Airlines for America®

We Connect the World

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

Updated March 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*

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 ~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 December 2023; other statistics are average for Jan-Nov 2023

The “Golden Age” Myth

By Janet Bednarek (February 2023)

“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

Traveling by Air Is Safer Than Ever

"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)

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)

"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)

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

Contents

Economists Are Still Right About Airline Deregulation!

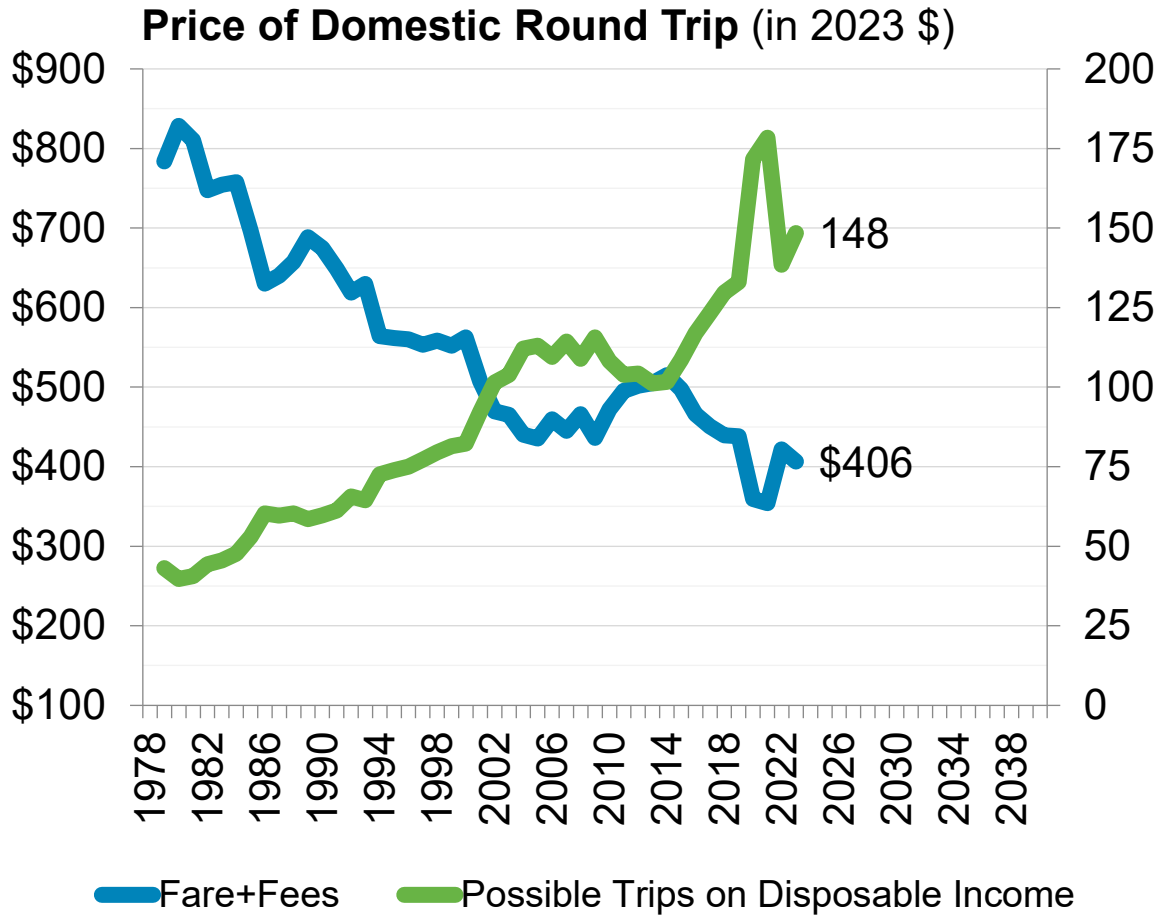
By Clifford Winston (January 2023)

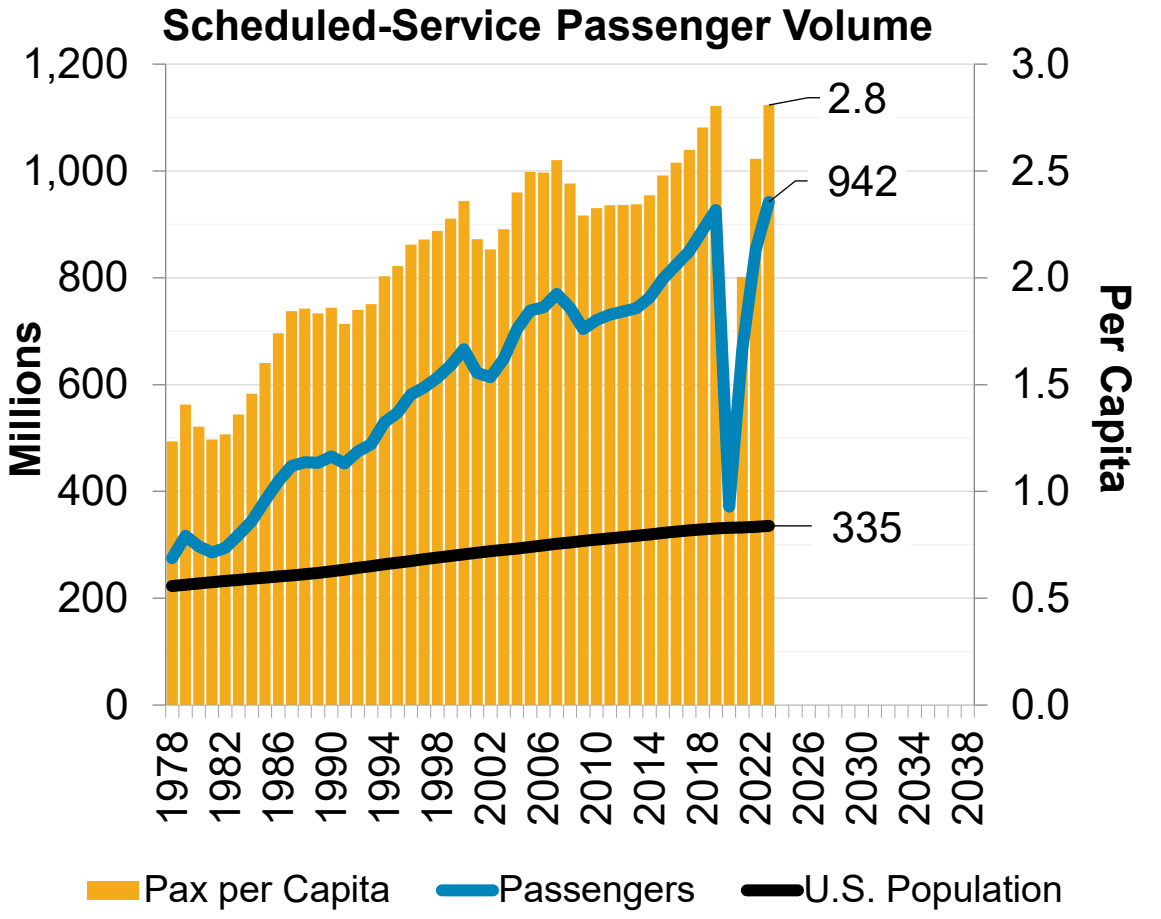
"The airline industry has periods of fat profits, but **those profits are notoriously fickle**. And if they're expected to stay in business in down times, airlines can't be expected to sacrifice revenue generated when demand is high without trying to make it up elsewhere."

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

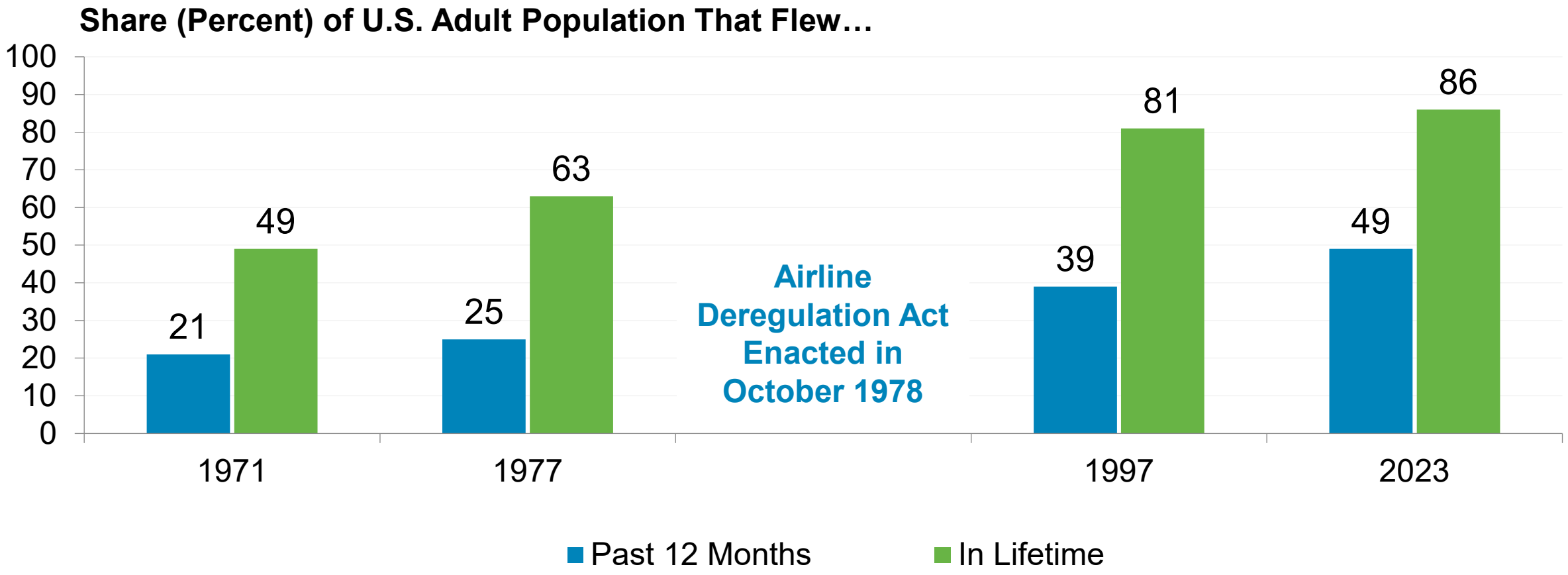




Source: Bureau of Economic Analysis, Bureau of Labor Statistics and Bureau of Transportation Statistics (Data Bank 1B) via Airline Data Inc. and T1 scheduled service for U.S. airlines)

