



**Airlines for America<sup>®</sup>**

**We Connect the World**

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

Updated April 14, 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\*

~800K  
**employees**  
around the world



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



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



Moving ~61K  
**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 January 2024; other statistics are average for 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)

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

## Traveling by Air Is Safer Than Ever

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“These days, we barely think about safety when we board a plane...because **flying across the sky is safer than walking across the street**. Airplanes produce fewer deaths per mile than cars, ferries, trains, subways or buses...”

“The **U.S. aviation system has become so amazingly, unexpectedly safe that other industries** in the business of fatal risk, from healthcare to artificial intelligence, **are hoping to bring lessons of the sky back to hospitals and research labs on the ground.**”

Ben Cohen, “Flying in America Has Actually Never Been Safer,” *The Wall Street Journal* (Jan. 12, 2024)

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Source: Ben Cohen, “Flying in America Has Actually Never Been Safer,” *The Wall Street Journal* (Jan. 12, 2024)

## Traveling by Air Is Safer Than Ever (Cont'd)

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“When **the risk of flying is so minuscule**, being afraid to board an airplane is hardly more justified than avoiding the supermarket for fear that the ceiling will collapse.”

“**The safety of flying in countries like the U.S. is the eighth wonder of the world.** Far from being nervous as we approach the airport, we should be awestruck that flying is so free of risk — and deeply grateful to those who have made it so.”

Arnold Barnett, George Eastman Professor of Management Science and professor of statistics at MIT Sloan School of Management, “Boeing, Airbus incidents have travelers asking, is it still safe to fly?” *The Hill* (Jan. 22, 2024)

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Source: Arnold Barnett, “Boeing, Airbus incidents have travelers asking, is it still safe to fly?,” *The Hill* (Jan. 22, 2024)

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- » Customer Satisfaction

## » APPENDIX

# Economists Are Still Right About Airline Deregulation!

By Clifford Winston (January 2023)

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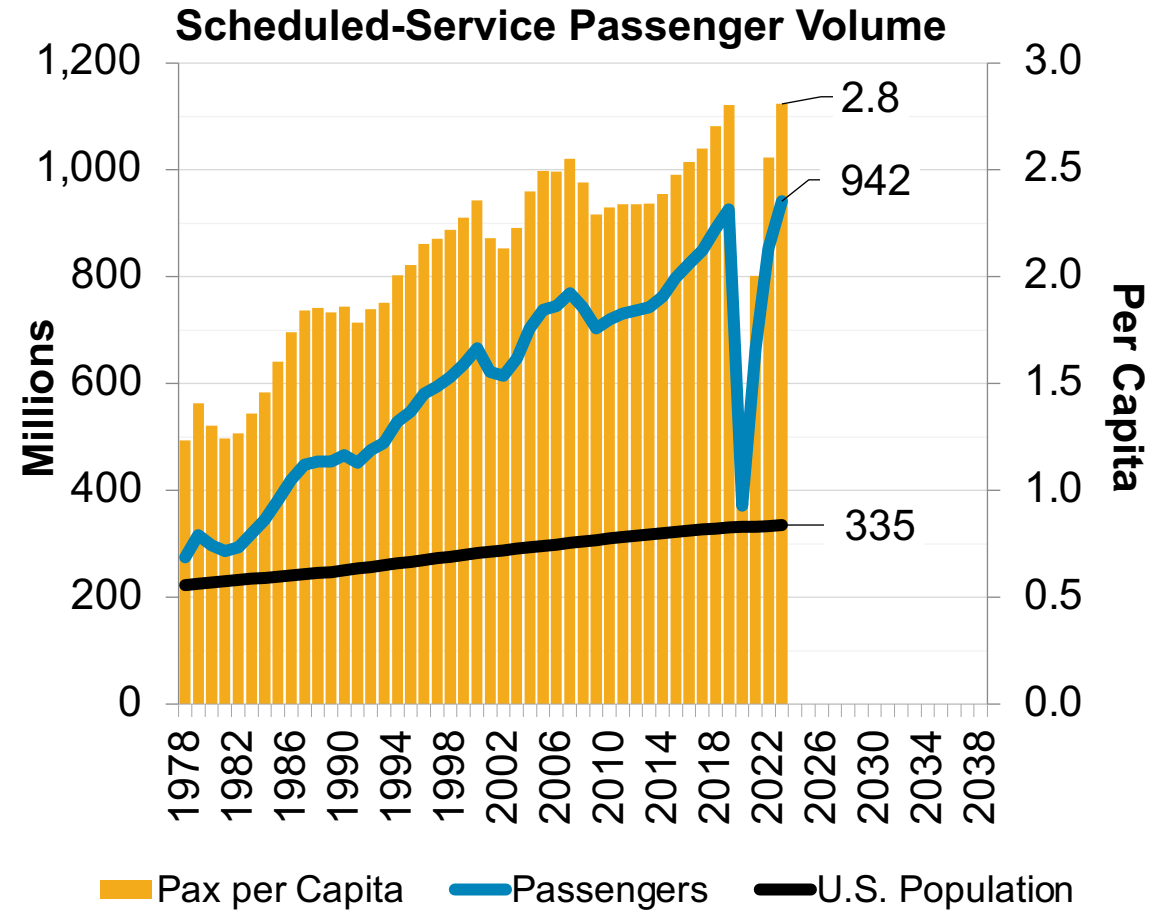
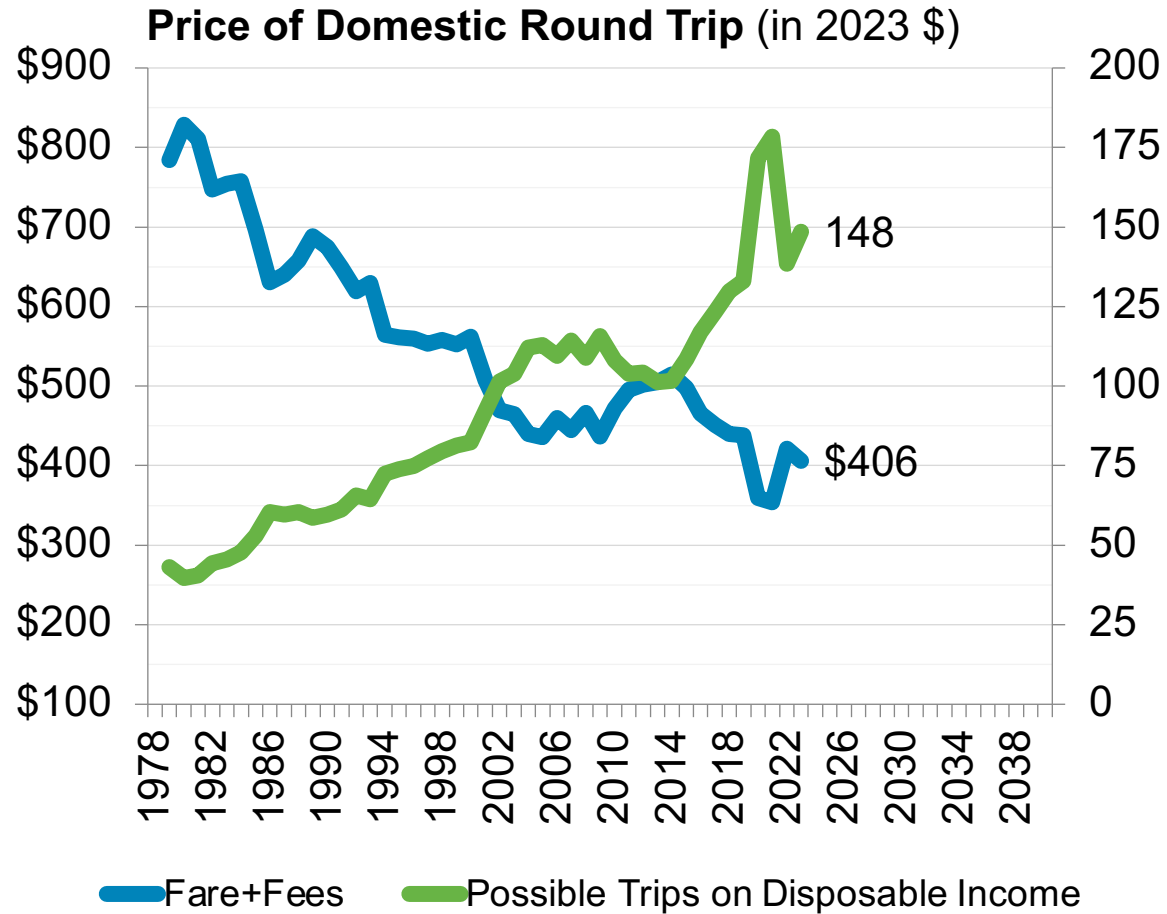
“The airline industry has periods of fat profits, but **those profits are notoriously fickle**. And if they’re expected to stay in business in down times, airlines can’t be expected to sacrifice revenue generated when demand is high without trying to make it up elsewhere.”

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

# As Real Airfares Plunged Post-Deregulation, Trips Per Capita More Than Doubled

Ancillary Services Included, 2023 Domestic Air Travel Was ~48% Cheaper Than in 1979

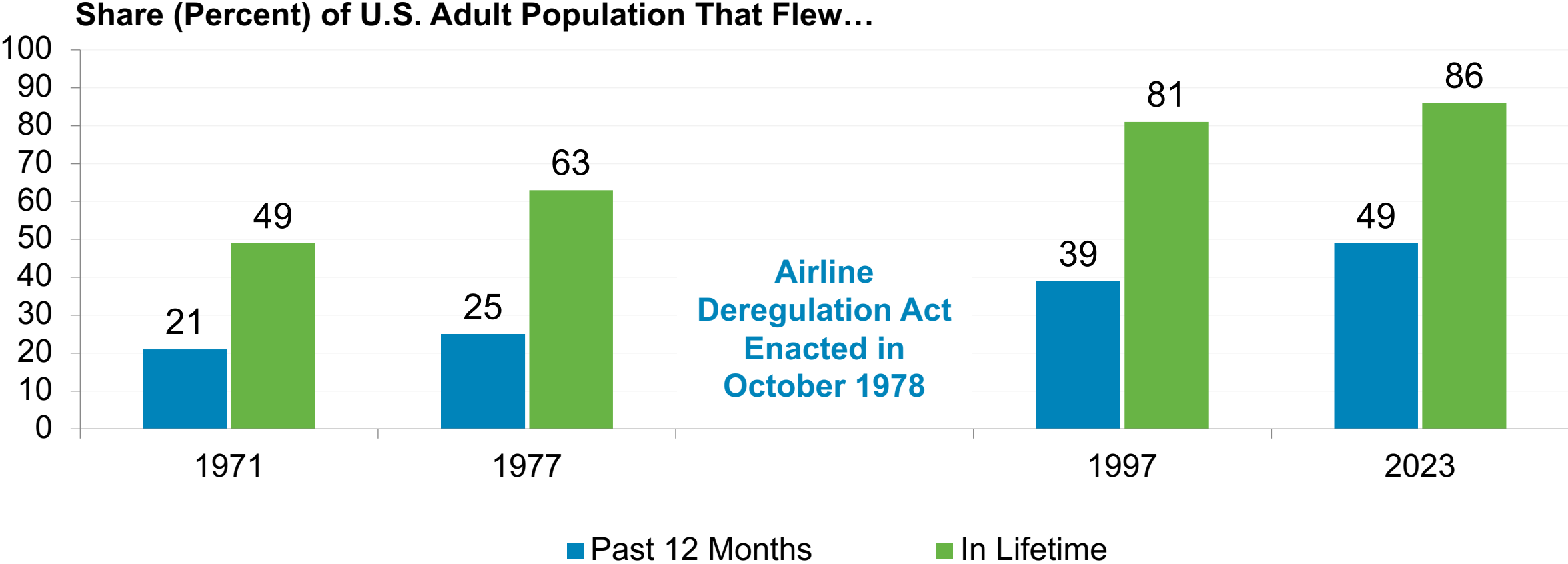


Source: Bureau of Economic Analysis, Bureau of Labor Statistics and Bureau of Transportation Statistics (Data Bank 1B) via Airline Data Inc. and T1 scheduled service for U.S. airlines)



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

Almost Nine in Ten Americans Have Flown Commercially; Half the Population Flew in 2023



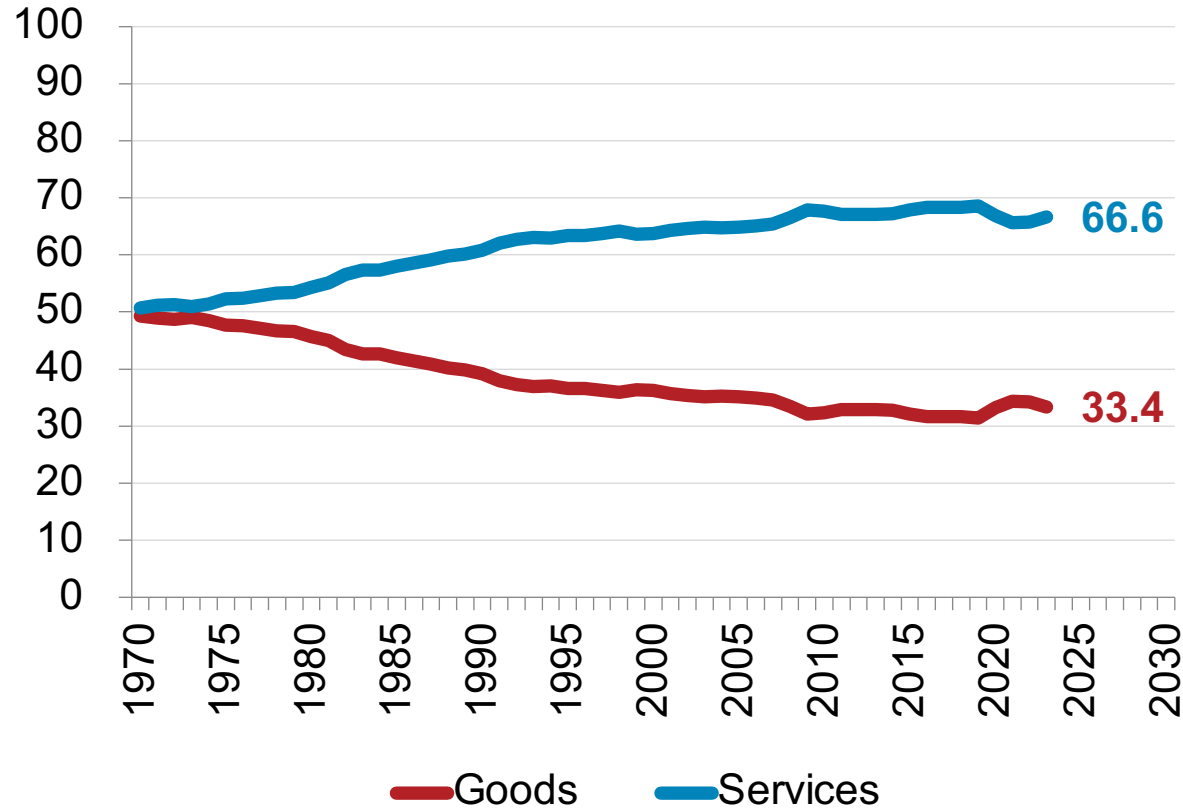
Sources: Historical A4A air travel surveys conducted by Gallup (1971 through 1997) and Ipsos

Note: "Past 5 Years" category was not presented as a possible response preceding 2020.

