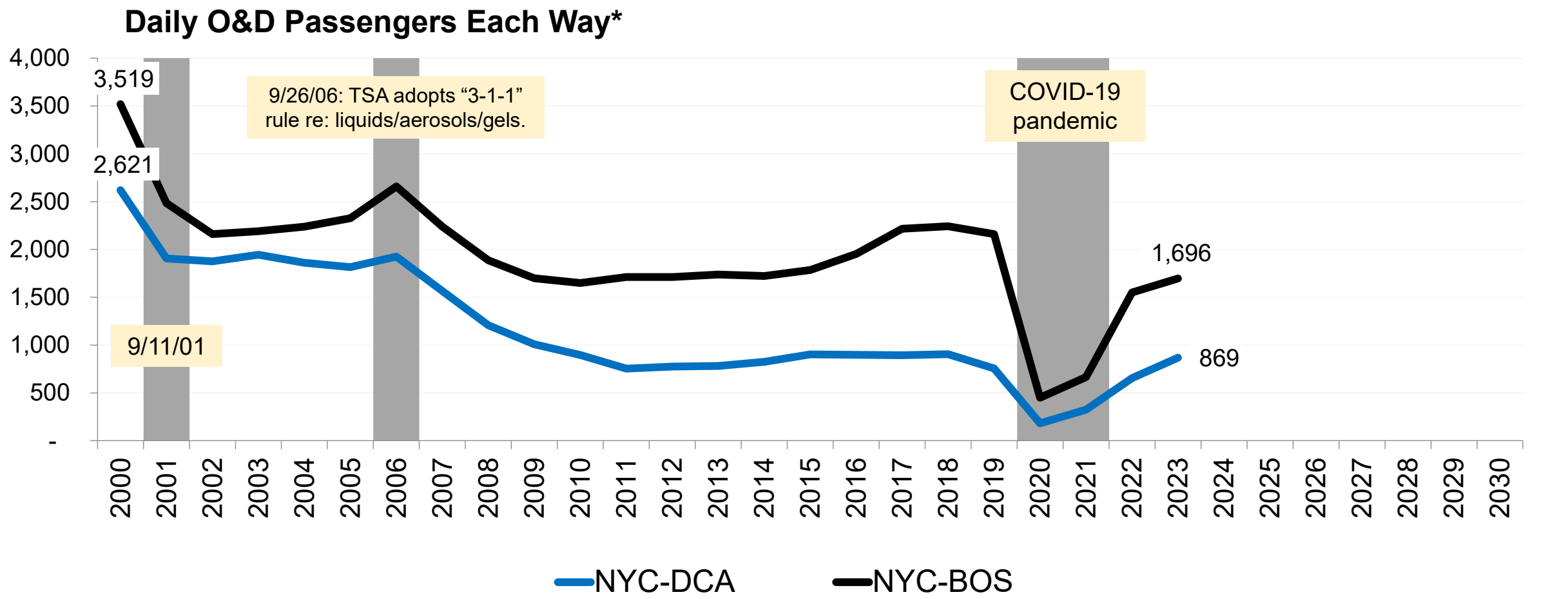


Average Scheduled Domestic Seat Distance (Miles) by Marketing Airline



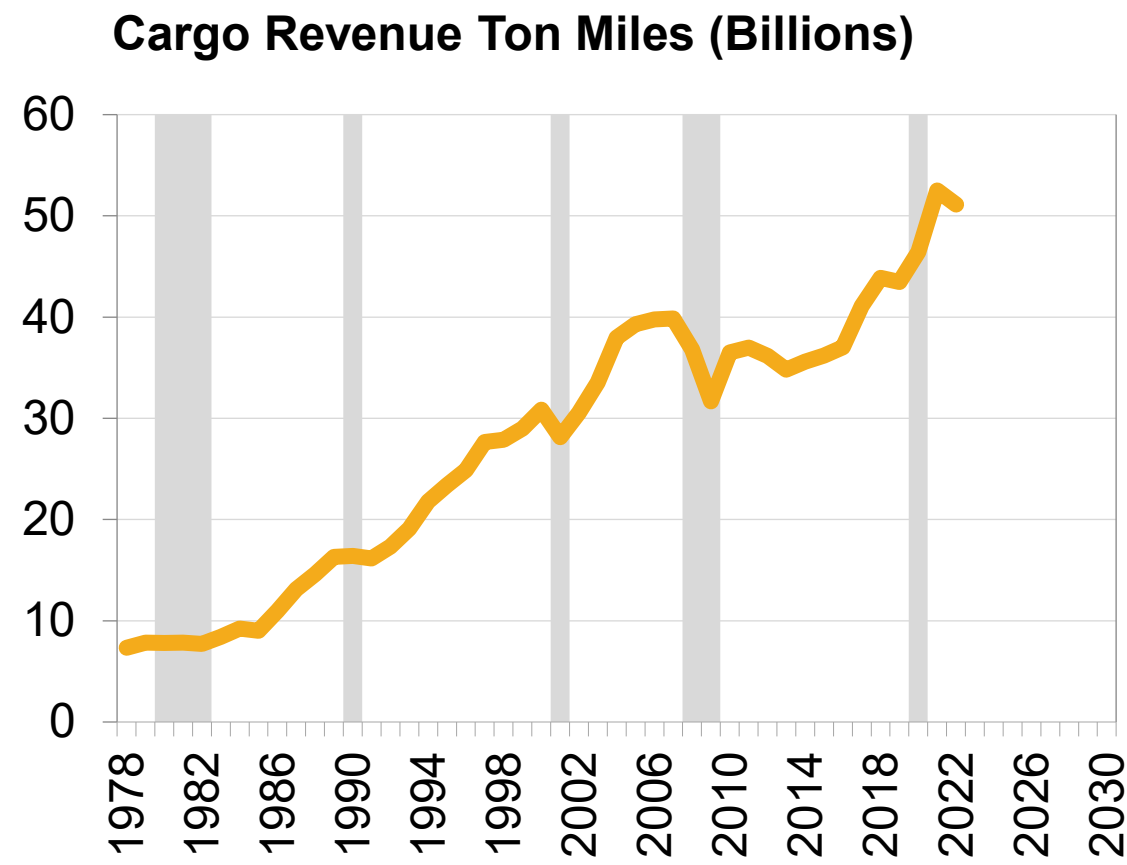