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



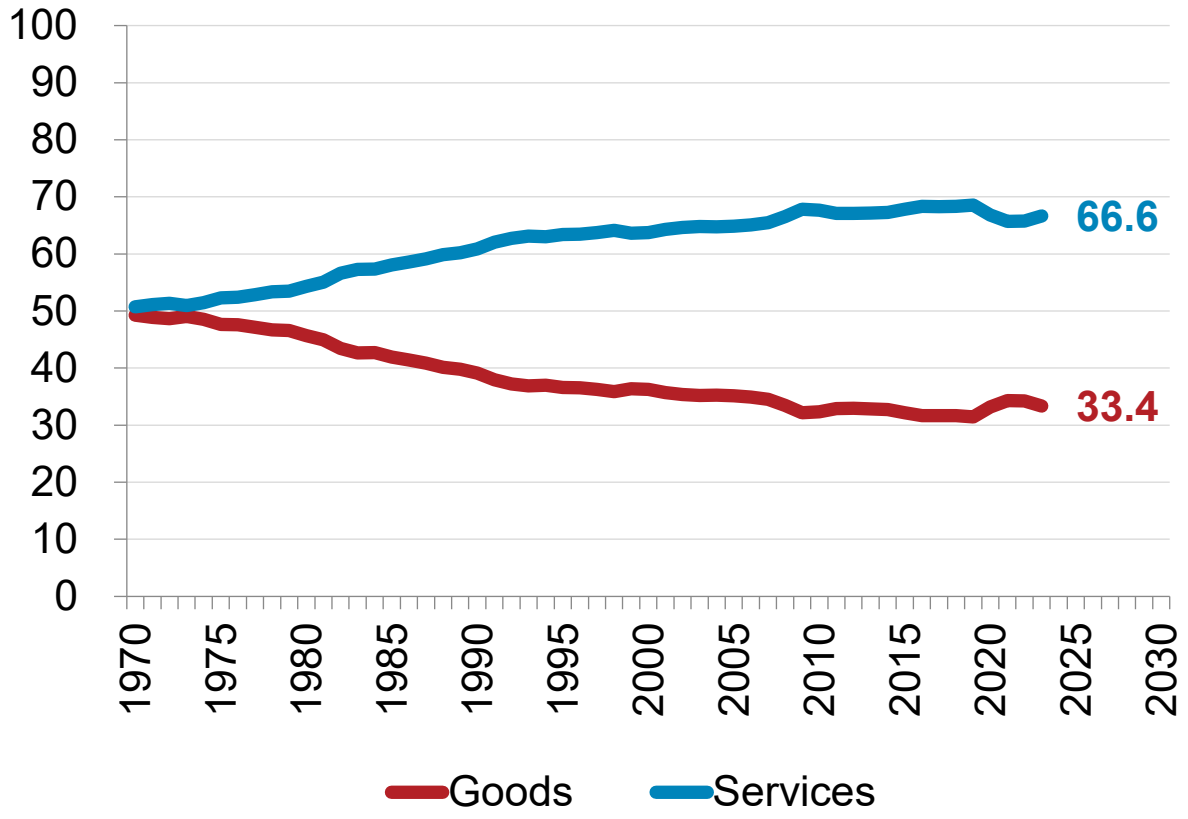
Sources: Historical A4A air travel surveys conducted by Gallup (1971 through 1997) and Ipsos

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

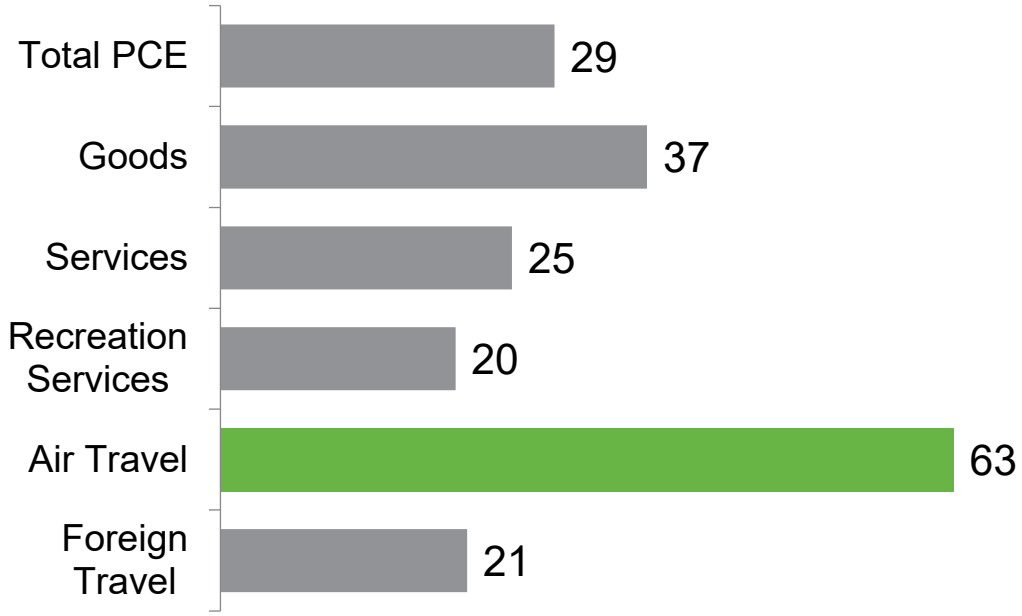
Two-Thirds of Americans' Spending Now on Services—Up From Just Over Half in 1970

From 2019-2023, Spending on Air Travel Surged

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



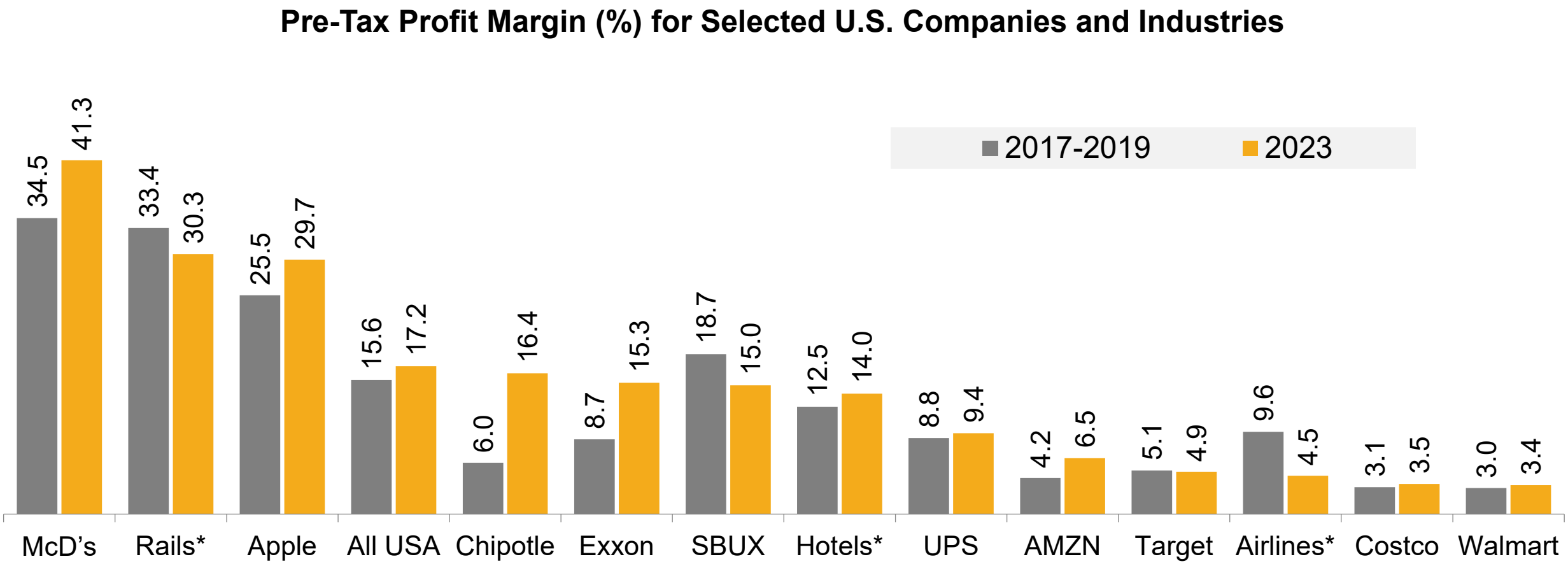
Change (%) in U.S. Personal Consumption Expenditures 2019-2023