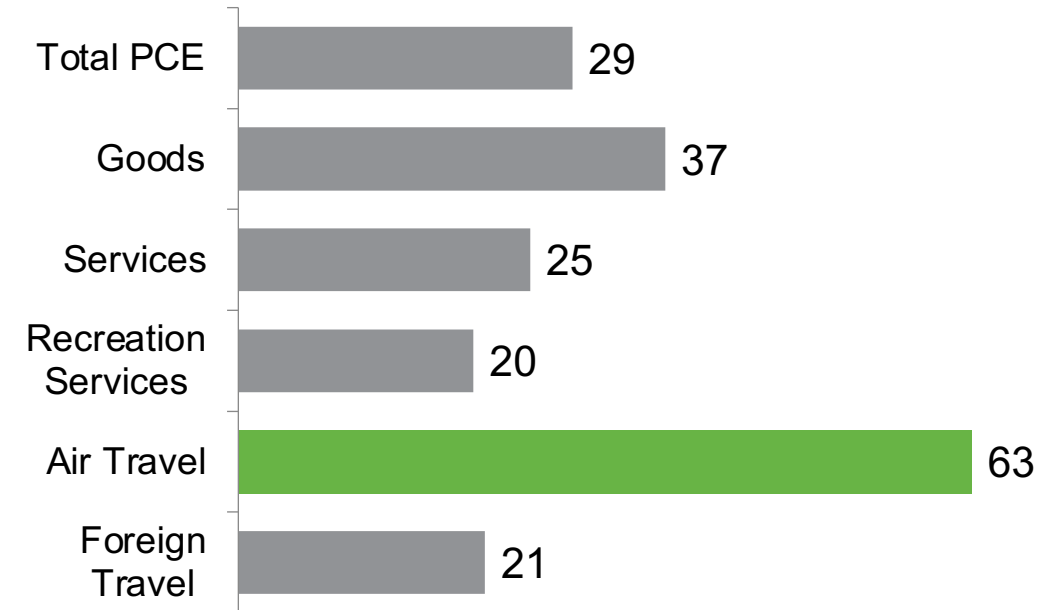
# Two-Thirds of Americans' Spending Now on Services—Up From Just Over Half in 1970

From 2019-2023, Spending on Air Travel Surged

### Share (%) of U.S. Personal Consumption Expenditures 1970-2023



### Change (%) in U.S. Personal Consumption Expenditures 2019-2023

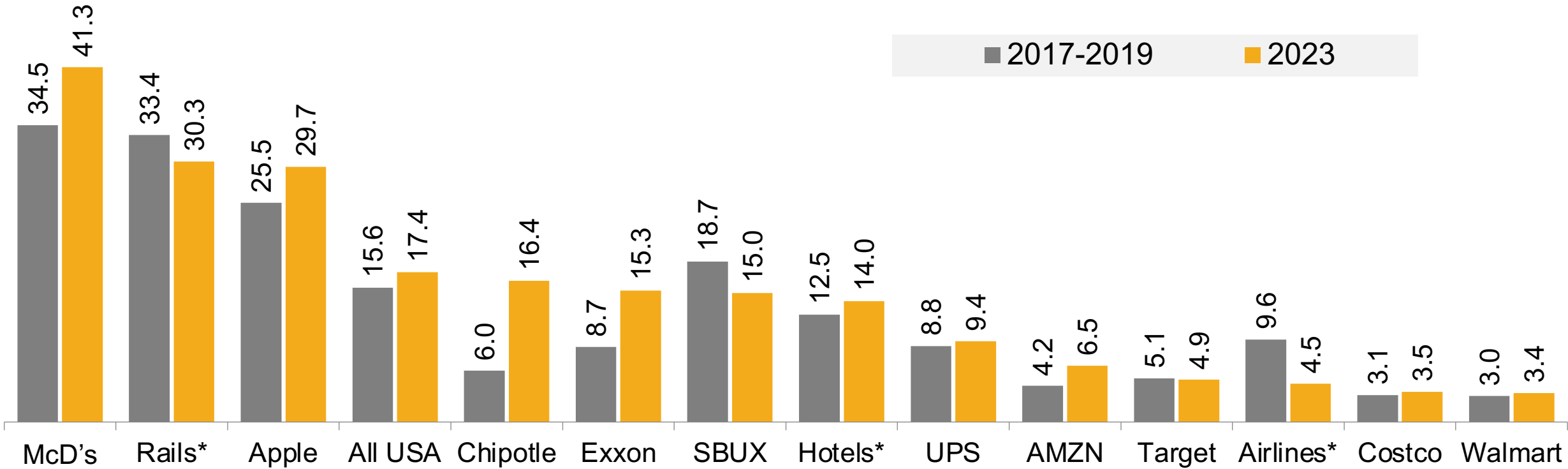


Source: Bureau of Economic Analysis

# In 2023, the Average U.S. Corporation Was Almost Four Times as Profitable as U.S. Airlines

## McDonald's Was Nine Times as Profitable as Airlines

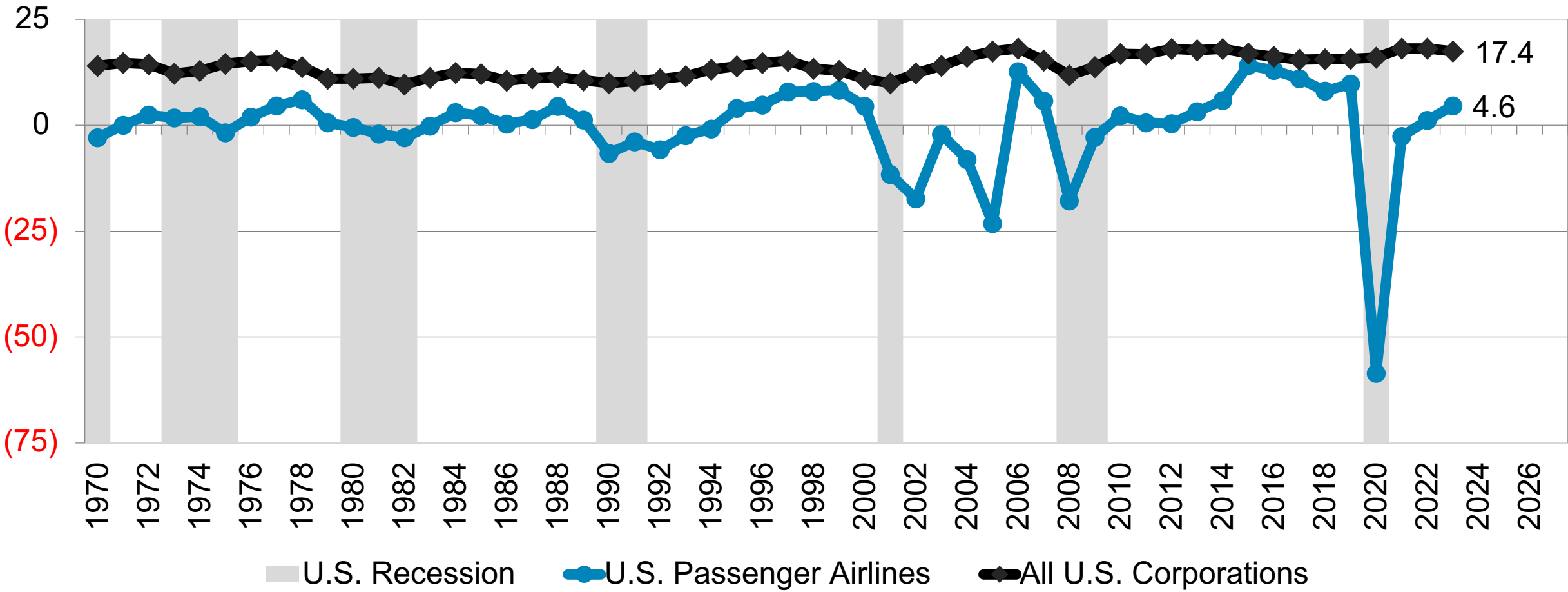
Pre-Tax Profit Margin (%) for Selected U.S. Companies and Industries



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 Lags the U.S. Corporate Average

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

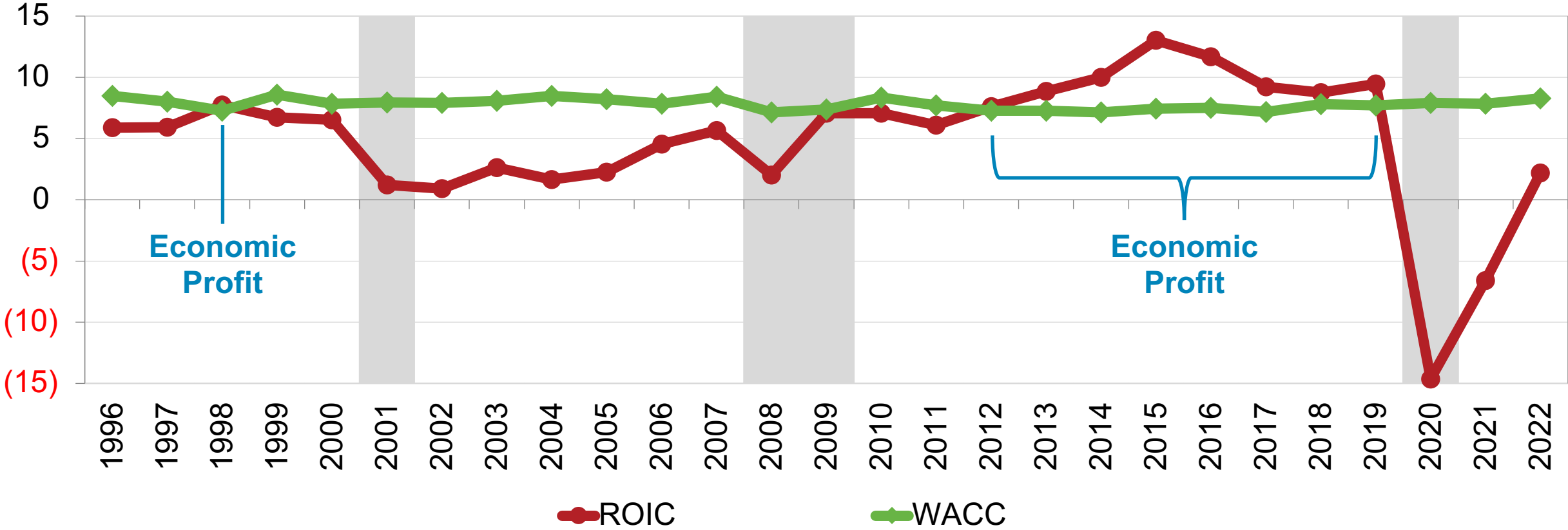


Source: ATA Annual Reports (1970-1976), A4A Passenger Airline Cost Index (1977-present); Bureau of Economic Analysis

Note: Years with at least two months in recession highlighted in gray

# U.S. Airlines Achieved a Rare Feat in 2012-2019, Generating Economic Profits aka Value Added Before That Period, 1998 Was the Last Year in Which They Earned Their Cost of Capital

U.S. Passenger Airlines' Return on Invested Capital (%) vs. Weighted Average Cost of Capital (%)



Source: IATA

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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2019		2022	
	1. Deloitte		1. Amazon
	2. Amazon		2. Deloitte
	3. IBM		3. Apple
	4. Google		4. Danaher
	5. EY		5. FedEx
	6. PwC		6. Meta (Facebook)
	7. Apple		7. Google
	8. Microsoft		8. Boeing
	9. McKinsey		9. Lockheed Martin
	10. Accenture		10. RTX
	11. Lockheed Martin		11. McKinsey
	12. Boeing		12. EY
	13. KPMG		13. JPMorgan Chase
	14. ExxonMobil		14. Disney
	15. Facebook		15. Bank of America
	16. United Technologies		16. PwC
	17. GE		17. BCG
	18. Bank of America		18. The World Bank
	19. JPMorgan Chase		19. Siemens
	20. Disney		20. Gilead

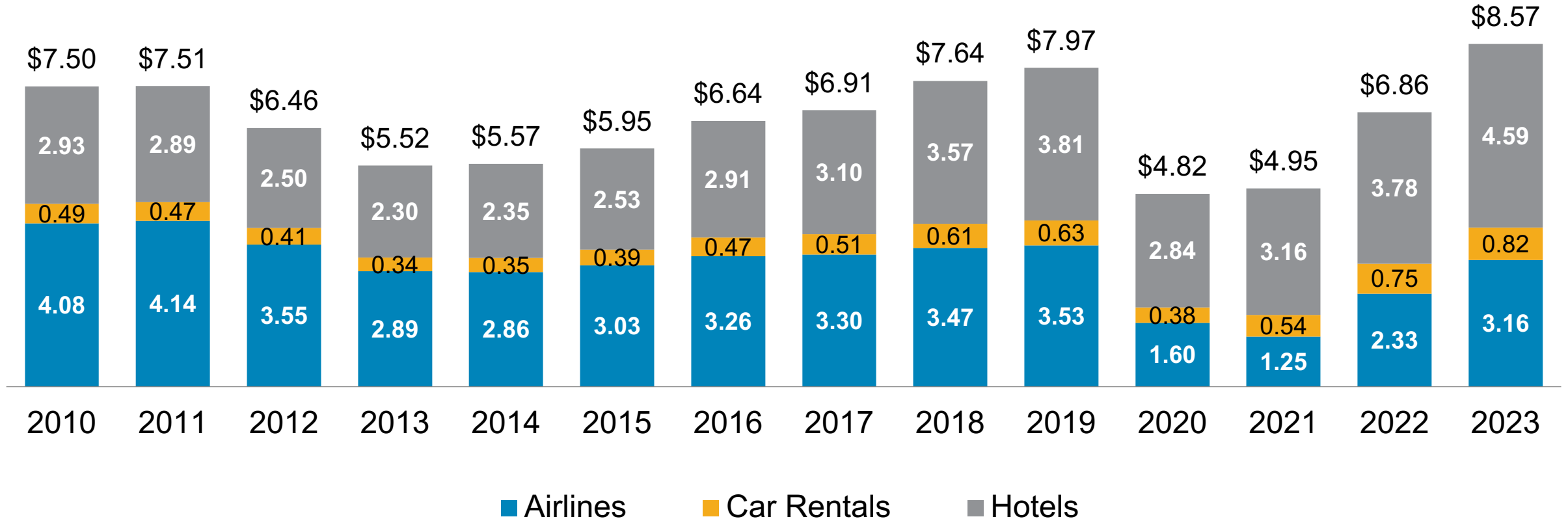
Source: *Business Travel News* ranking of corporate travel programs that spent the most on U.S.-booked air

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# Federal Agency Spending on Air Travel Rebounded to \$3.16B in FY22 — 10% Below FY19

Spending on Hotels Was Up 20% From FY19 Levels, While Spending on Car Rentals Was Up 30%

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

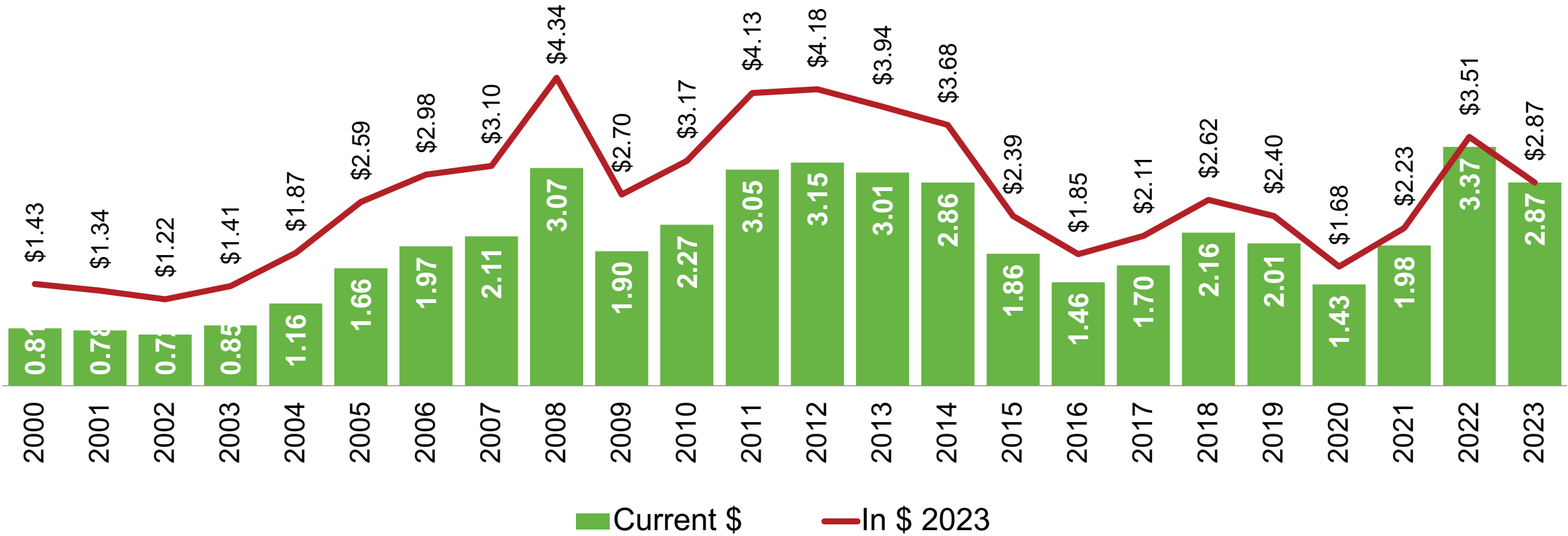


Source: U.S. General Services Administration (GSA) SmartPay® travel program

# 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

Average Systemwide Paid Price (\$) of Jet Fuel per Gallon: U.S. Passenger and Cargo Airlines

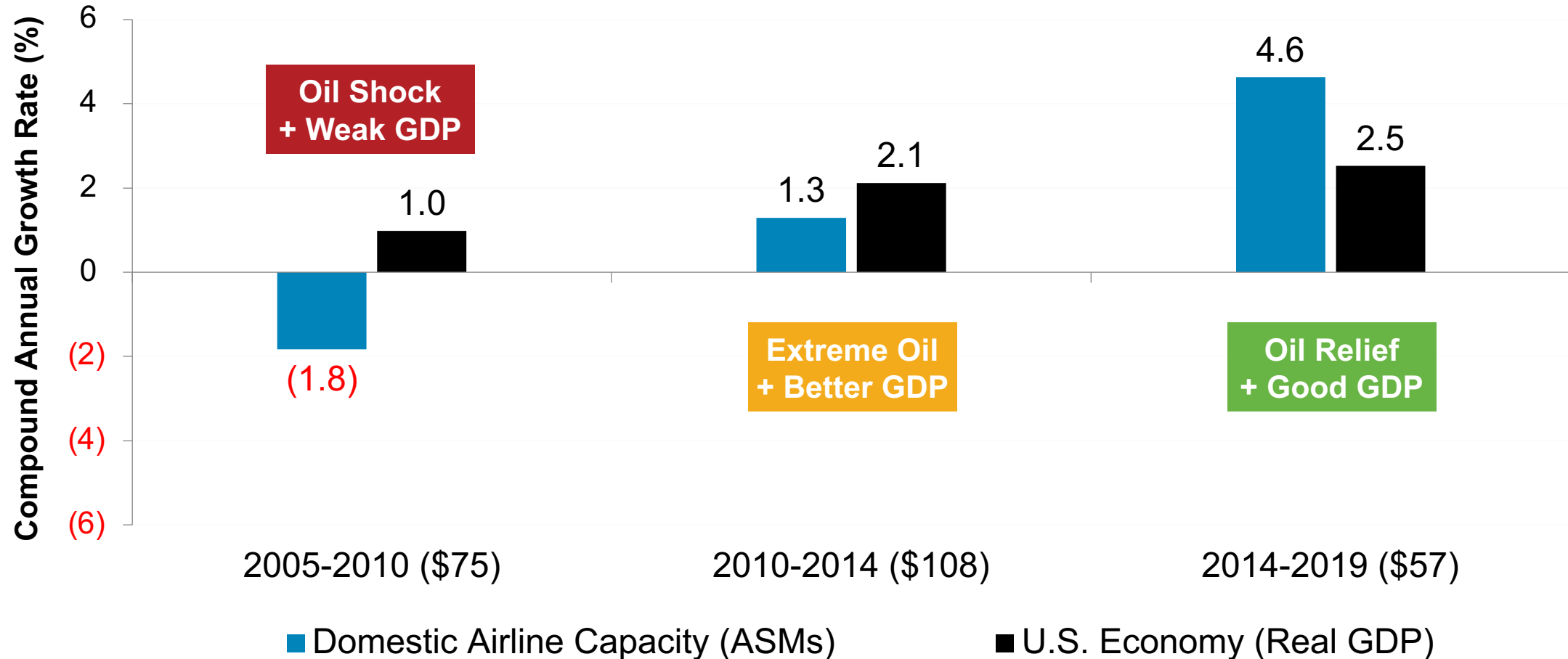


Source: Bureau of Transportation Statistics (all U.S. carriers, systemwide scheduled and nonscheduled services)