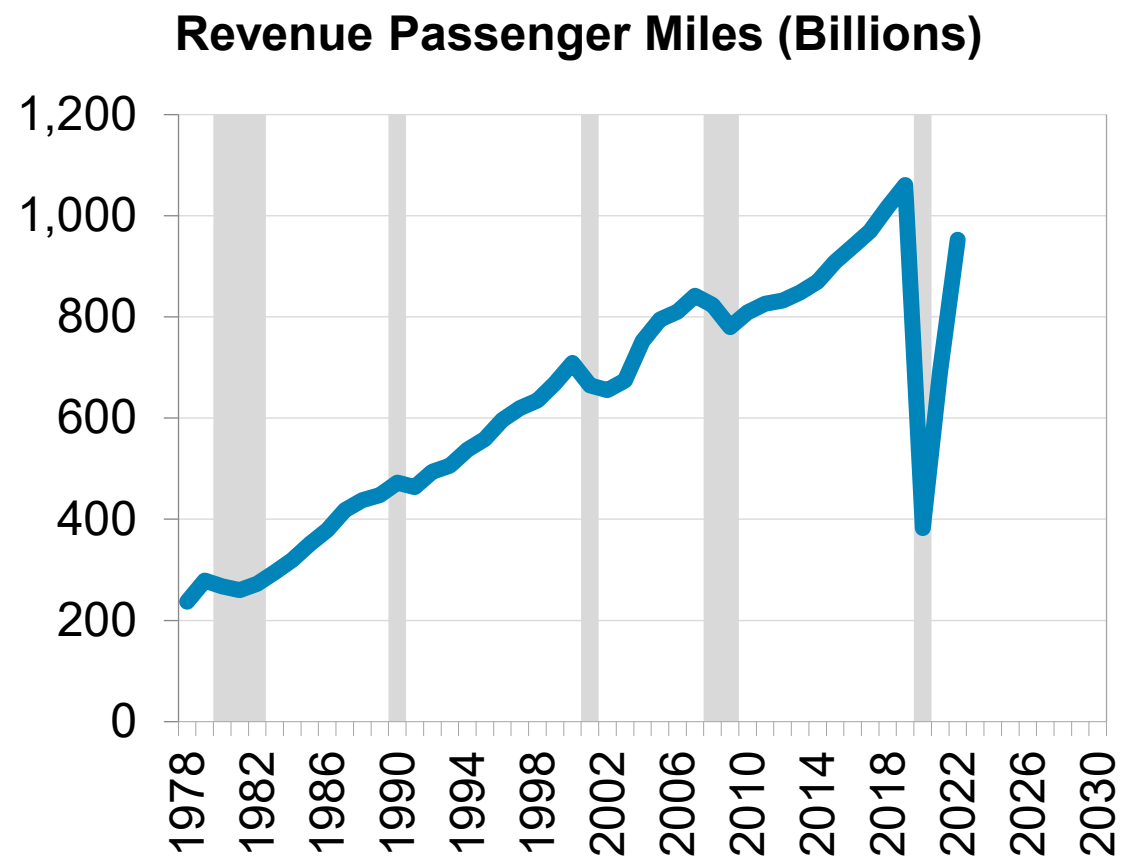
Source: DOT Data Bank 1B (O&D Survey data) and Cirium published airline schedules (Jan. 5, 2024) \* Four quarters ending June 2001