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

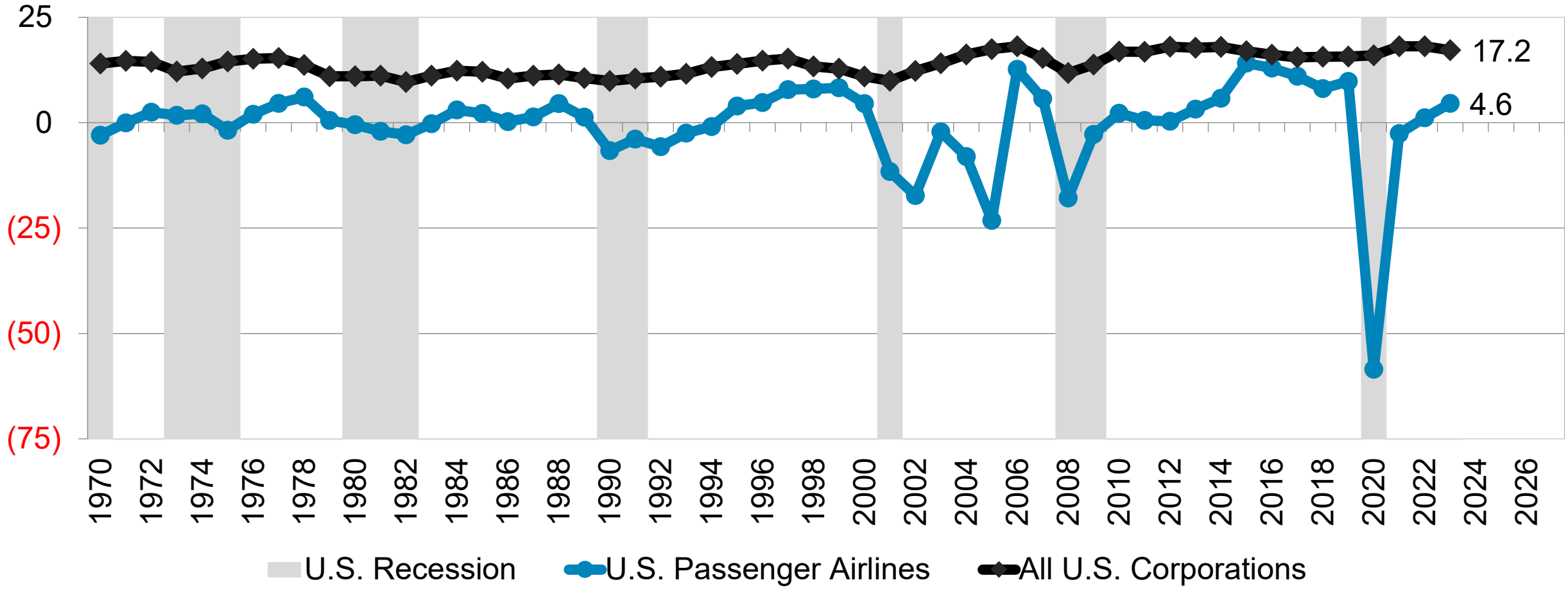


Sources: Bureau of Economic Analysis and company SEC filings

* 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

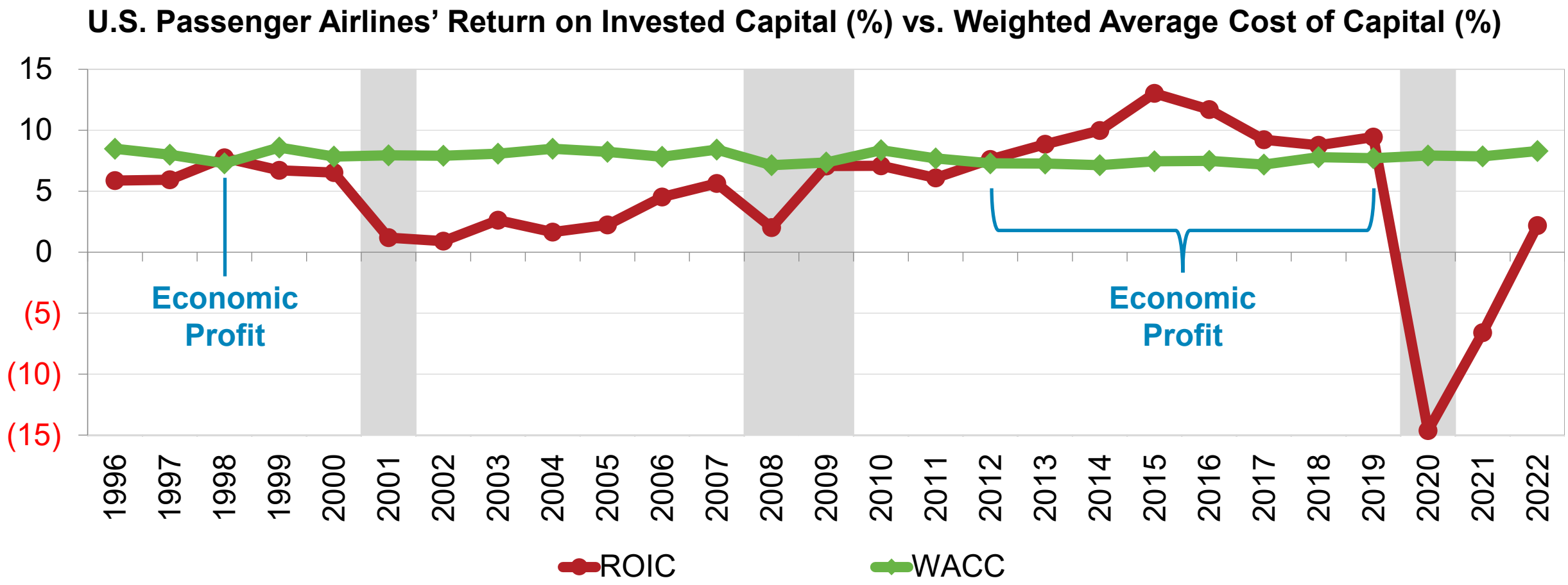


Source: ATA Annual Reports (1970-1976), A4A Passenger Airline Cost Index (1977-present); Bureau of Economic Analysis

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



Source: IATA

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

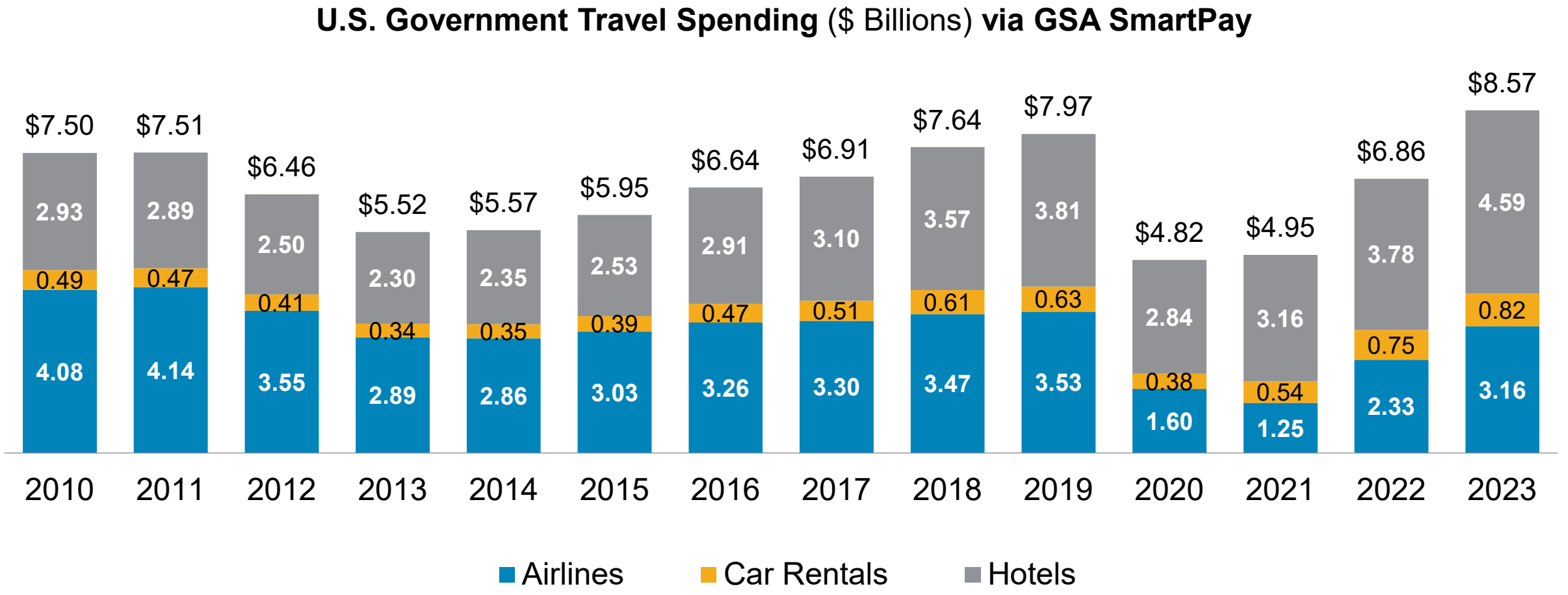
Top-20 Corporate Travel Programs by Amount Spent on U.S.-Booked Air: 2022 vs. 2019

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

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

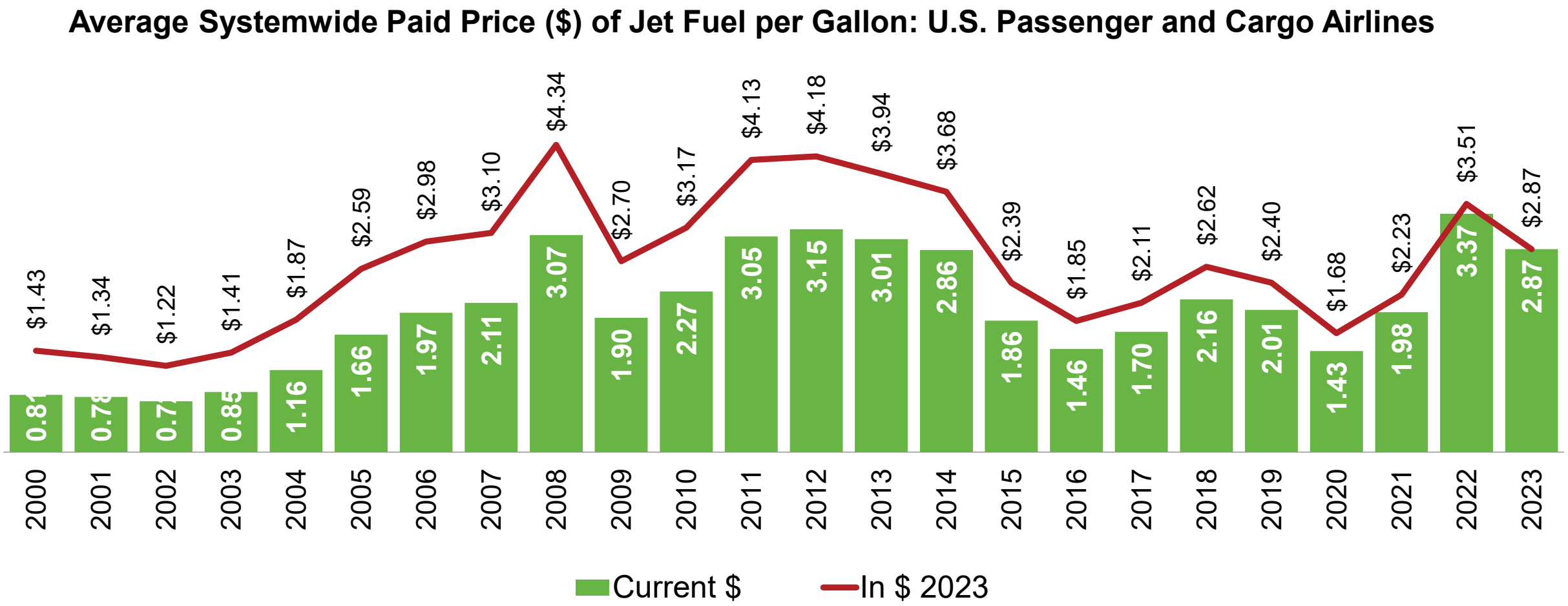
Spending on Hotels Was Up 20% From FY19 Levels, While Spending on Car Rentals Was Up 30%