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

## When Fuel Costs Decline and Finances Improve, Growth Accelerates

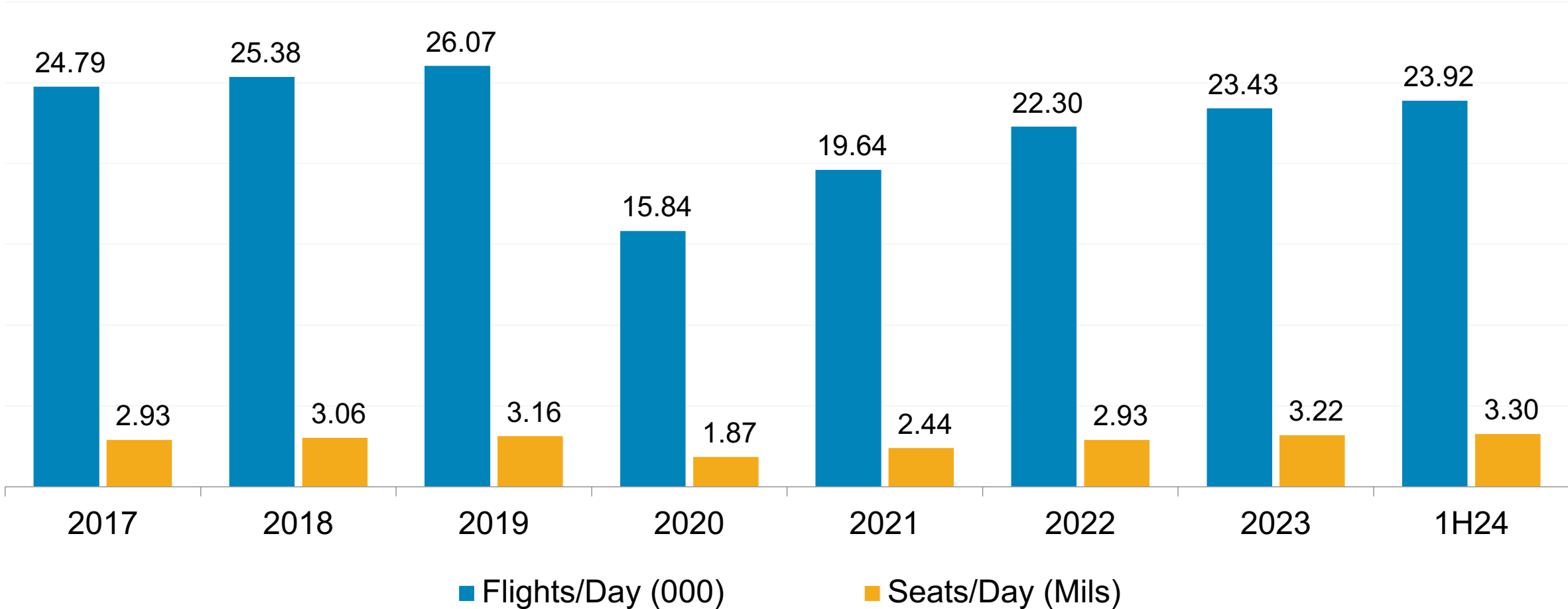


Sources: Bureau of Economic Analysis, Energy Information Administration, IHS Markit® and Cirium

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

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

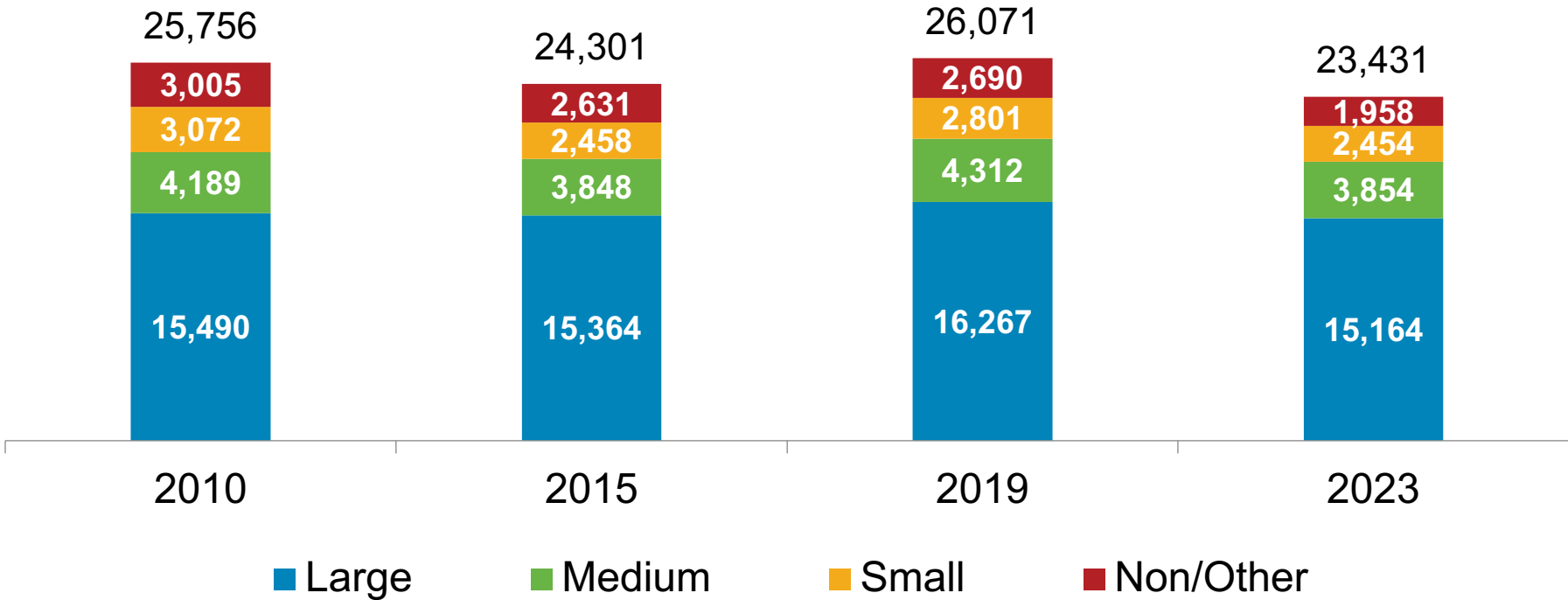
## Scheduled Passenger Flights Departing U.S. Airports Will Average 138 Seats



Sources: Cirium published schedules (April 12, 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

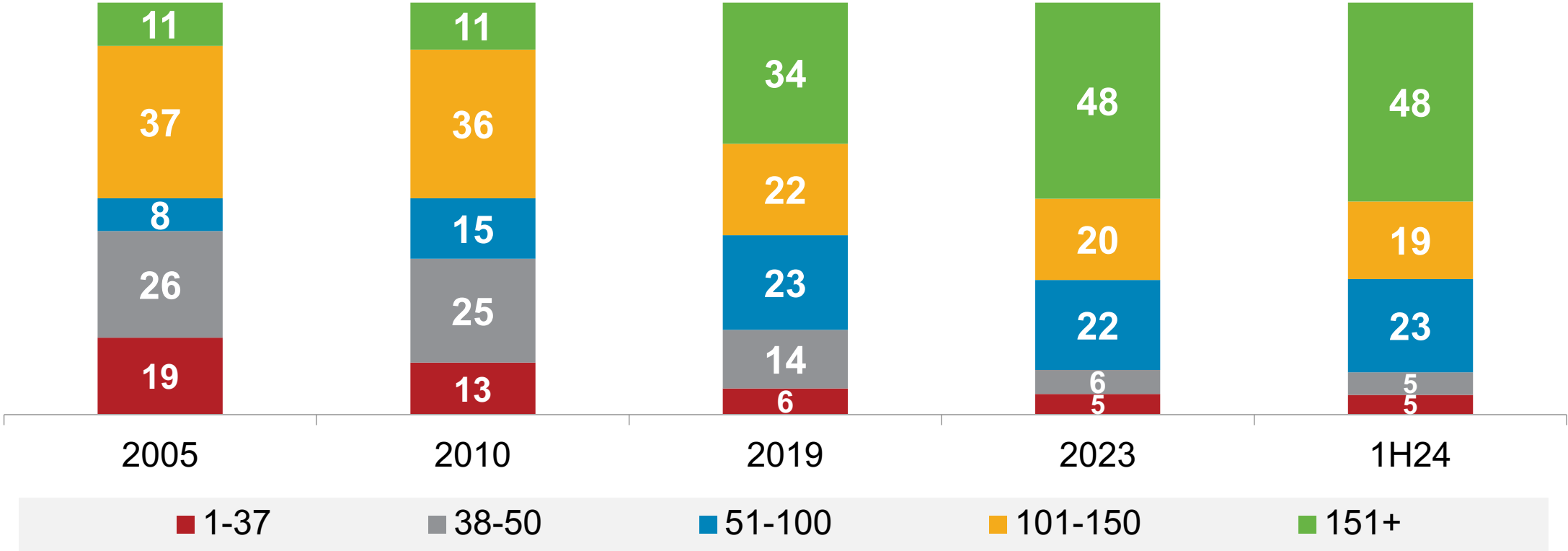
Sources: Cirium published schedules (Jan. 5, 2024) for all airlines providing scheduled passenger service from U.S. airports to all destinations

\* Operating with 50 or fewer seats

# Aircraft Exceeding 100 Seats Now Constitute 67% of Domestic Scheduled Passenger Flights

Among Regional Airline Domestic Flights, 69% Exceed 50 Seats per Departure

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



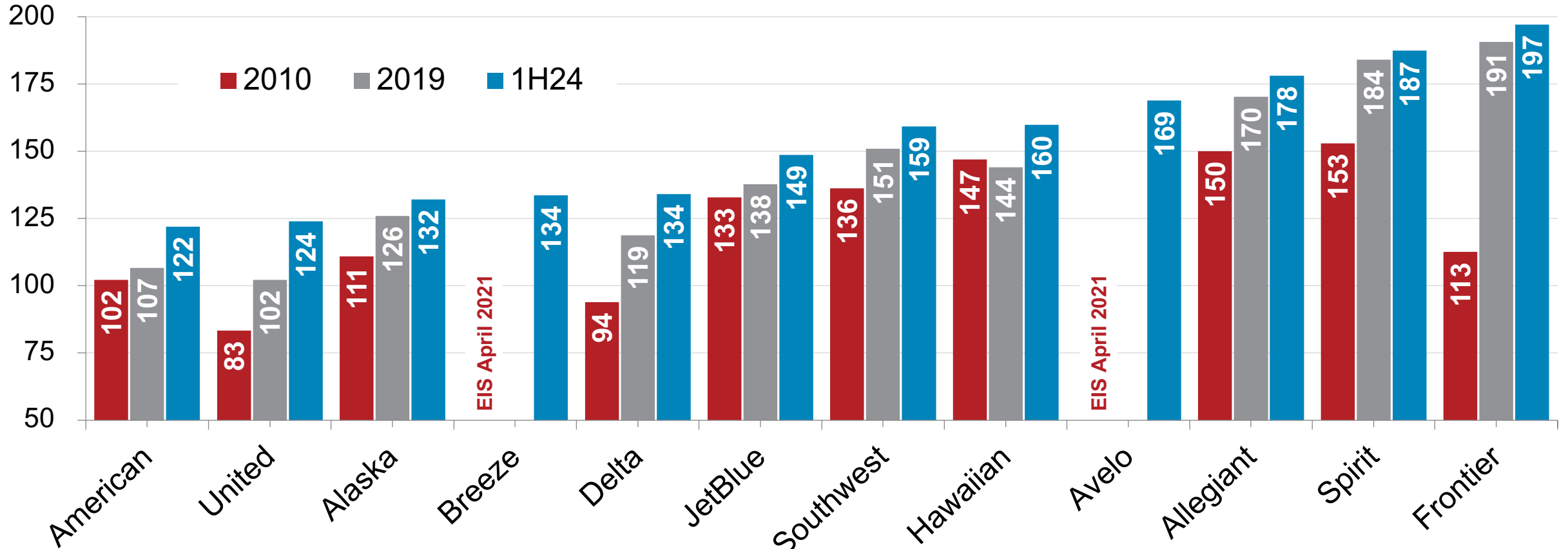
Source: Cirium published schedules (April 12, 2024)

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

### Average Seats per Domestic Departure by Marketing Airline\*

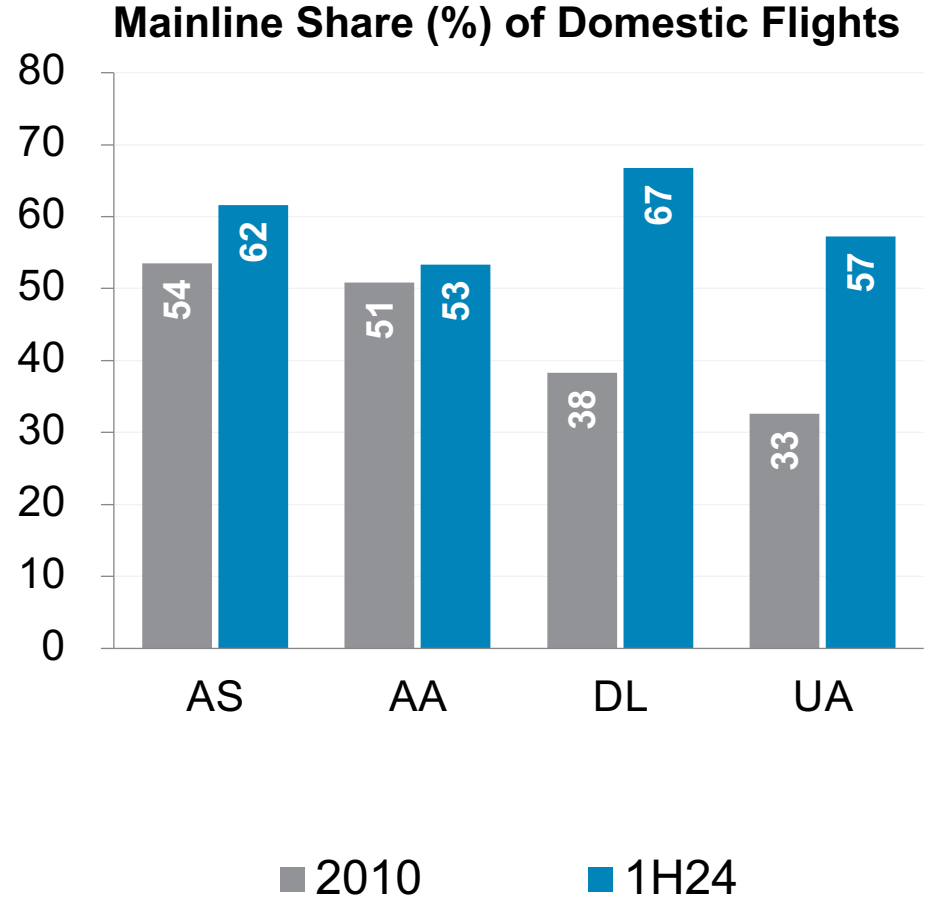
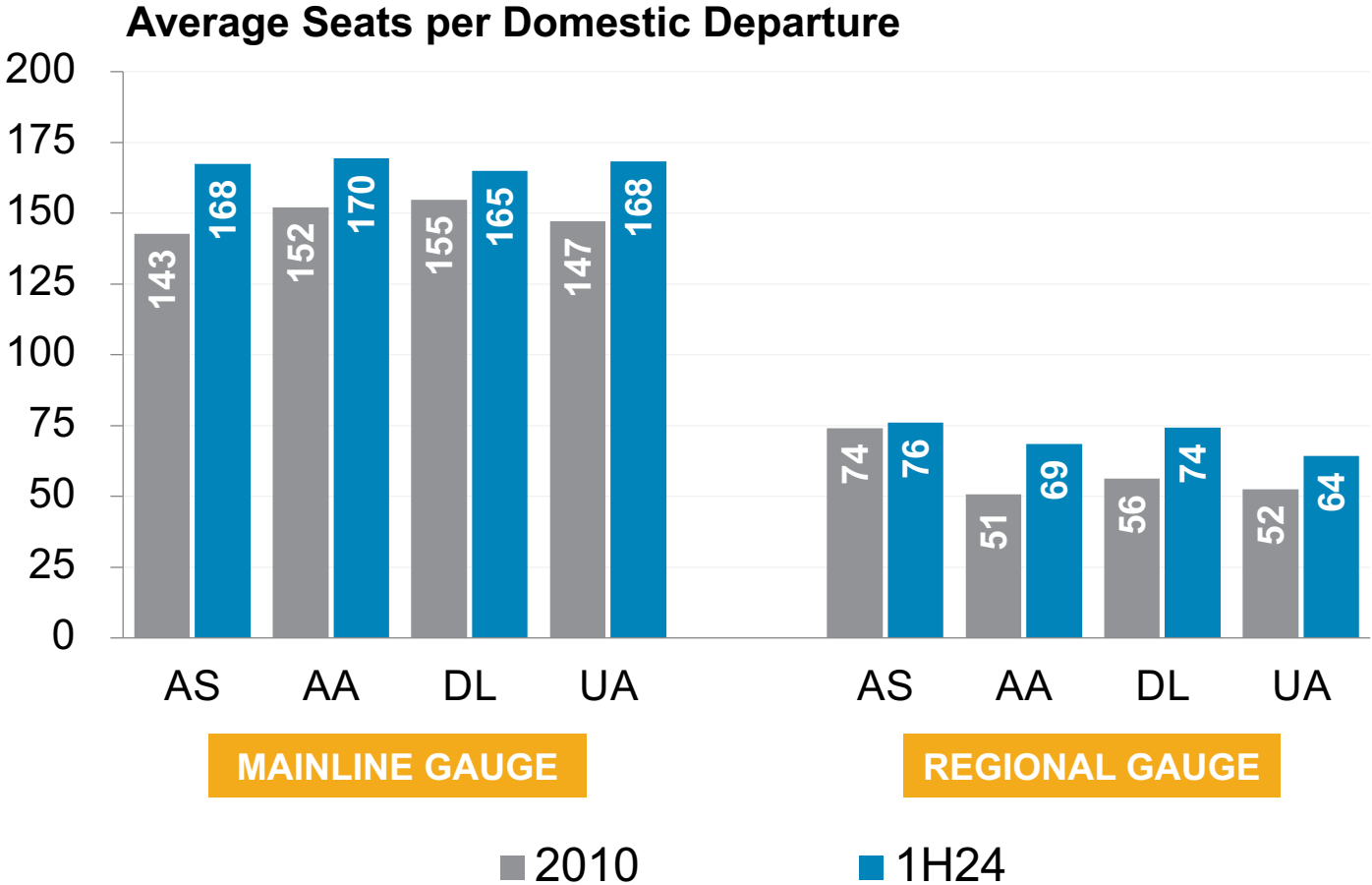