# Air Passenger Volumes Between New York and Boston/Washington Have Fallen Sharply Since 2000, Due Largely to Changes in Security Requirements and Improved Alternatives to Flying



Source: DOT Data Bank 1B (O&D Survey data) \* NYC includes EWR/JFK/LGA airports; 2023 = Jan-Sep

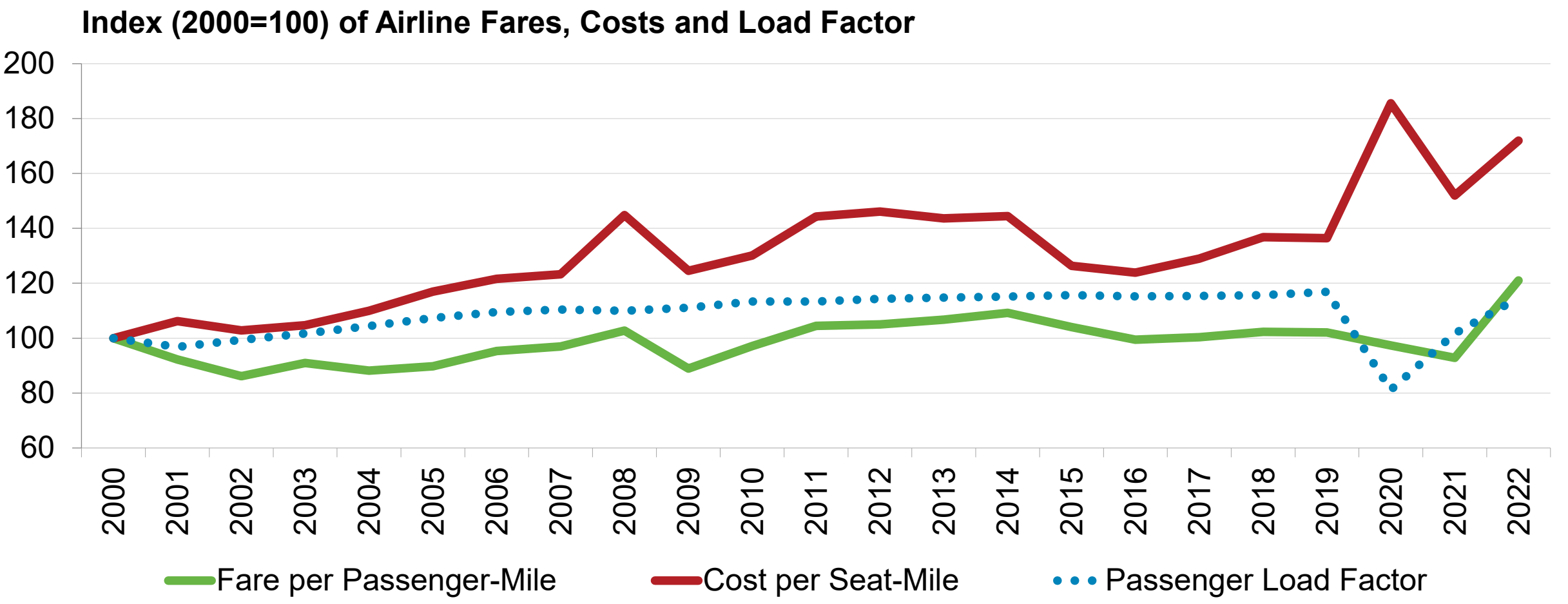
# U.S. Airlines Have Continued to Move More People and Goods Over Longer Distances



Source: U.S. Bureau of Transportation Statistics (T1 systemwide for U.S. airlines – all services)