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

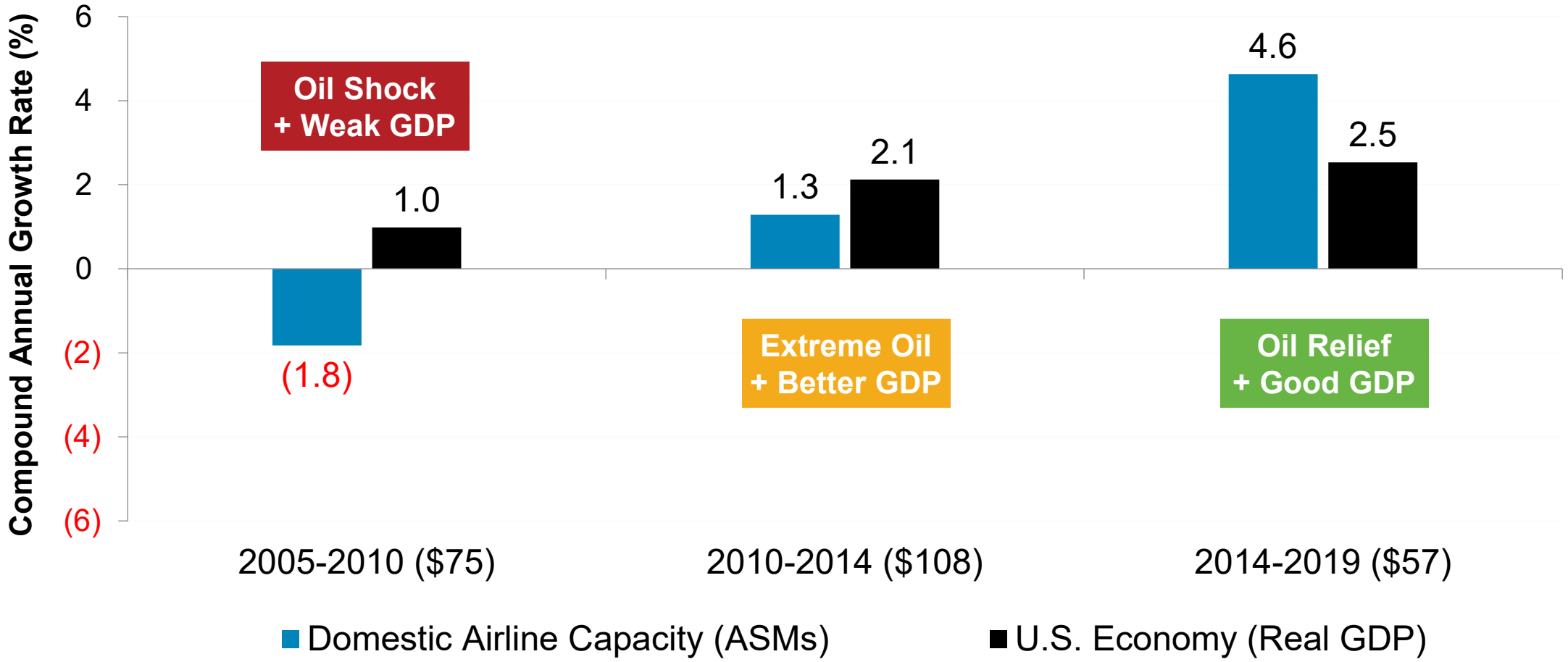
The Inflation-Adjusted Peak Occurred in 2008



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

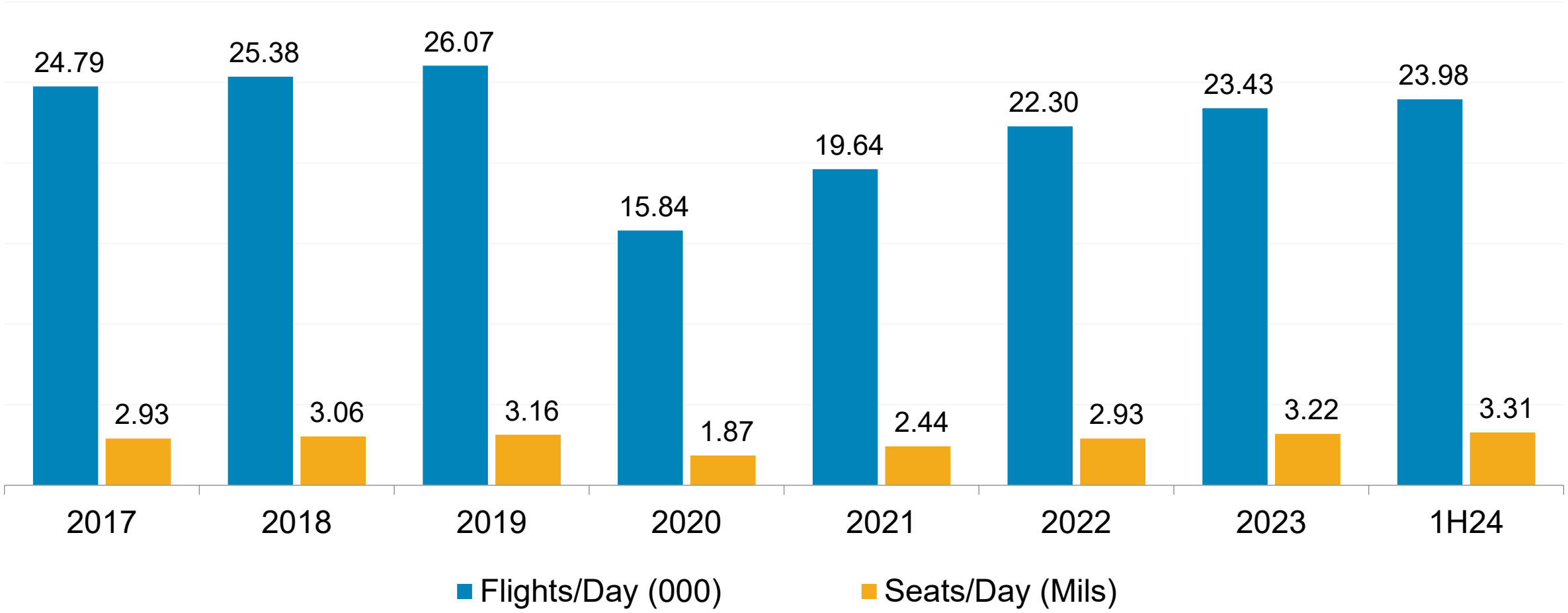


Sources: Bureau of Economic Analysis, Energy Information Administration, IHS Markit® and Cirium

* Brent crude oil in dollars per barrel, in parentheses

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

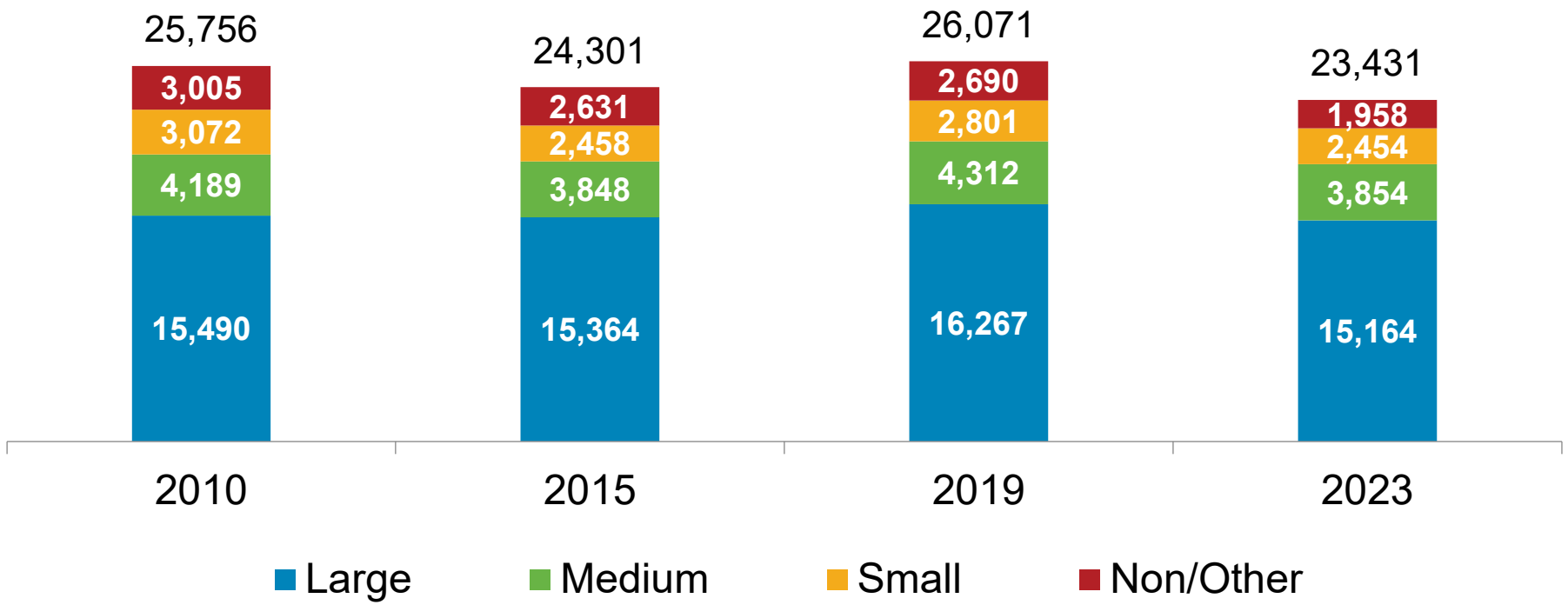
Scheduled Passenger Flights Departing U.S. Airports Will Average 138 Seats