Source: Cirium schedules (Feb. 9, 2024) for selected marketing airlines

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

# Domestically, Network Carriers Have Up-Gauged Mainline *and* Regional Operations

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

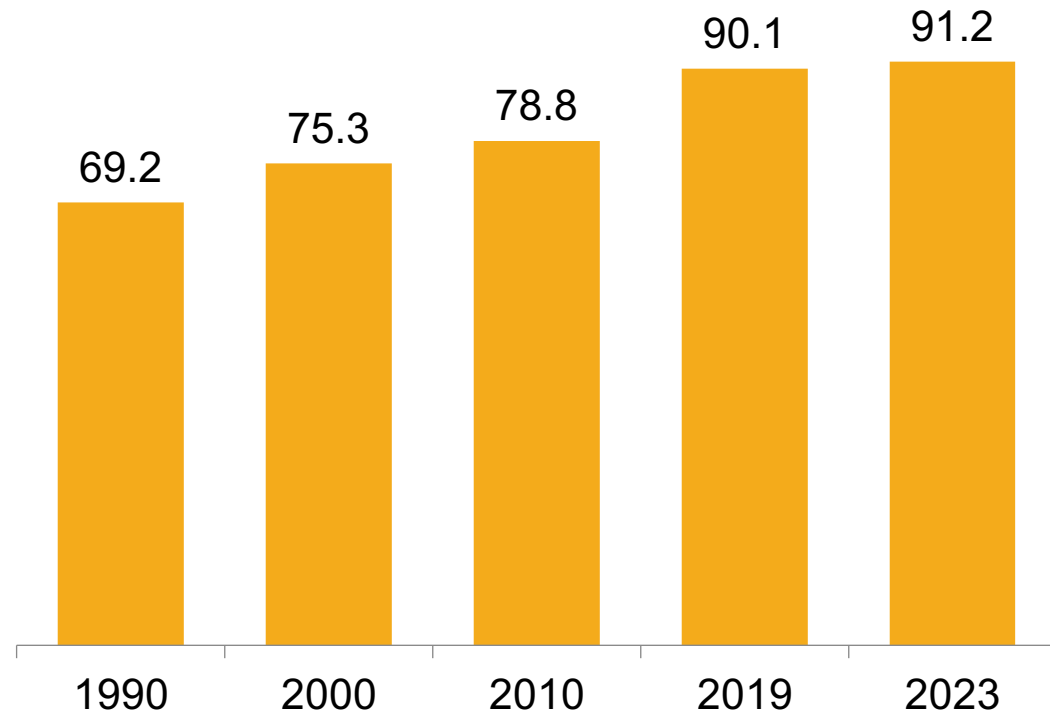


Source: Cirium published schedules (Jan. 5, 2024)

# Nonstop Domestic Service Is More Prevalent Than Ever Before

Share of Busiest Markets With a Nonstop Service Option Rose From 69% in 1990 to 91% in 2023

Share (%) of Top 2000 Domestic O&D Markets (Airport Pairs) With Nonstop Service\*



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
2000	HNL-OGG	3,261	HOU-IND	51
2010	JFK-LAX	3,239	ALB-DFW	54
2019	JFK-LAX	4,292	CLT-PWM	70
2023	JFK-LAX	3,260	JFK-RNO	72

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

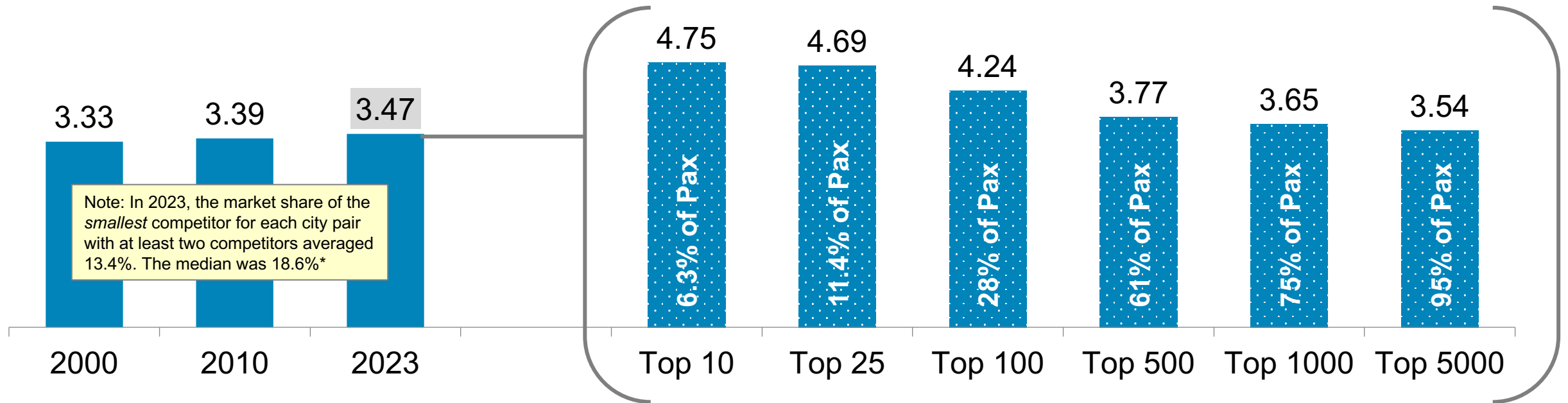
\* Top 2000 markets accounted for 80% of domestic O&D passengers in 2019; nonstop = as at least 40 round-trip flights in any quarter

# From 2000-2023, the Number of Competitors per Domestic Trip Rose From 3.33 to 3.47

## In 2023, 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.

**Average Number of Competitors\* in Domestic U.S. Markets (O&D City Pairs)**



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 2023 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>2023</u>
Alaska	67.4	Alaska	58.6
JetBlue	15.1	Delta	23.0
Southwest	7.2	United	5.9
American	5.6		

Boston-Cleveland (CAK/CLE)			
	<u>2007</u>		<u>2023</u>
Continental	62.6	JetBlue	50.3
AirTran	30.2	Delta	38.4
		American	6.0

Rochester, NY-South Florida (FLL/MIA)			
	<u>2007</u>		<u>2023</u>
AirTran	33.9	Southwest	35.3
US Airways	22.8	American	24.0
Delta	18.5	Delta	23.8
JetBlue	14.7	United	8.5
		JetBlue	7.8

Chicago (MDW/ORD)-Sacramento			
	<u>2007</u>		<u>2023</u>
United	44.8	United	44.3
Southwest	41.9	Southwest	34.4
US Airways	5.1	American	14.8

Memphis-Orlando (MCO/SFB)			
	<u>2007</u>		<u>2023</u>
Northwest	60.1	Southwest	34.8
AirTran	21.6	Spirit	28.9
Frontier	9.8	Allegiant	11.1
Delta	5.7	Delta	10.4
		American	8.7
		Frontier	5.3

Austin-Raleigh/Durham			
	<u>2007</u>		<u>2023</u>
American	62.1	American	39.1
Southwest	19.0	Southwest	32.6
Delta	7.4	Delta	24.9
Continental	5.8		

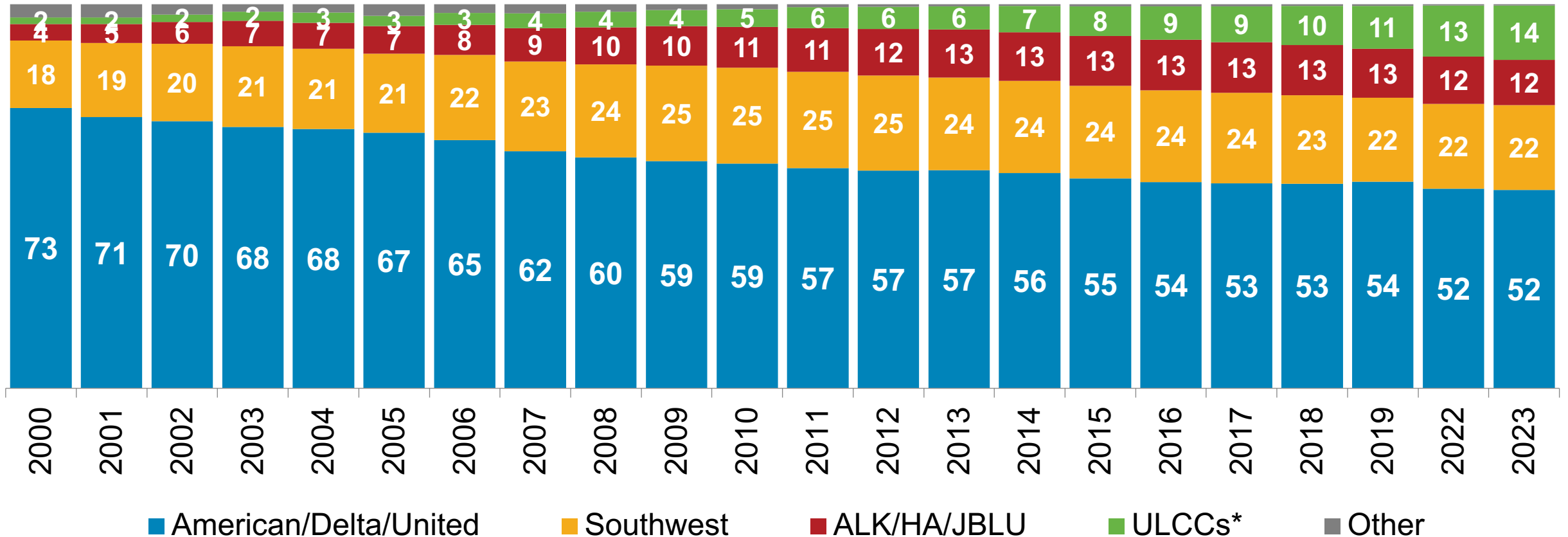
Source: DOT Data Bank 1B (nondirectional data) via Cirium

\* 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

Share (%) of U.S. Domestic O&D Passengers by Airline Business Model



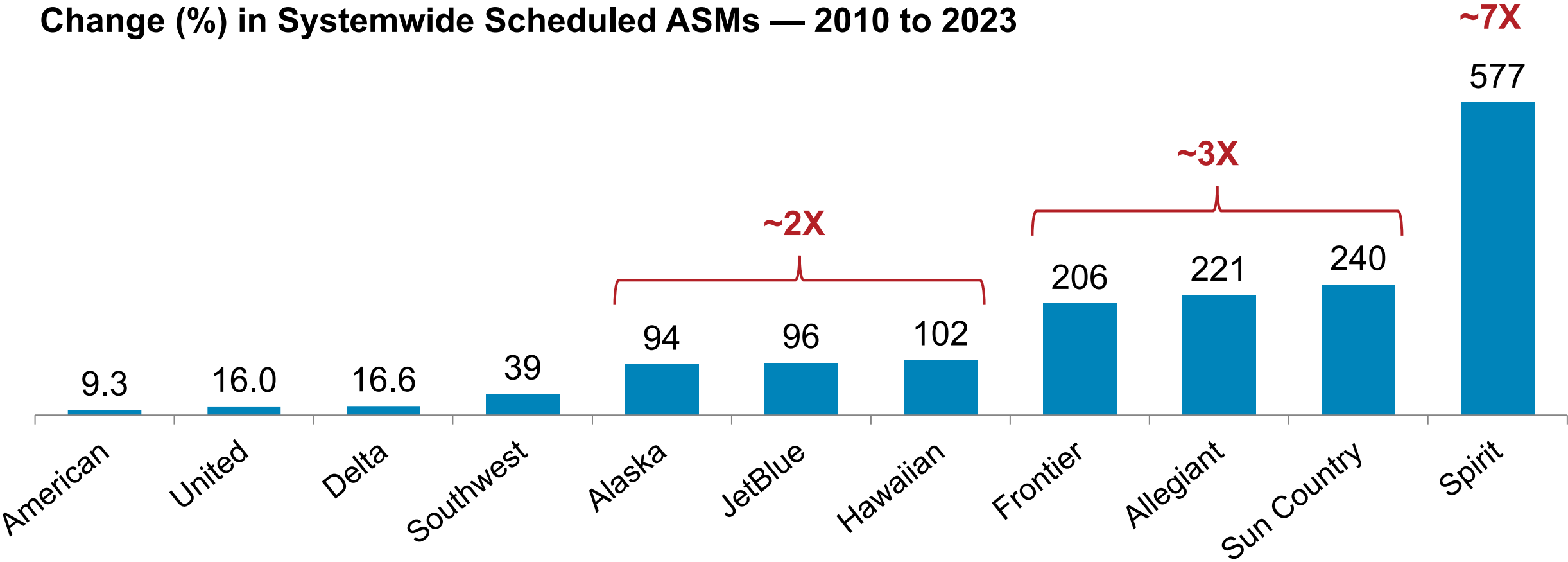
Source: DOT Data Bank 1B (each airline shown on a marketing-carrier basis and tracked with its respective merged/acquired predecessors [e.g., DL/NW]) via Cirium

\* 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

Change (%) in Systemwide Scheduled ASMs — 2010 to 2023

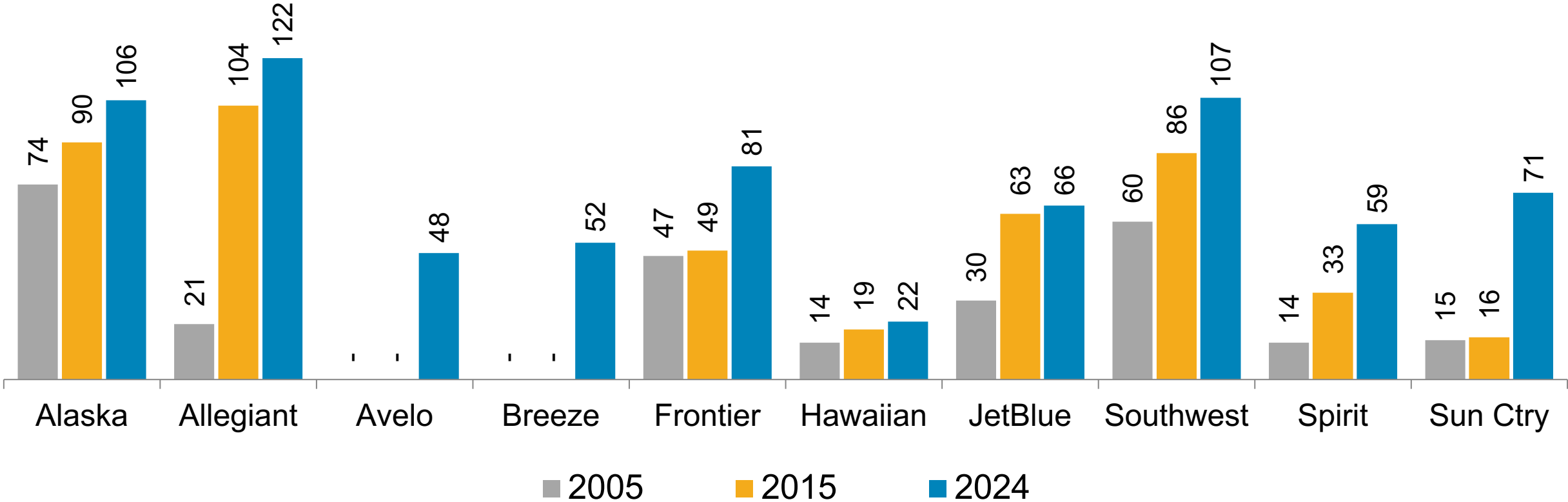


Source: Cirium schedules (Jan. 5, 2024) for selected marketing airlines including merged/acquired predecessors