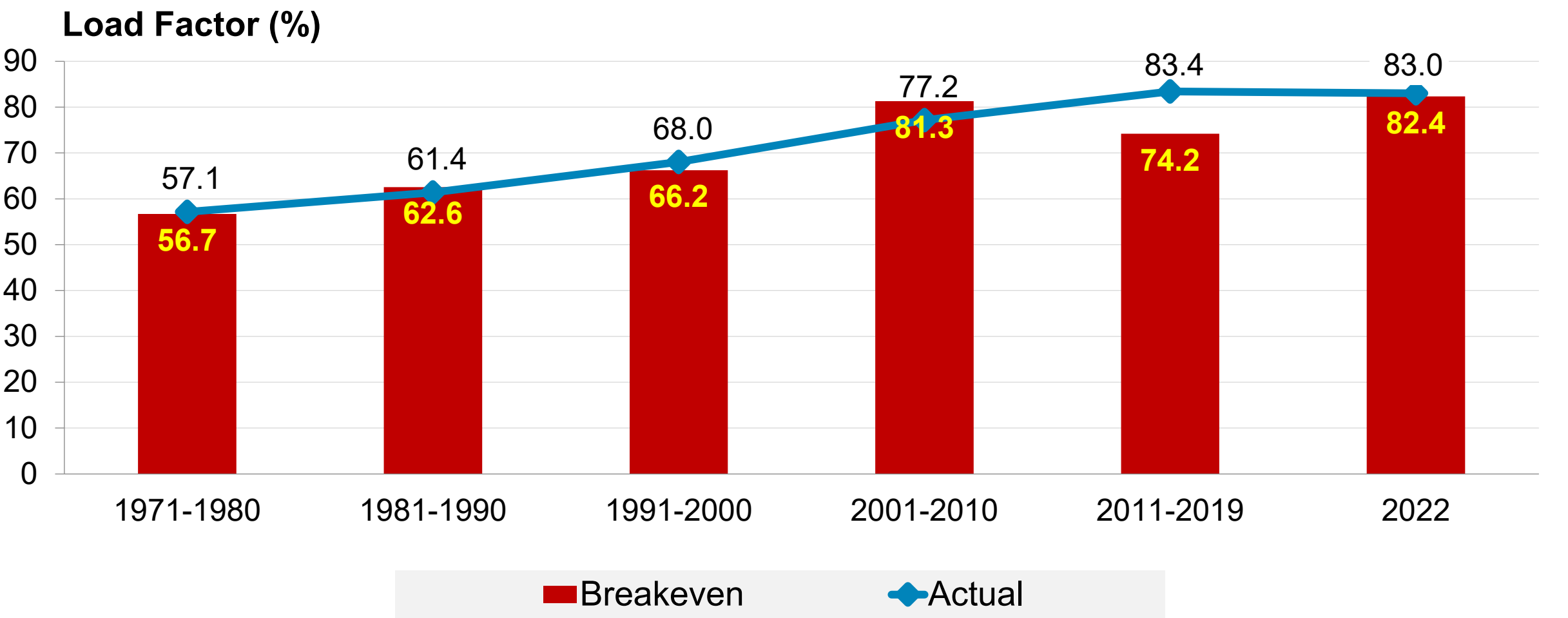
Note: Recessions highlighted in gray

# Changes in the Price to Fly a Mile on U.S. Airlines Tend to Move in the Same Direction as Airline Costs But Rarely to the Same Magnitude, Requiring Fuller Planes to Shrink the Gap



Source: A4A Passenger Airline Cost Index