Sources: Cirium published schedules (Feb. 9, 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/, U.S. airports with less than 0.05% of annual passenger boardings

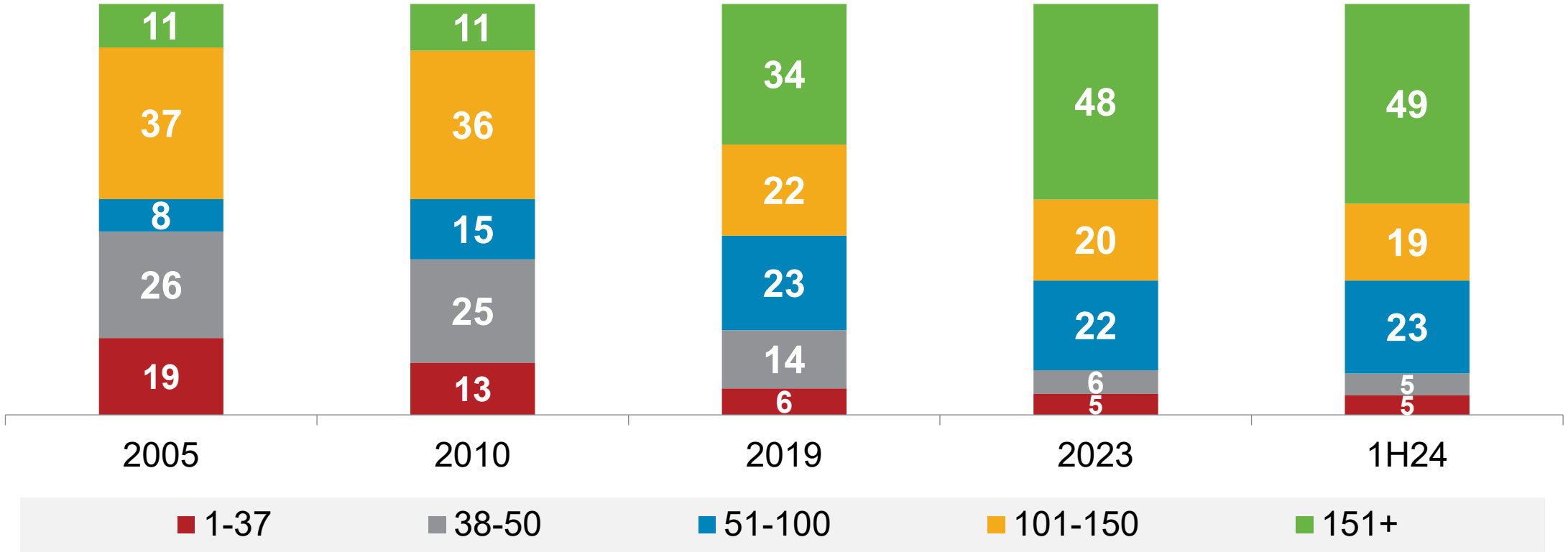
Sources: Cirium published schedules (Jan. 5, 2024) for all airlines providing scheduled passenger service from U.S. airports to all destinations

* Operating with 50 or fewer seats

Up-Gauging and Growth of ULCCs / Other Mainline-Only Carriers Have Boosted Aircraft Size

Mainline Flying > 67% of Domestic Departures in 1H24; 69% of Regional Flights Exceed 50 Seats

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

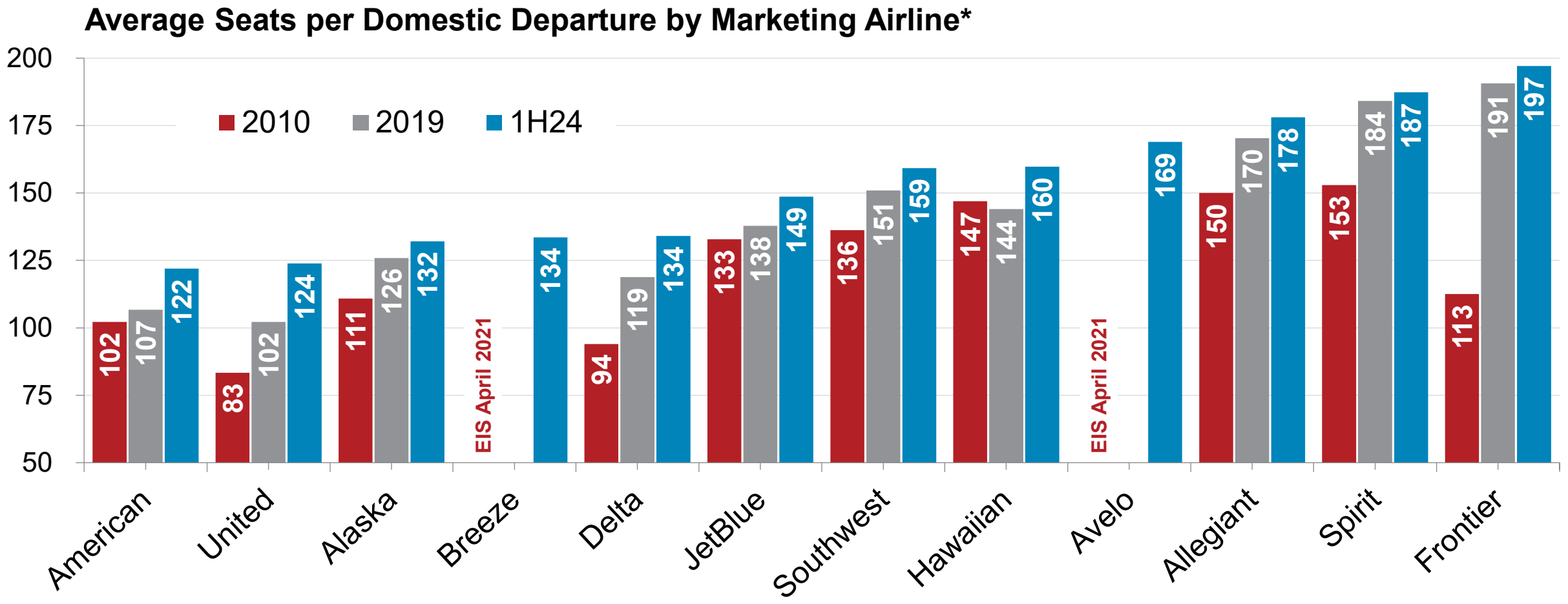


Source: Cirium published schedules (Feb. 9, 2024)