# 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 in July

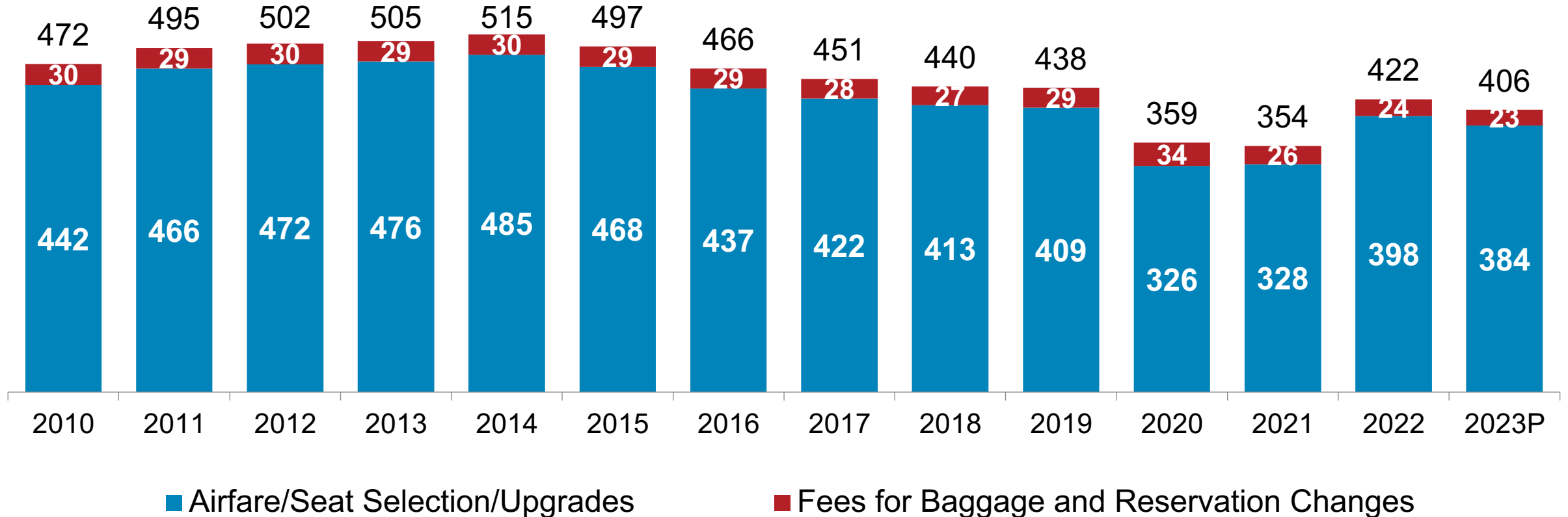


Source: Cirium published schedules (April 12, 2024) for selected marketing airlines

# In 2023, Inflation-Adjusted Domestic Fares/Fees Fell ~7% Below 2019 Levels

From 2010-2023, the Real Price\* of Domestic Air Travel—including Ancillaries—Fell ~14%

## Round-Trip Ticket Price (in \$ 2023)\*

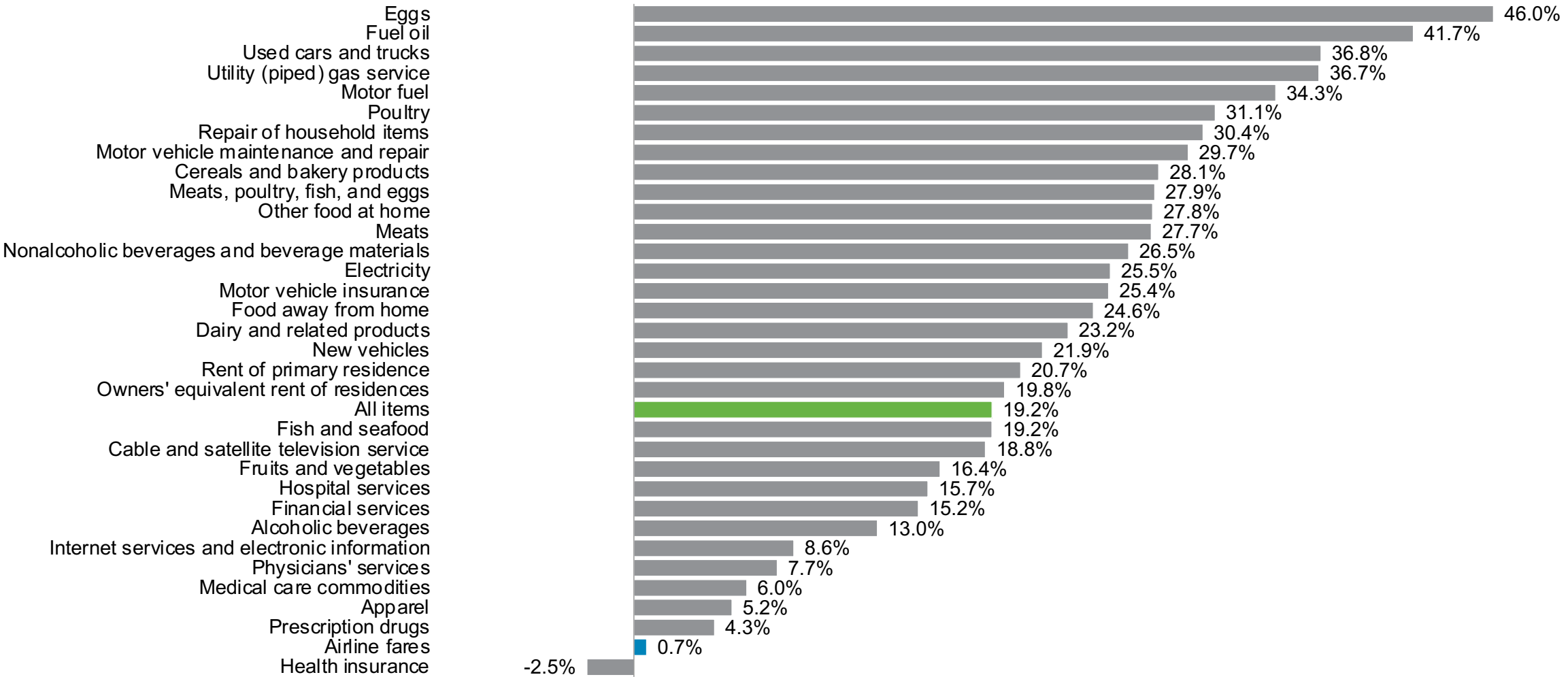


Source: A4A analysis of DOT Data Bank 1B (all cabins and fare basis codes) and DOT Form 41 via Airline Data Inc. (airlinedata.com)

\* Data for fares and ancillary fees available through 3Q23; 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

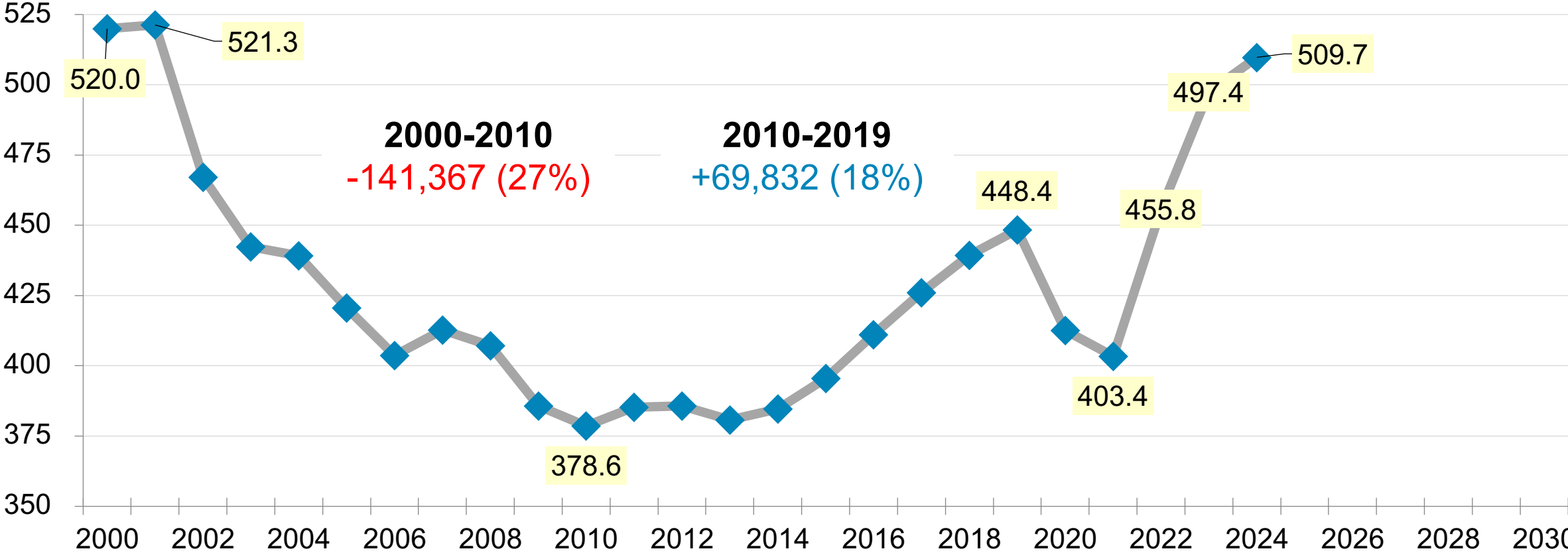


Source: Bureau of Labor Statistics

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

Averaged 497K FTEs in 2023—49K More Than in 2019

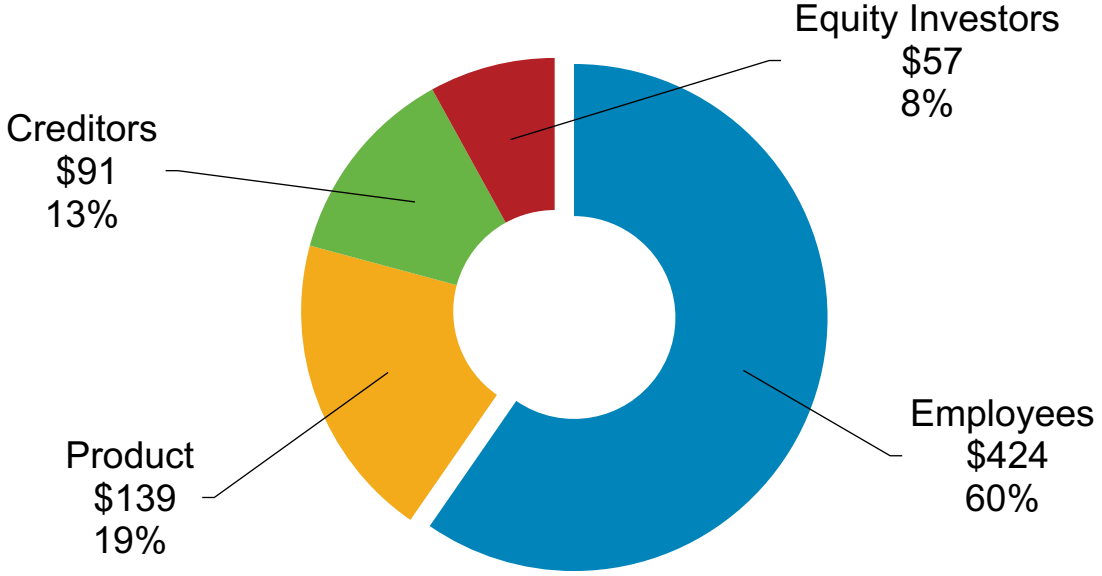
### U.S. Scheduled Passenger Airline Full-Time Equivalent Employees\* (000s)



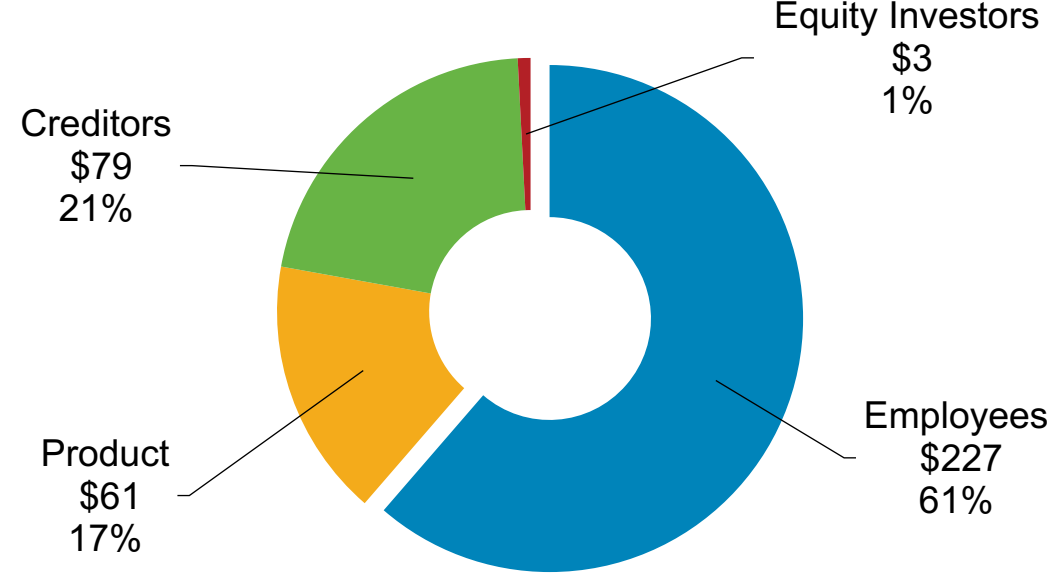
Source: Bureau of Transportation Statistics for scheduled U.S. passenger airlines

# By Far, U.S. Passenger Airlines Allocate the Most Capital (~60%) to the Workforce, Followed by Customers (Product Reinvestment), Creditors (Debt Reduction) and Equity Investors

Allocation of Capital to Major Stakeholders  
2010-2019 (\$ Bils)



Allocation of Capital to Major Stakeholders  
2020-2023P (\$ Bils)



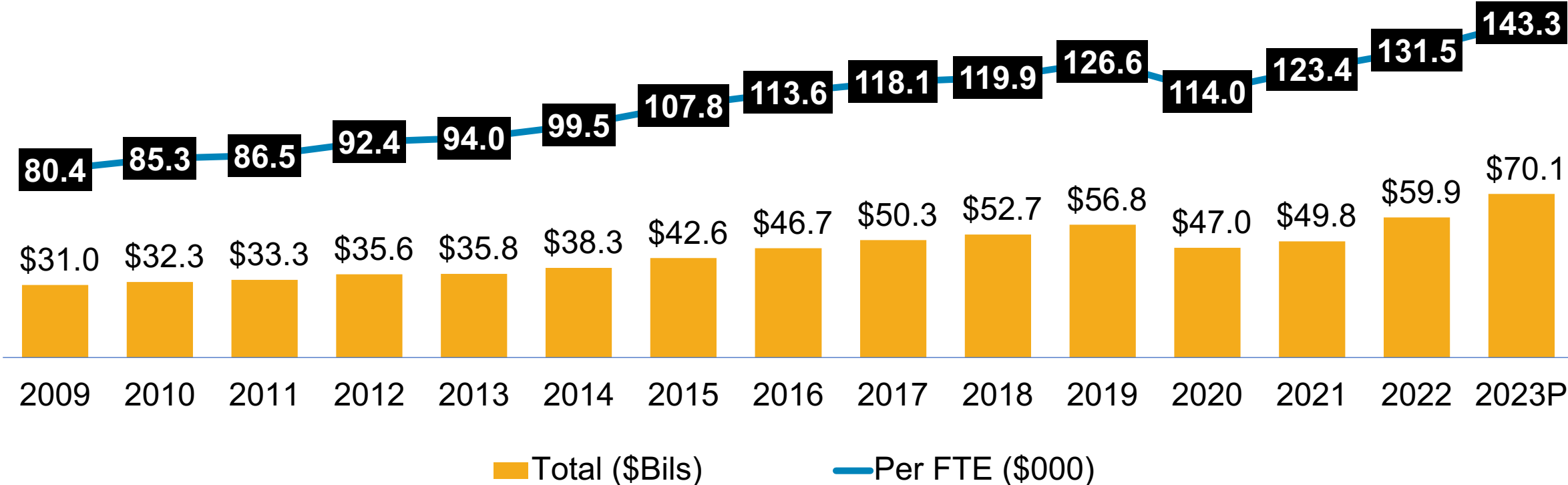
Sources: BTS Form 41 and company SEC filings

\* Employees = salaries/wages/benefits; product = fleet/GSE/facilities/apps/other; creditors = debt retirement; equity investors = dividends/share repurchases



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

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

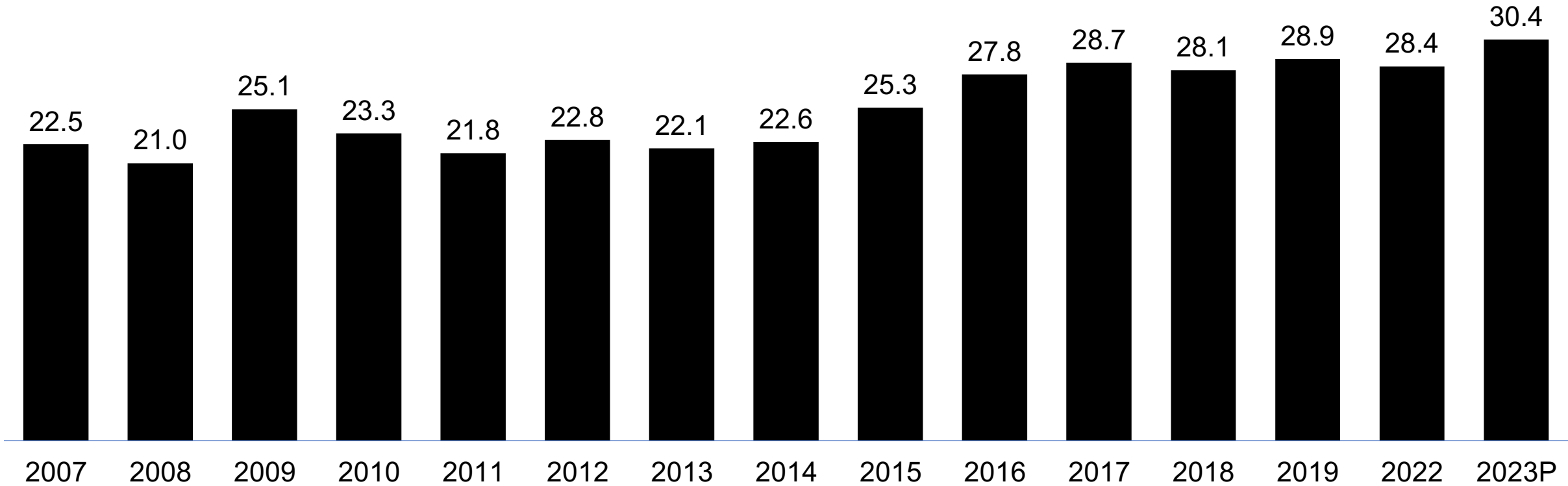


Source: A4A Passenger Airline Cost Index

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

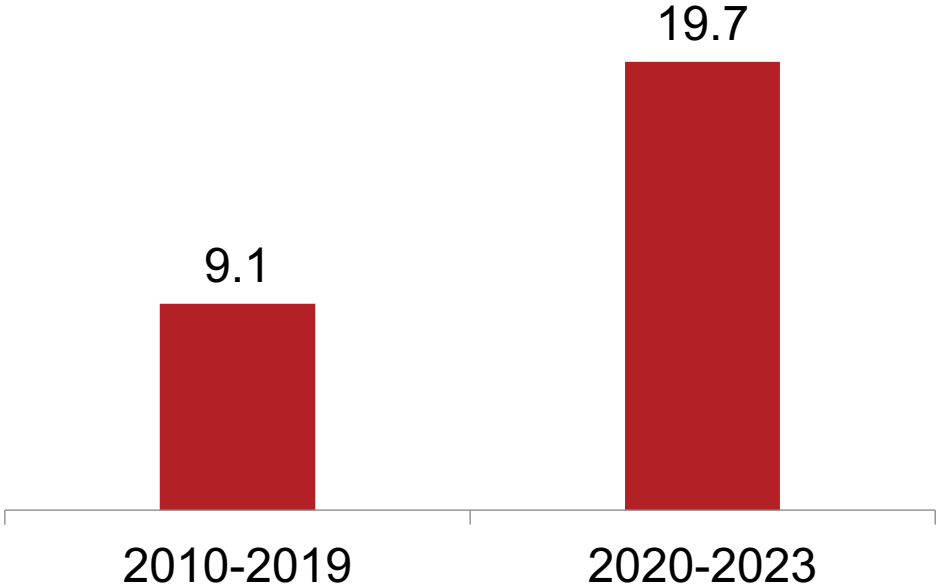


Source: A4A Passenger Airline Cost Index and <https://www.vox.com/new-money/2017/4/29/15471634/american-airlines-raise>