# In 2011-2019 and 2022, Average Load Factor Exceeded the Airlines' Breakeven Requirement

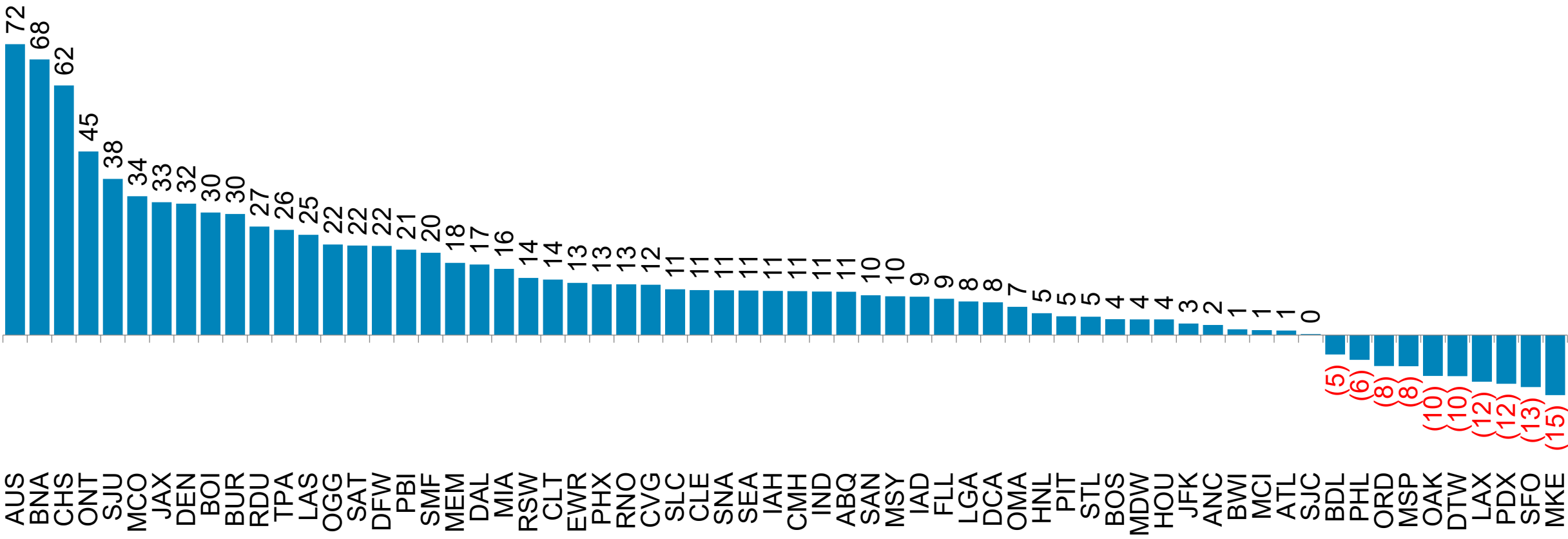


Source: A4A Passenger Airline Cost Index Note: Load factor = revenue passenger miles (RPMs) ÷ available seat miles (ASMs)