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

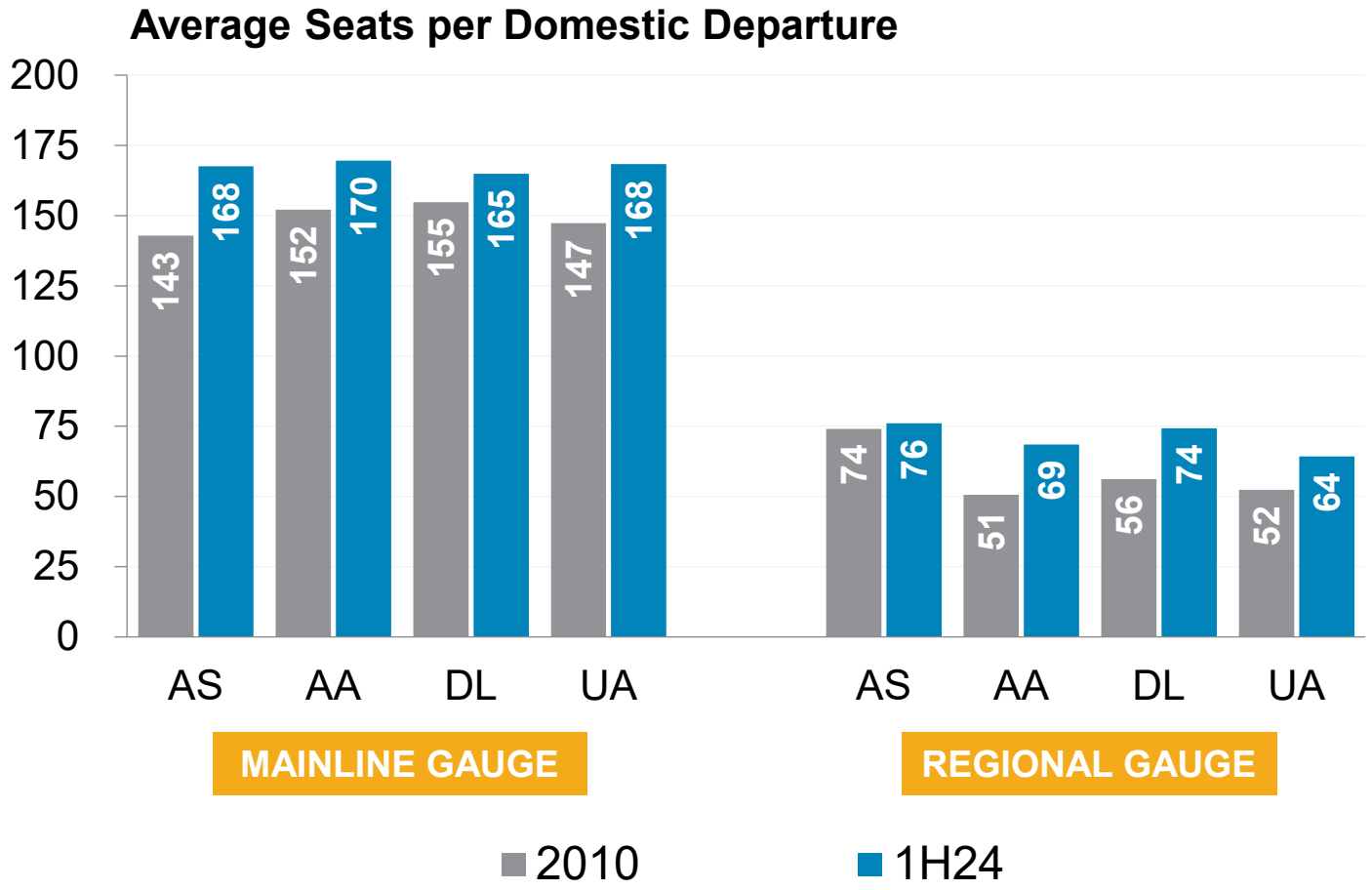


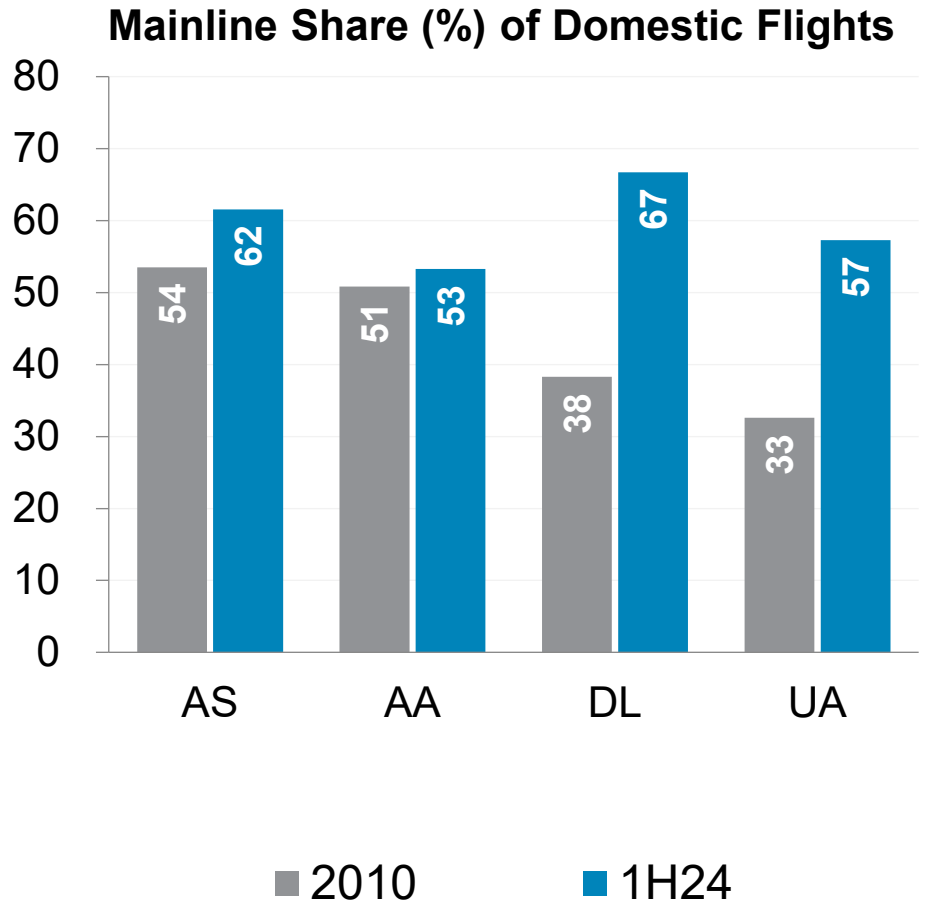
Source: Cirium schedules (Feb. 9, 2024) for selected marketing airlines

* 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



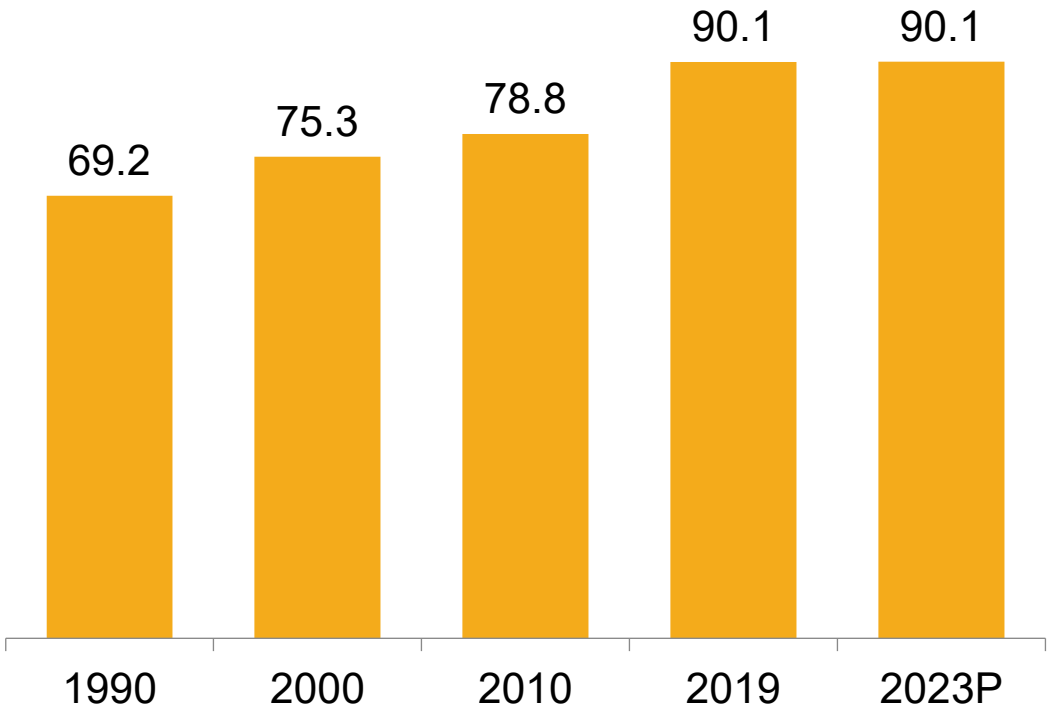


Source: Cirium published schedules (Jan. 5, 2024)

Nonstop Domestic Service Is More Prevalent Than Ever Before

Share of Busiest Markets With a Nonstop Service Option Rose From 69% in 1990 to 90% 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
2023P	JFK-LAX	2,444	AUS-MKE	54

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

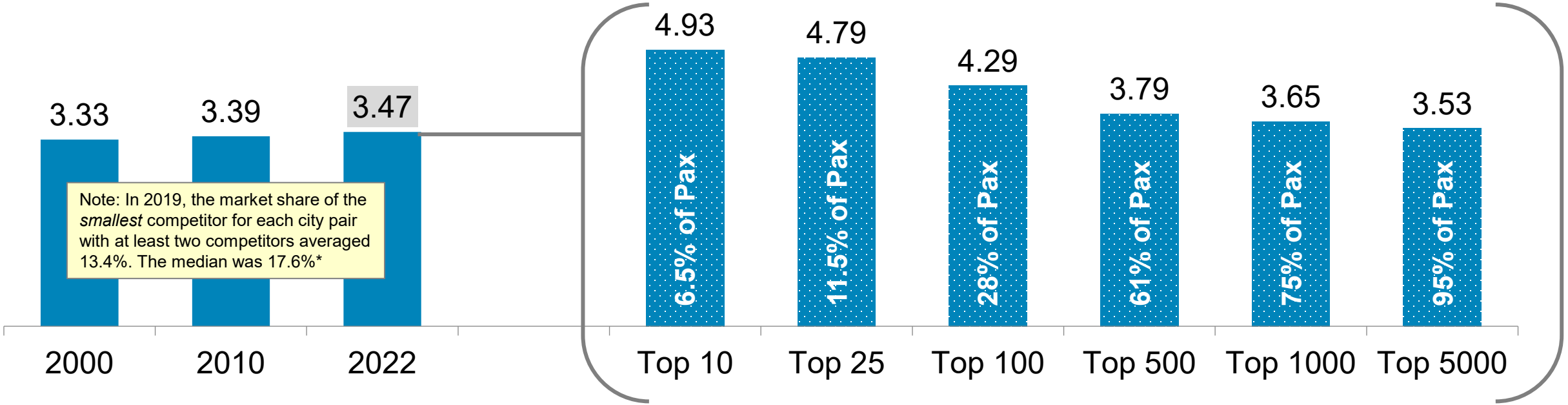
* Top 2000 markets accounted for 80% of domestic O&D passengers in 2019; nonstop = as at least 40 round-trip flights in any quarter

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.

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 1H23 vs. 2007

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

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

	2007		1H23
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)

	2007		1H23
Continental	62.6	JetBlue	50.4
AirTran	30.2	Delta	39.1
		American	6.7

Rochester, NY-South Florida (FLL/MIA)

	2007		1H23
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

	2007		1H23
United	44.8	United	41.9
Southwest	41.9	Southwest	33.3
US Airways	5.1	American	17.2

Memphis-Orlando (MCO/SFB)