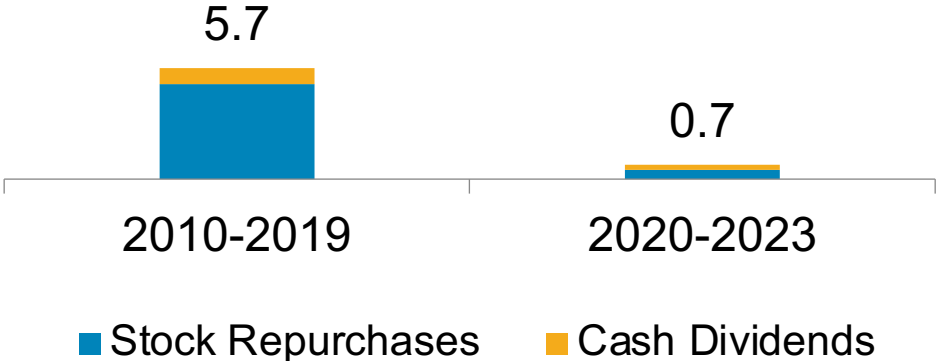
# From 2020-2023, U.S. Passenger Airlines Retired \$79B in Debt — \$19.7B Annually

## Returns to Shareholders Have Been Paltry in the Aftermath of the Pandemic

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



**Average Annual Returns  
to Shareholders (\$ Bils)**



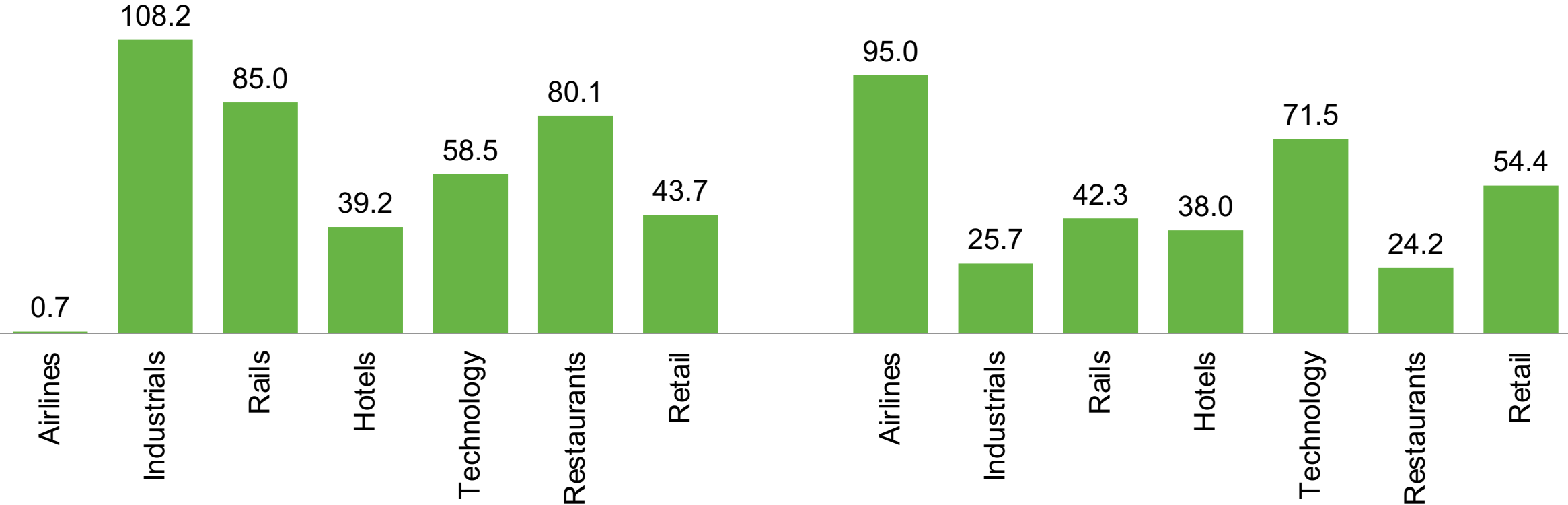
Source: SEC filings of AAL/ALGT/ALK/DAL/HA/JBLU/LUV/SAVE/SNCY/UAL/ULCC and merged predecessors

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

# In 2021-2023, Relative to Other U.S. Industries, Airlines Reinvested Far More Cash Into the Business (via “Capital Expenditures”) Than They Spent on Shareholders (“Capital Returns”)

**Dividends & Stock Repurchases**  
*Spending as % of Operating Cash Flow*

**Investments in the Business (“CapEx”)**  
*Spending as % of Operating Cash Flow*



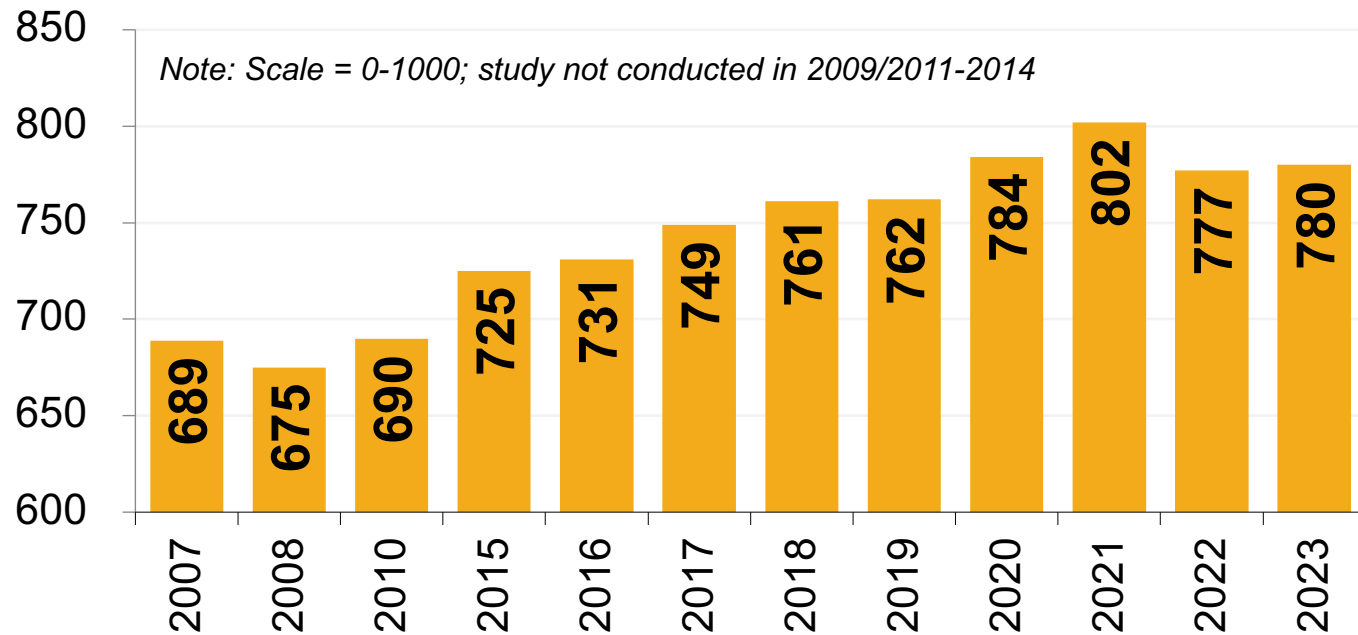
Source: Goldman Sachs, “Cash Flow Benchmarking by Sector” (March 2024), with data from Factset and Bloomberg

Note: CapEx includes R&D expense for technology companies.

# 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

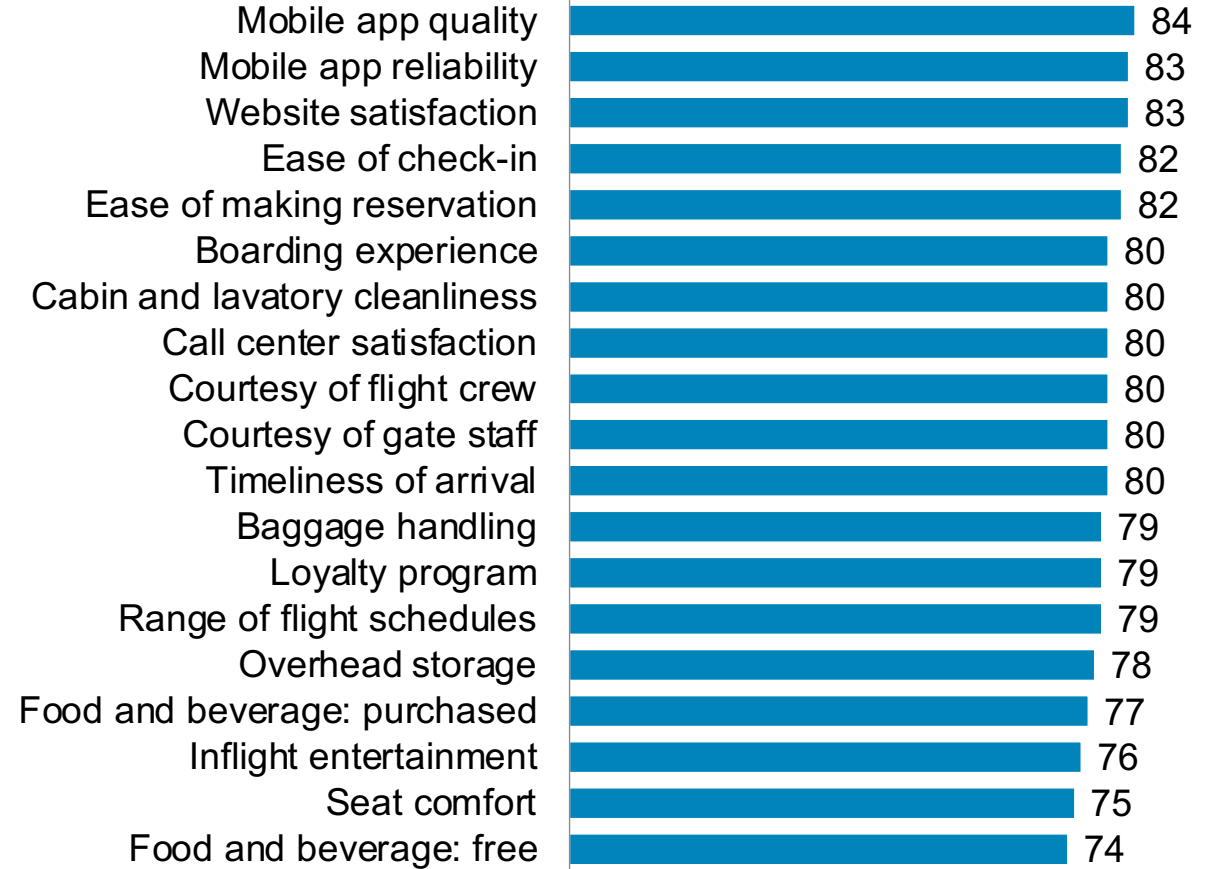
\* Concourses, lounges, signage, restrooms, gate areas

\* 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

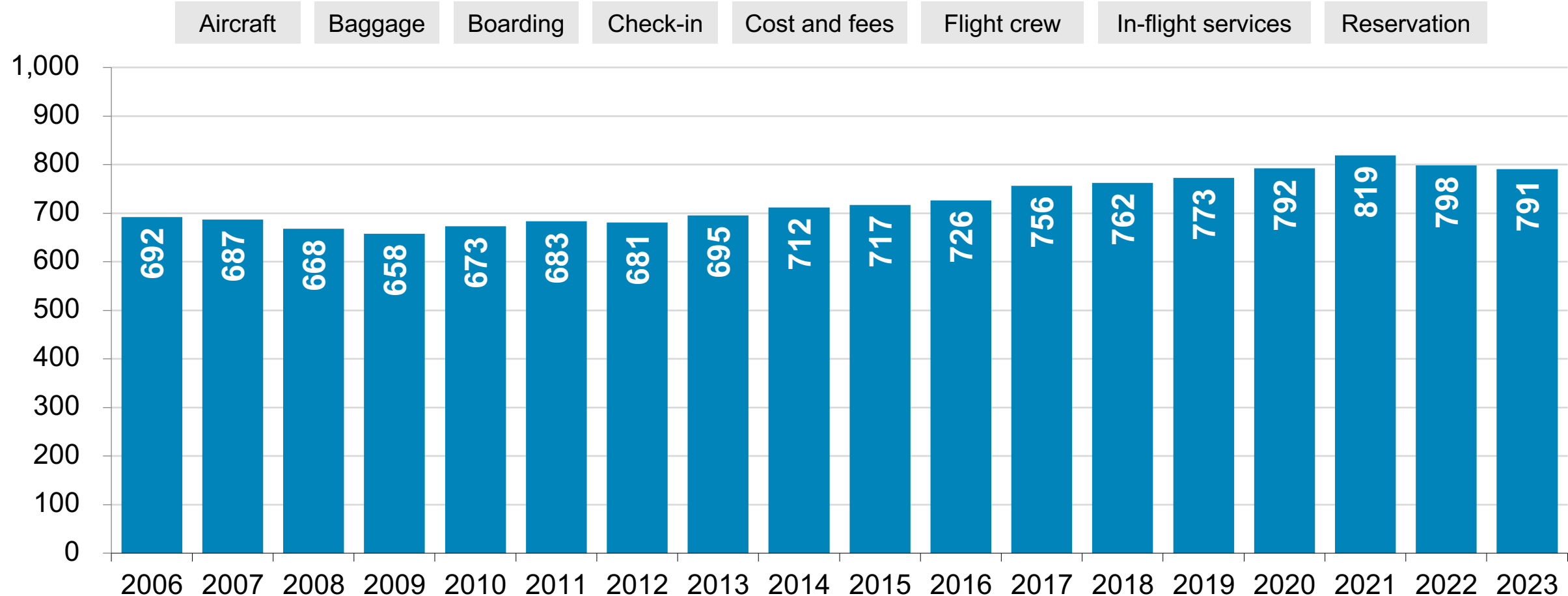


Note: ACSI® and its logo are Registered Marks of the University of Michigan; see <http://www.theacsi.org/the-american-customer-satisfaction-index>. Study commenced in 1994.

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)



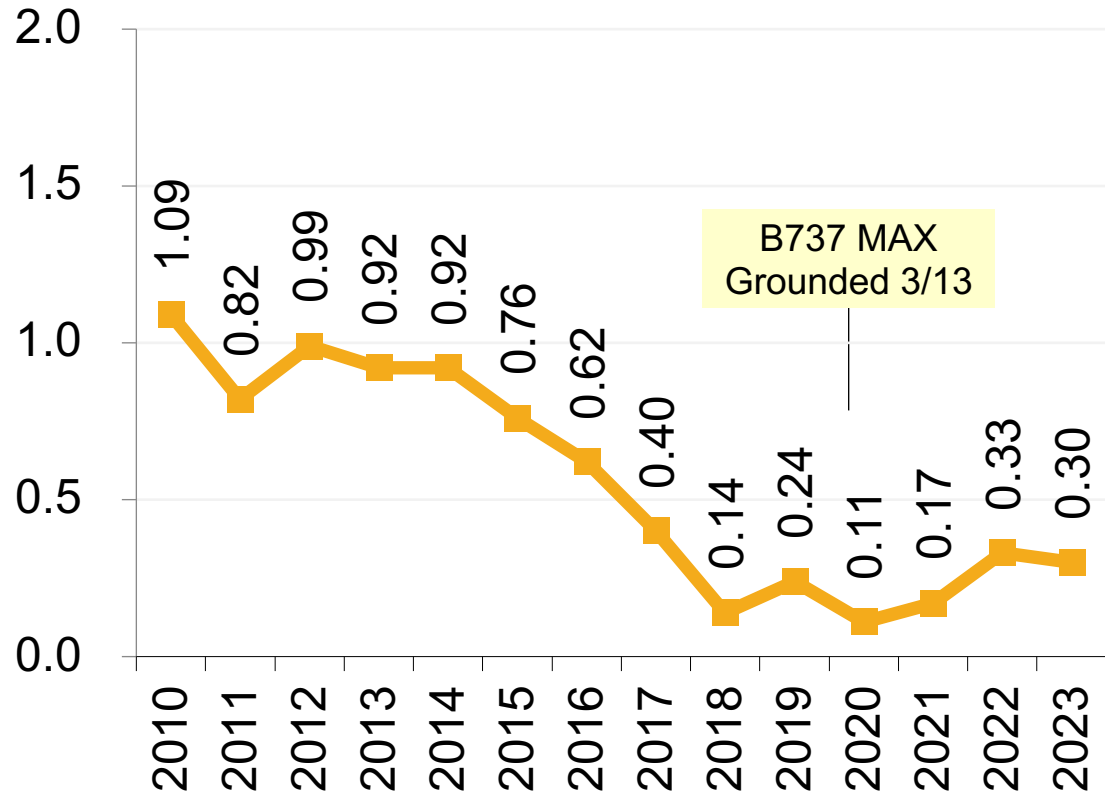
Note: The study is based on responses from 7,774 passengers who flew on a major North America airline within the past month of completing a survey. The study was fielded from March 2022 through March 2023.