# From 2017-2023, Medium-Sized U.S. Airports Generally Grew Faster Than Large U.S. Airports

## Austin, Nashville and Charleston (SC) Have Soared Above the Rest

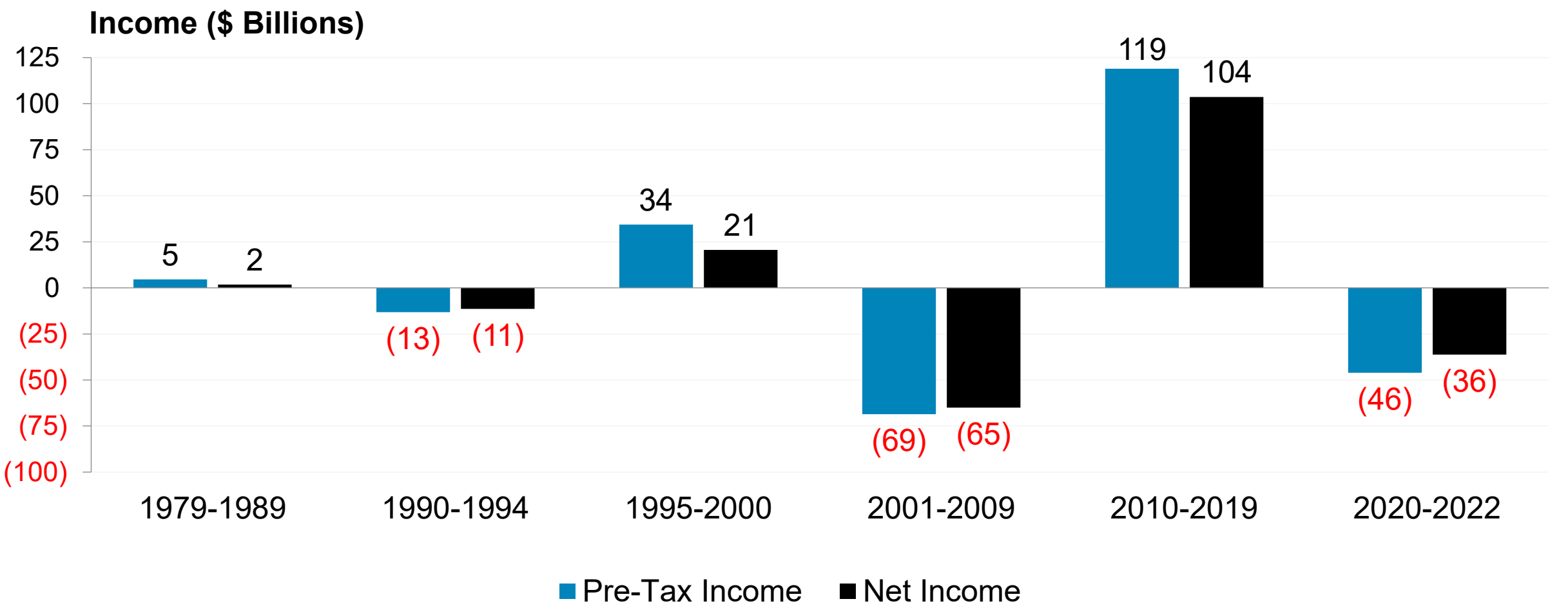
Change (%) in Systemwide Scheduled Seats: 2023 vs. 2017