	2007		1H23
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

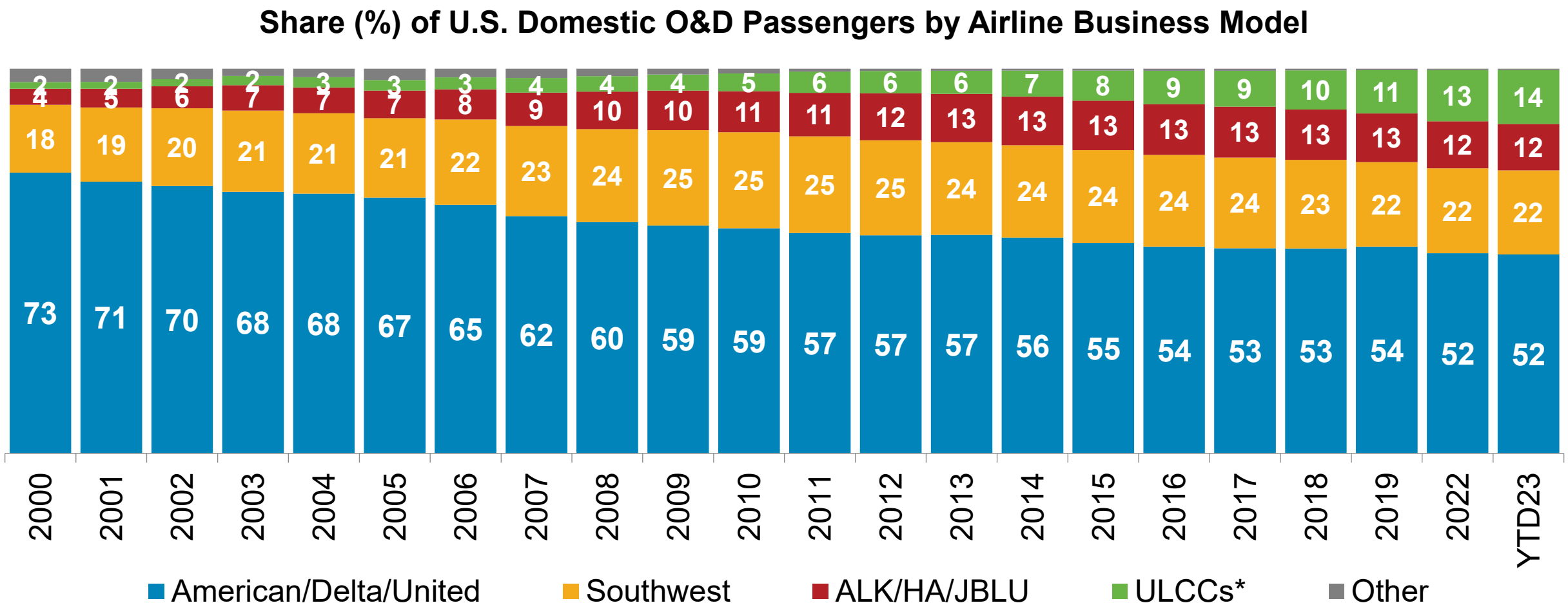
	2007		1H23
American	62.1	American	40.3
Southwest	19.0	Southwest	35.3
Delta	7.4	Delta	20.4
Continental	5.8		

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

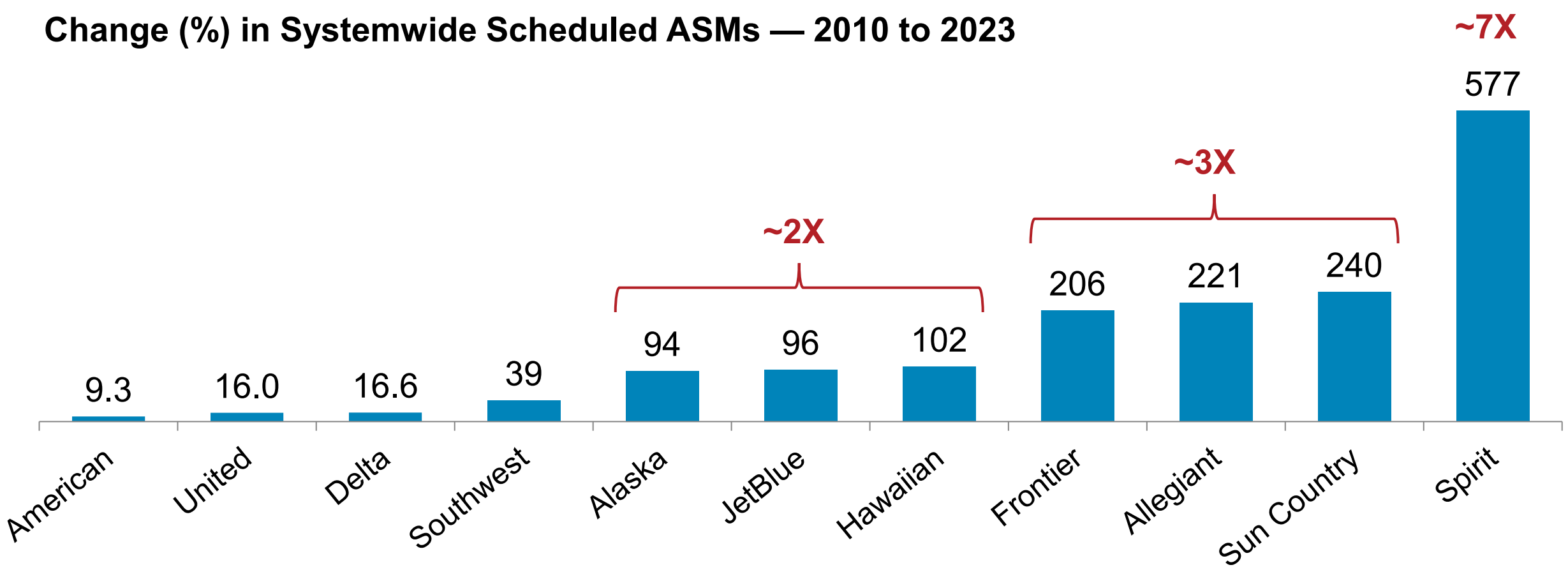


Source: DOT Data Bank 1B (each airline shown on a marketing-carrier basis and tracked with its respective merged/acquired predecessors [e.g., DL/NW]) via Cirium

* 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

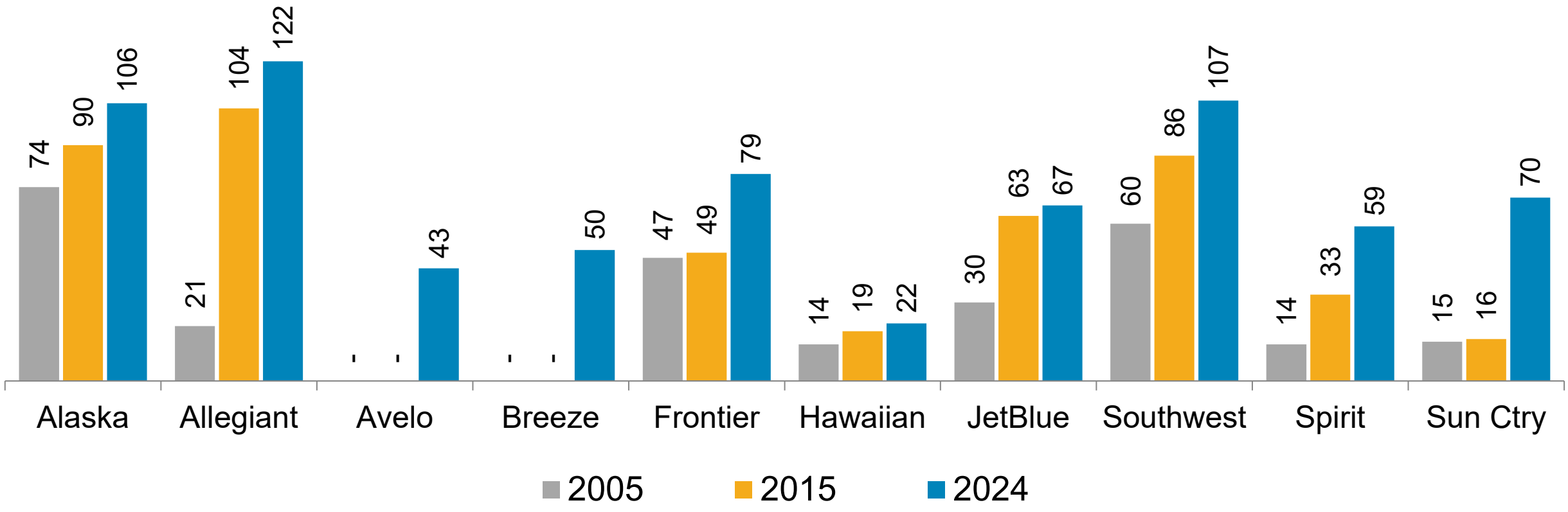


Source: Cirium schedules (Jan. 5, 2024) for selected marketing airlines including merged/acquired predecessors

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

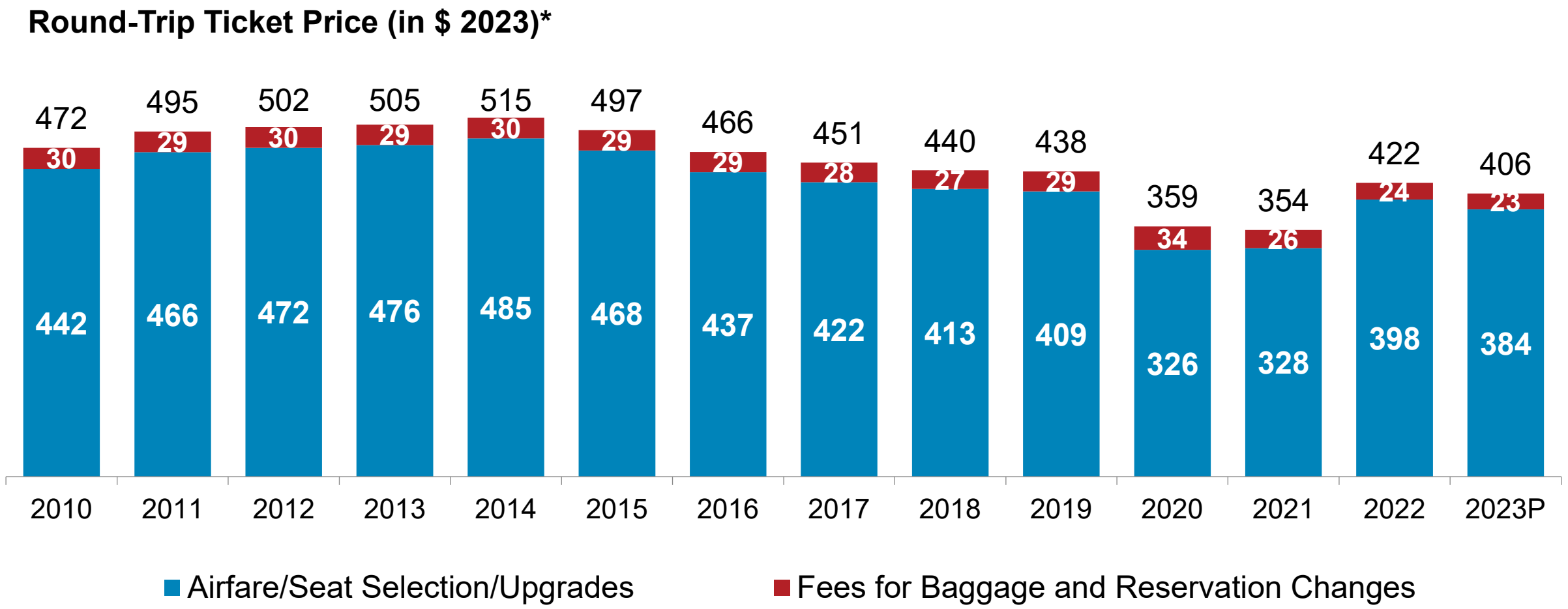
Number of U.S. Airports Served in July



Source: Cirium published schedules (March 9, 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%