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

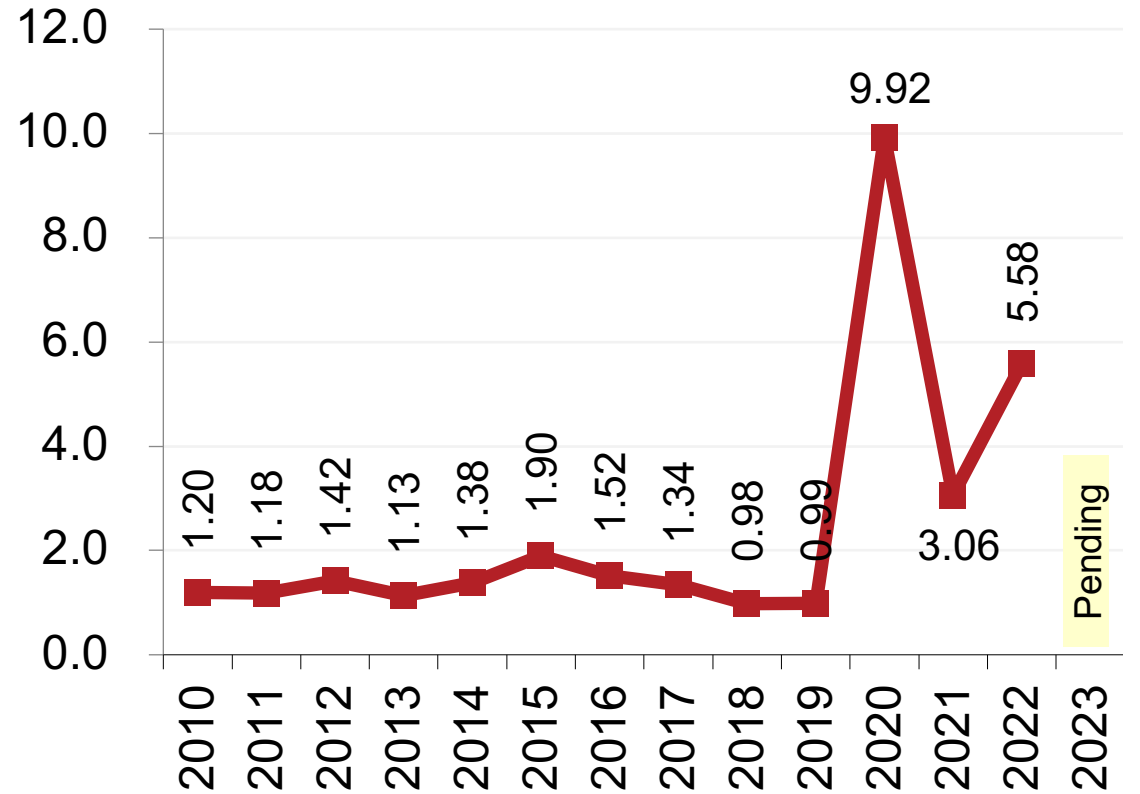
# Denied Boardings and Customer Complaints

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

### Involuntary Denied Boardings per 10K Pax\*



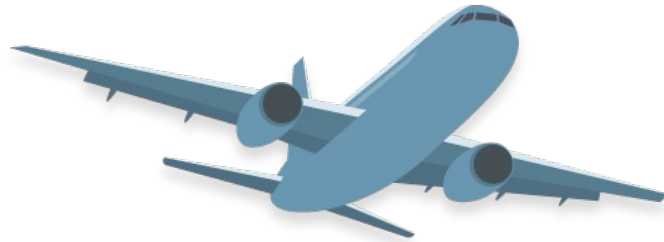
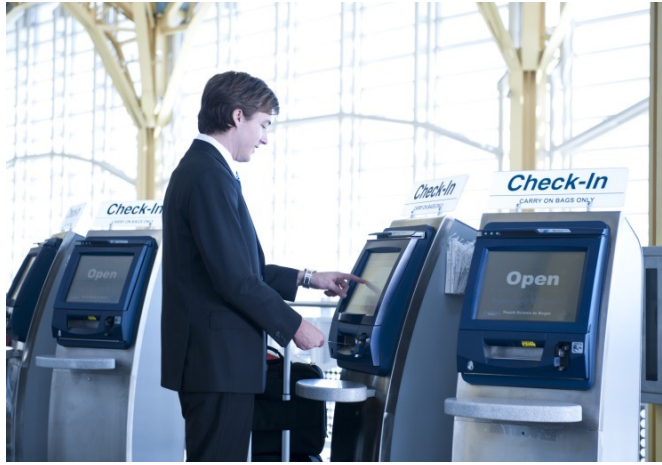
### DOT Customer Complaints per 100K Pax\*



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

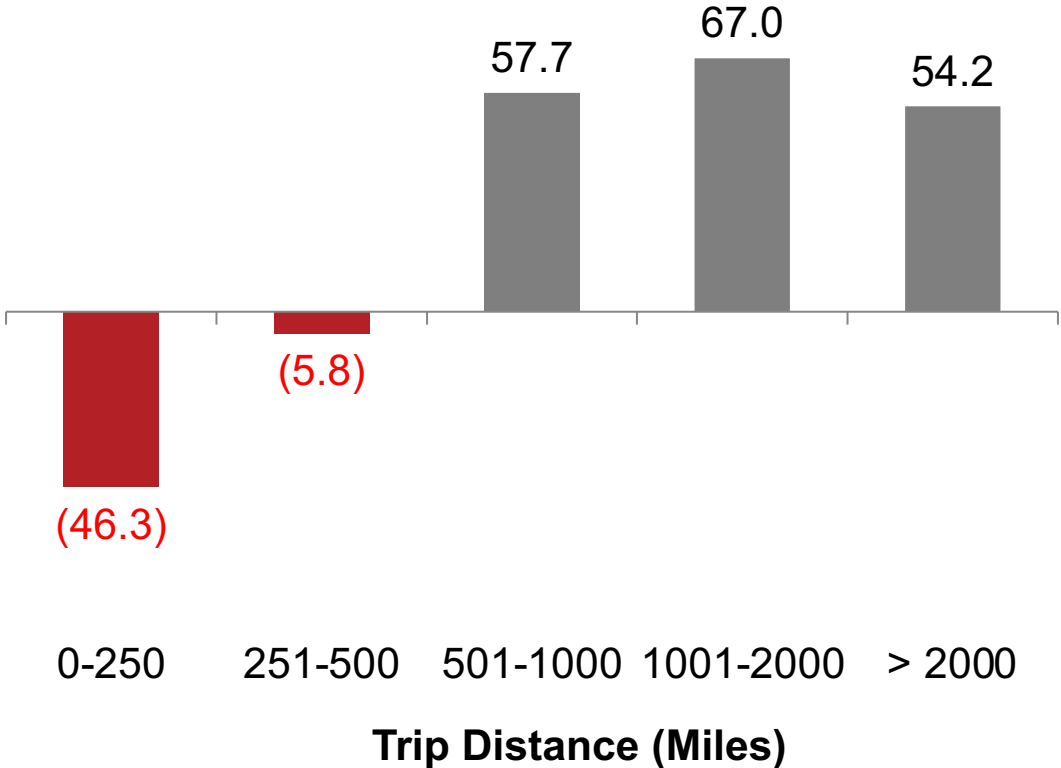
\* U.S. passenger airlines



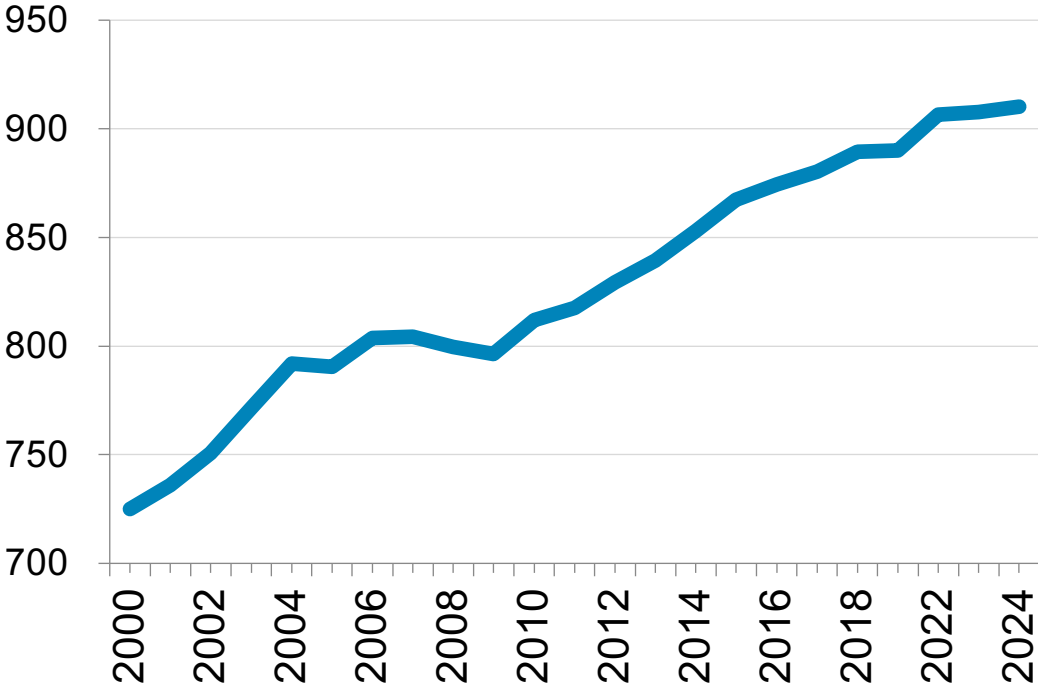


# After 9/11, Domestic Passengers Avoided Air Travel on Shorter Distances; Airlines Adjusted Their Networks Accordingly, Aided by Aircraft Advances, to Increase Average Seat Distance

Change (%) in Domestic O&D Passengers by Distance Band (Miles) — Pre-9/11\* to 2023



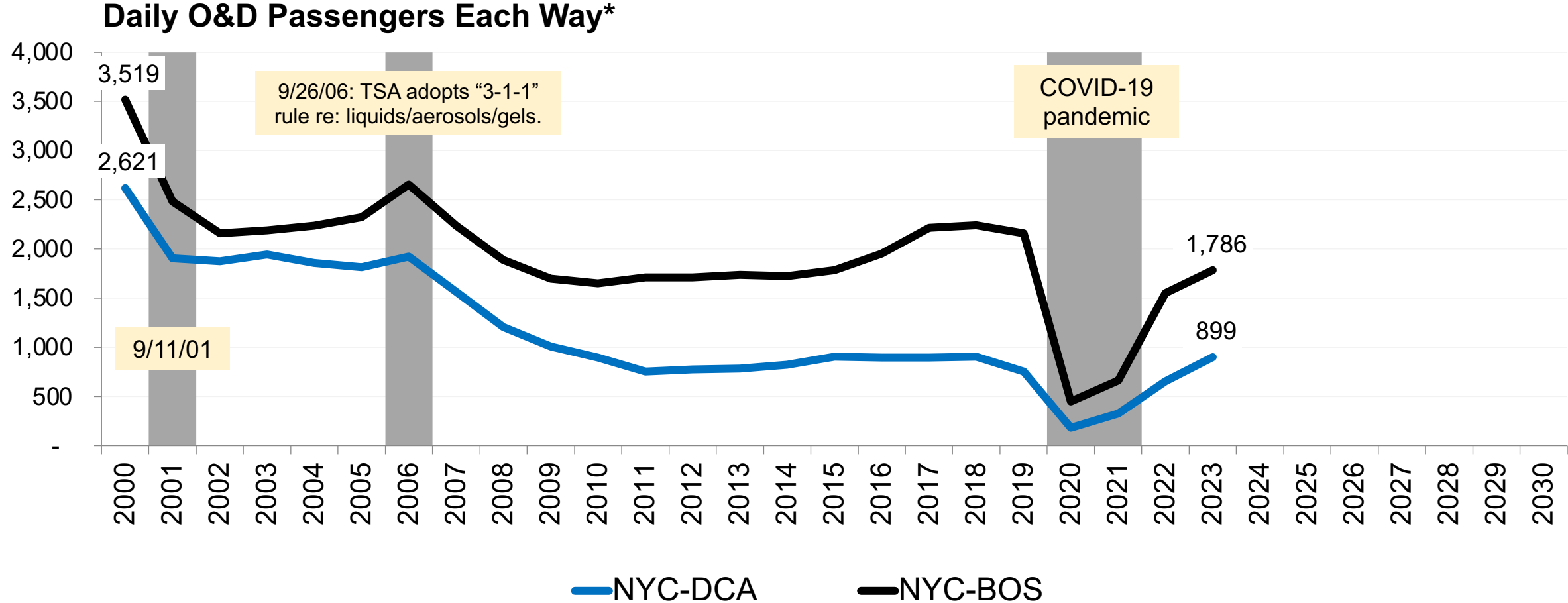
Average Miles per Domestic Scheduled Seat



Source: DOT Data Bank 1B (O&D Survey data) and Cirium published airline schedules (March 29, 2024)

\* Four quarters ending June 2001

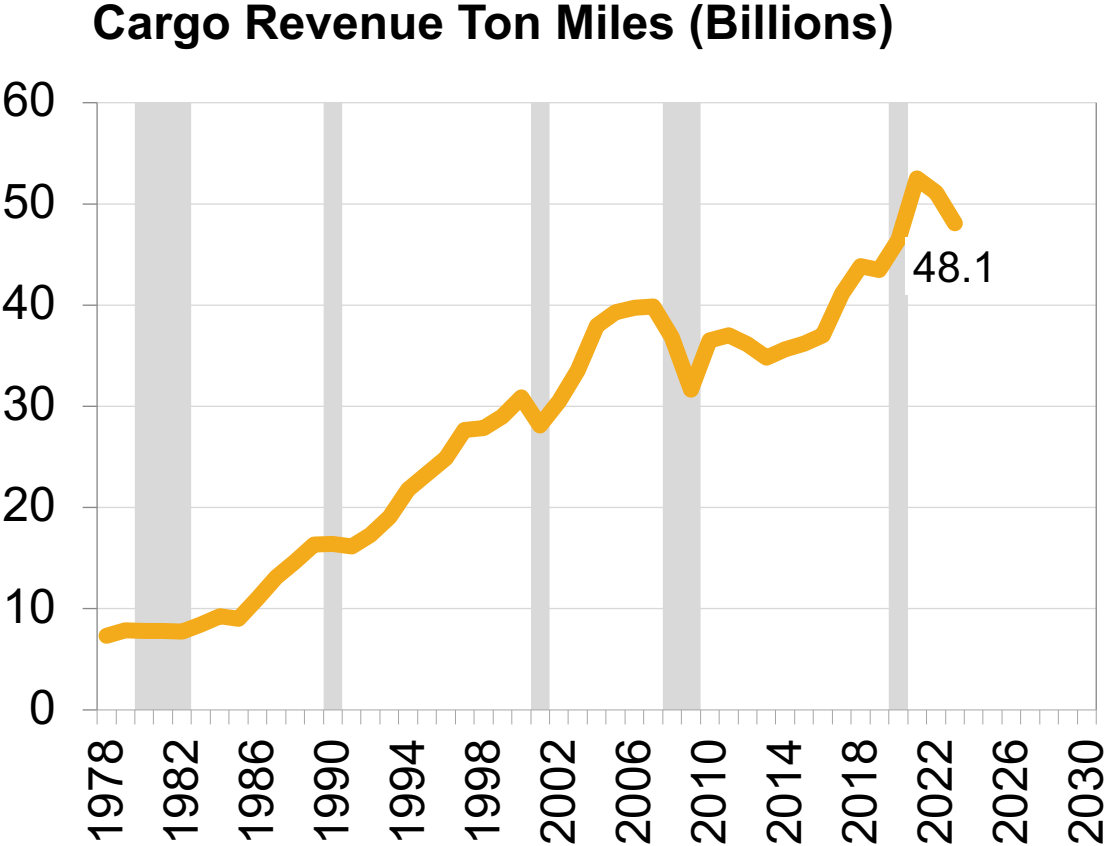
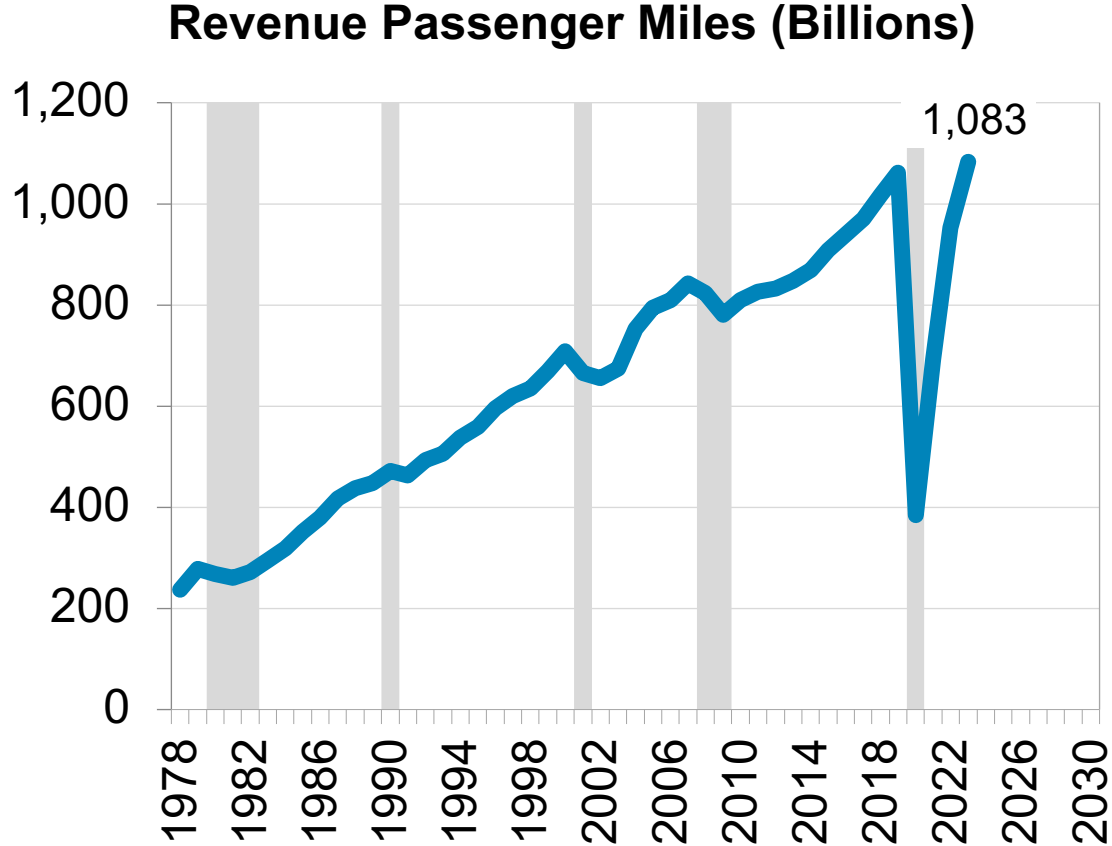
# Air Passenger Volumes Between New York and Boston/Washington Have Fallen Sharply Since 2000, Due Largely to Changes in Security Requirements and Improved Alternatives to Flying