Source: Cirium published schedules (Jan. 5, 2024) for all airlines providing scheduled service

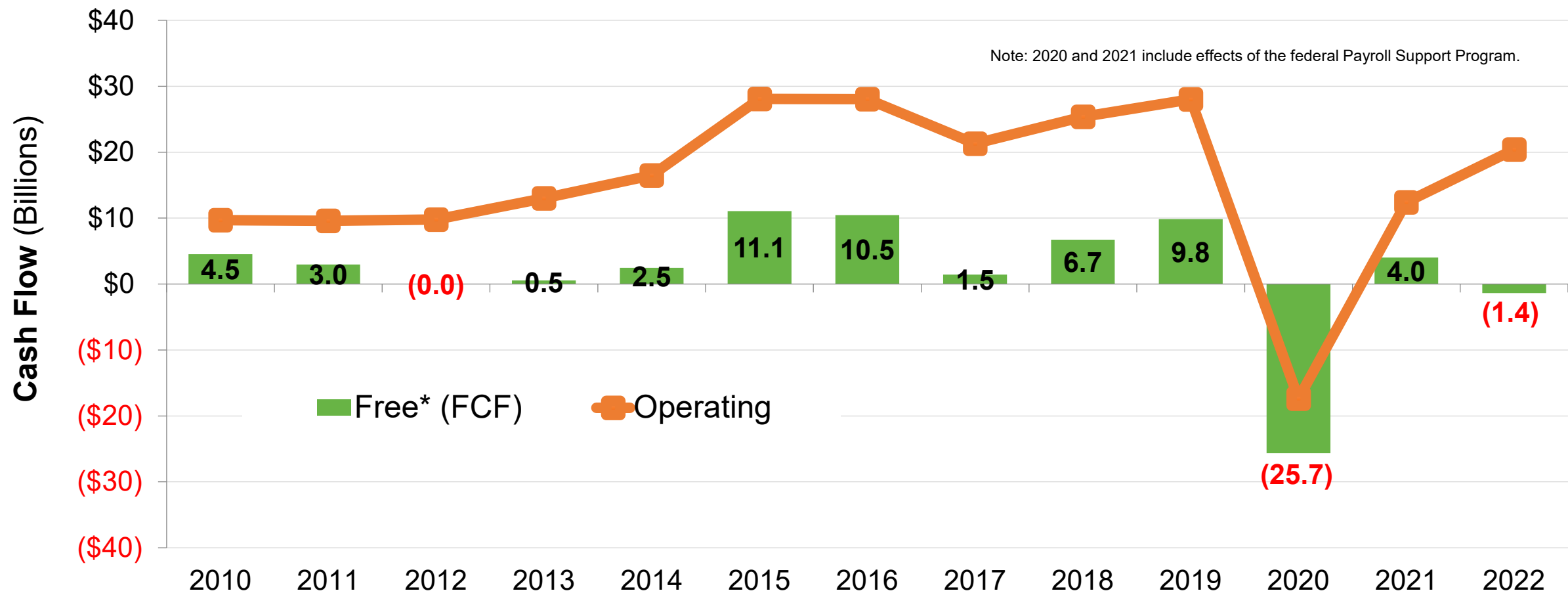
# In the Deregulated Period, U.S. Passenger Airline “Earnings” Have Been Cyclical and Volatile

Cumulative Net Income for 1979-2022 = \$13 Billion (0.3 Percent of Revenues)



Source: A4A Passenger Airline Cost Index

# As U.S. Airlines Generate Sufficient Cash from Operations, They Are Better Able to Fund Capital Improvements, Improve Customer Experience and Retain Investors



Source: SEC filings of AAL/ALGT/ALK/DAL/HA/JBLU/LUV/SAVE/SNCY/UAL/ULCC and merged predecessors

\* Operating cash flow minus capital expenditures



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