Source: DOT Data Bank 1B (O&D Survey data)

\* NYC includes EWR/JFK/LGA airports

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

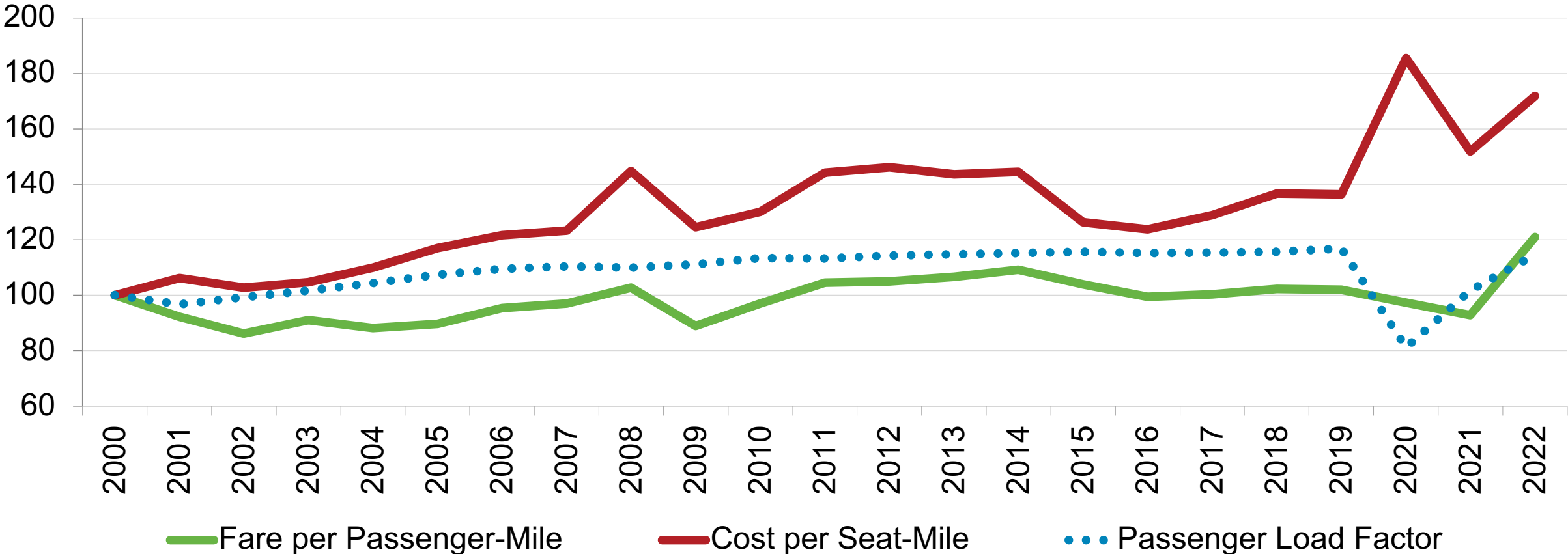


Source: U.S. Bureau of Transportation Statistics (T1 systemwide for U.S. airlines – all services)

Note: Recessions highlighted in gray

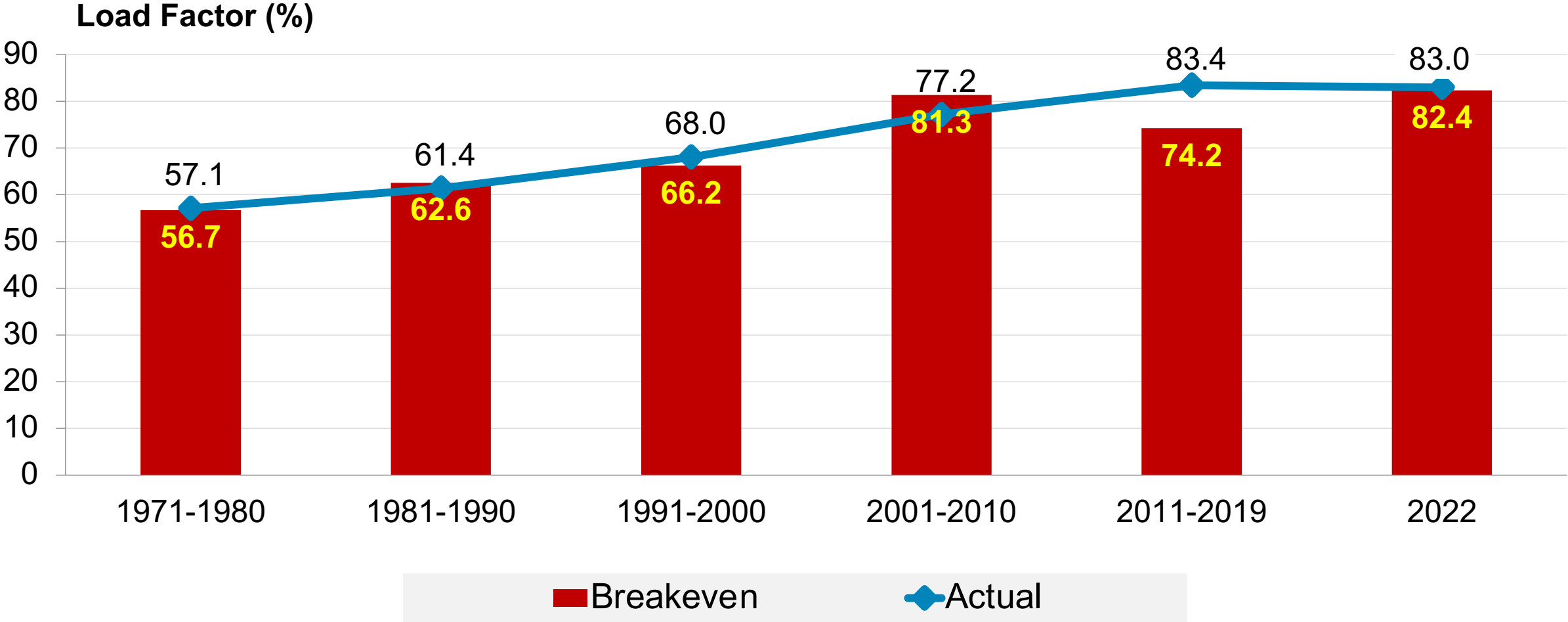
# Changes in the Price to Fly a Mile on U.S. Airlines Tend to Move in the Same Direction as Airline Costs But Rarely to the Same Magnitude, Requiring Fuller Planes to Shrink the Gap

Index (2000=100) of Airline Fares, Costs and Load Factor



Source: A4A Passenger Airline Cost Index

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



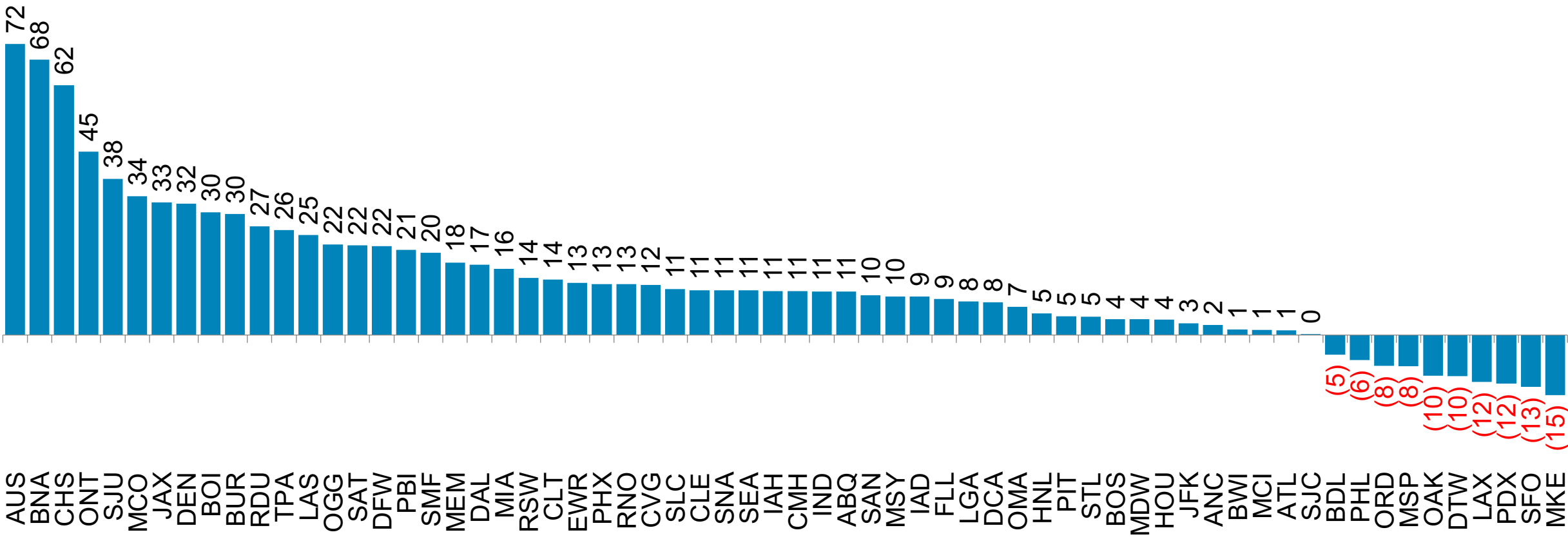
Source: A4A Passenger Airline Cost Index

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

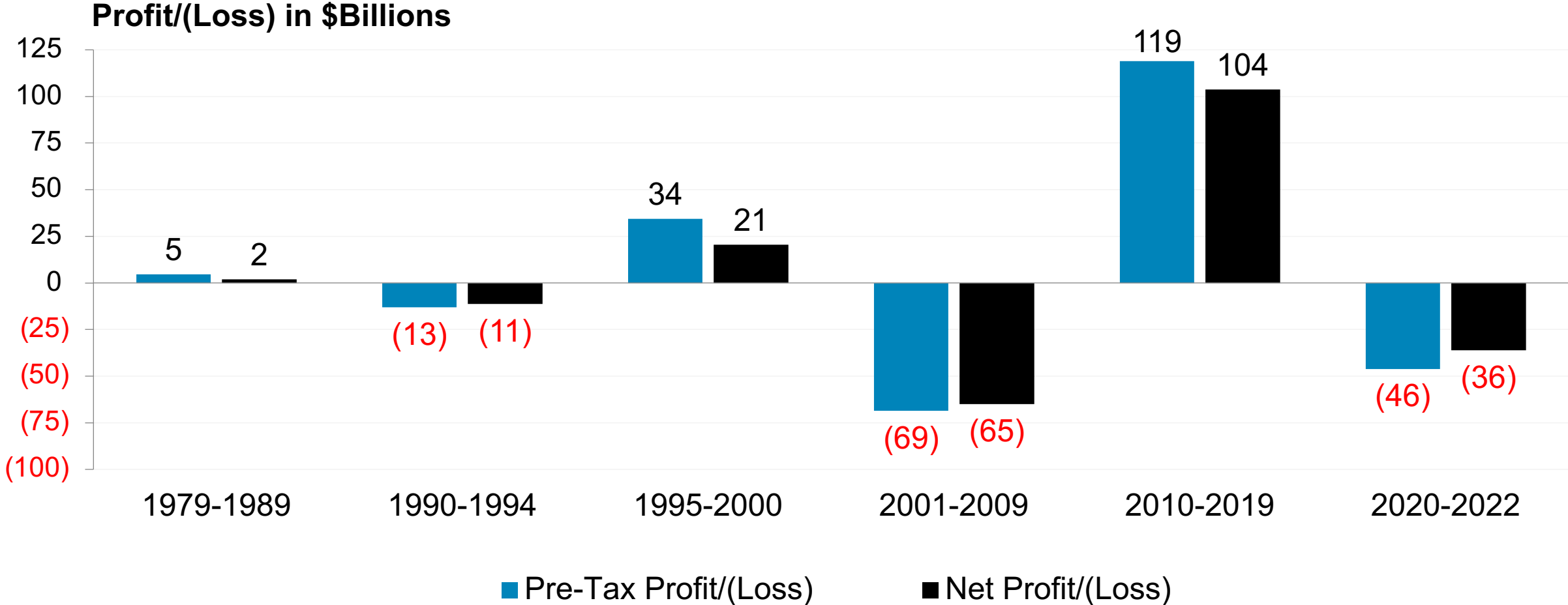
## Austin, Nashville and Charleston (SC) Have Soared Above the Rest

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



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

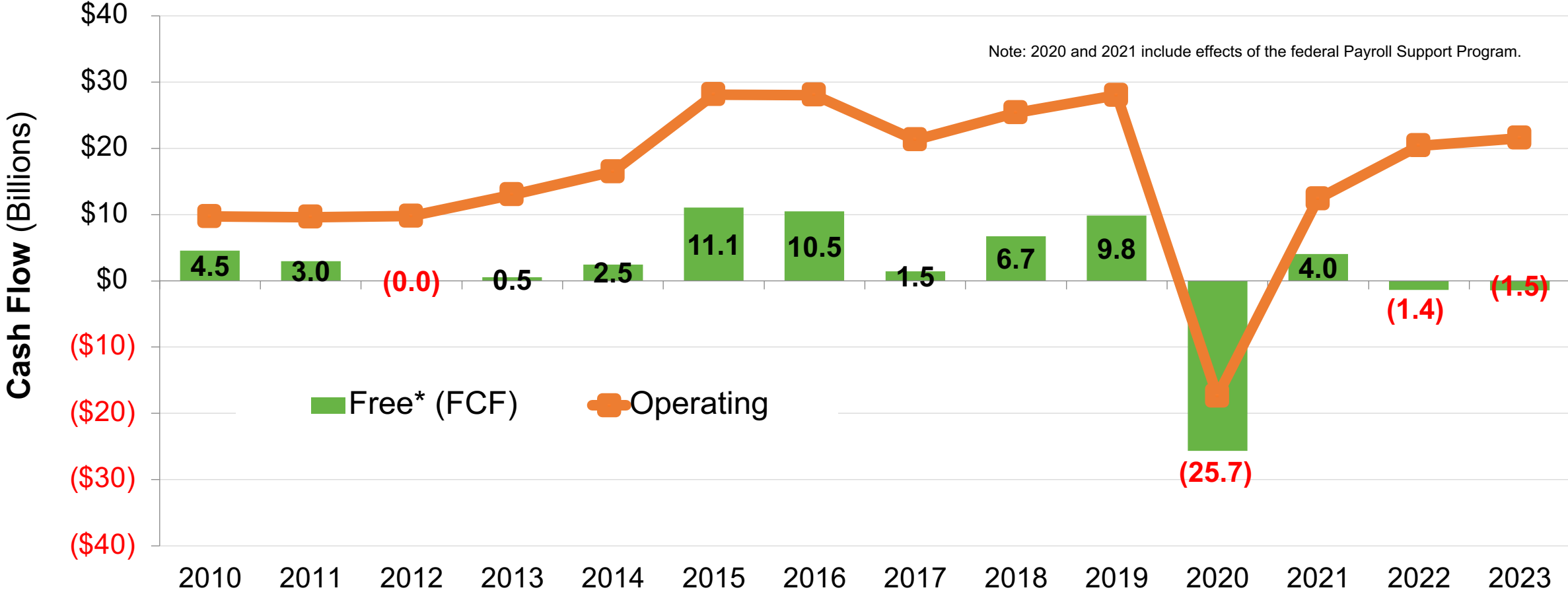
**In the Deregulated Period, U.S. Passenger Airline “Earnings” Have Been Cyclical and Volatile**  
 Cumulative Net Profit for 1979-2022 = \$13 Billion (0.3 Percent of Revenues)



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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