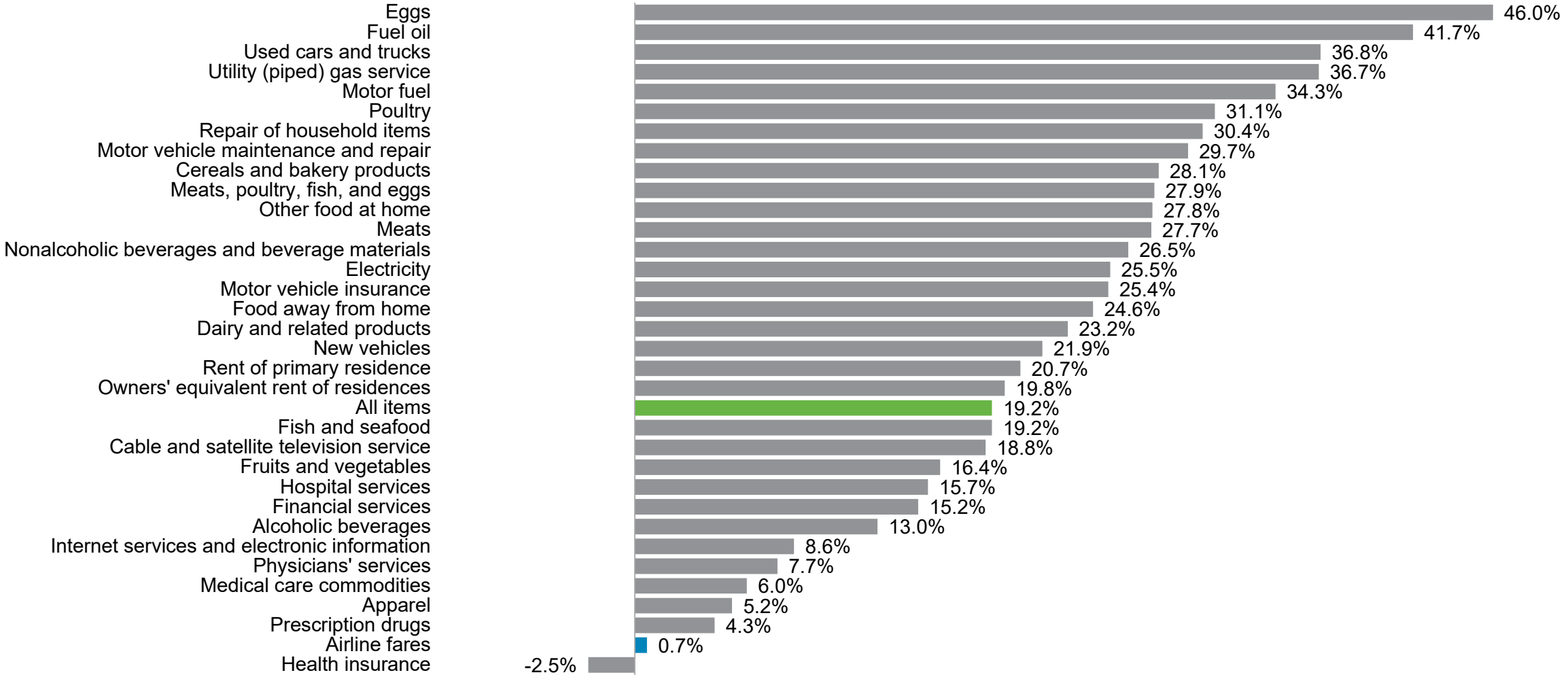


Source: A4A analysis of DOT Data Bank 1B (all cabins and fare basis codes) and DOT Form 41 via Airline Data Inc. (airlinedata.com)

* 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

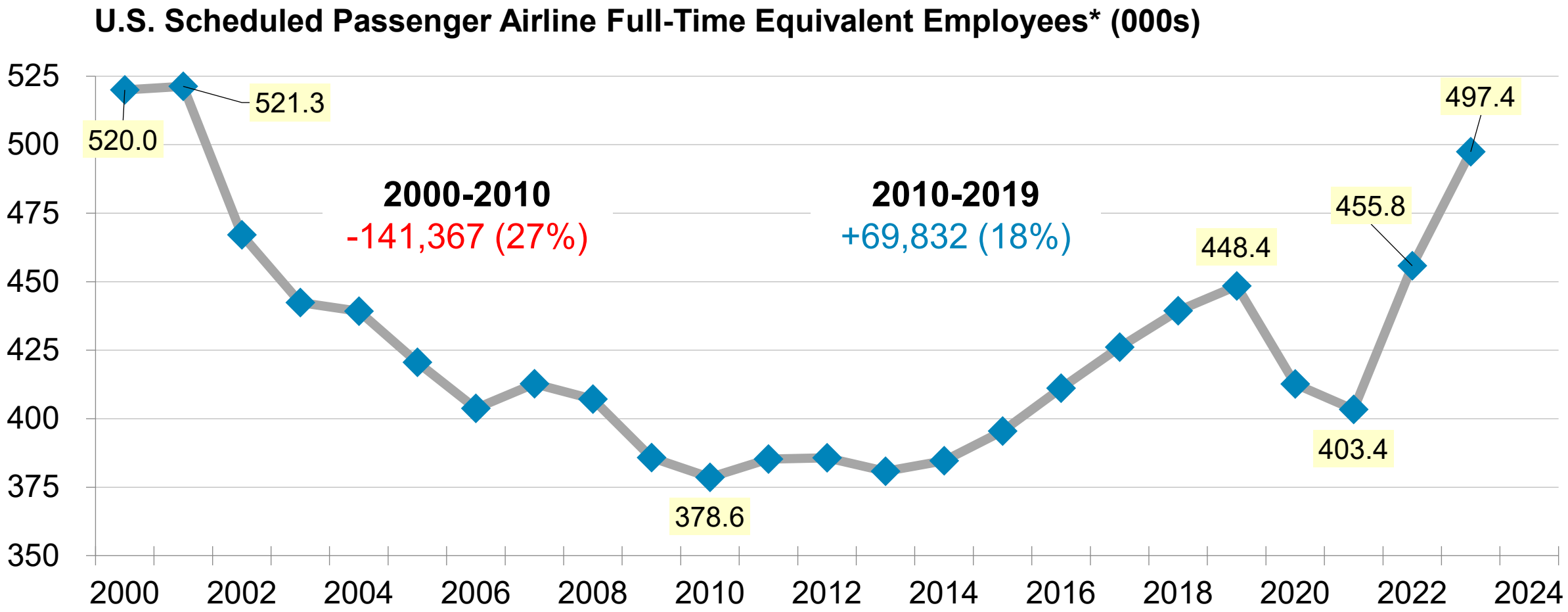
Change in U.S. Consumer Price Index (CPI) — 2023 vs. 2019



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



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)

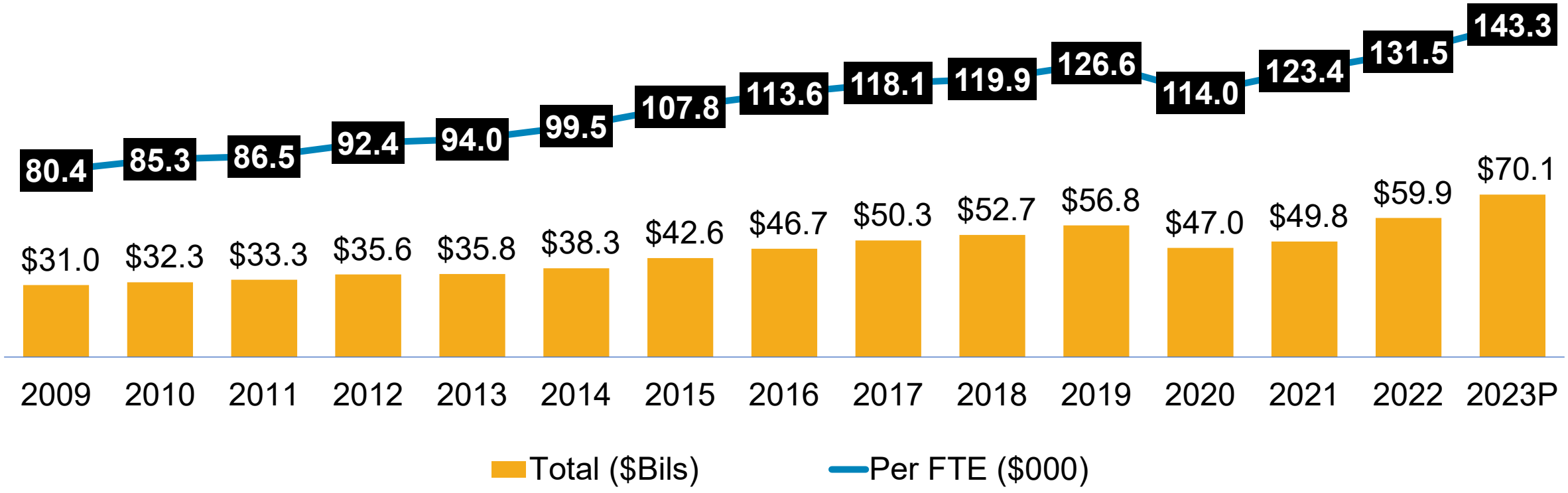
	2010-2019	2020-2023(P)*
Employee Wages and Benefits	424	227
Fleet and Other Investments ("CapEx")	139	61
Debt Retirement	91	79
Dividends & Share Repurchases	57	3

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

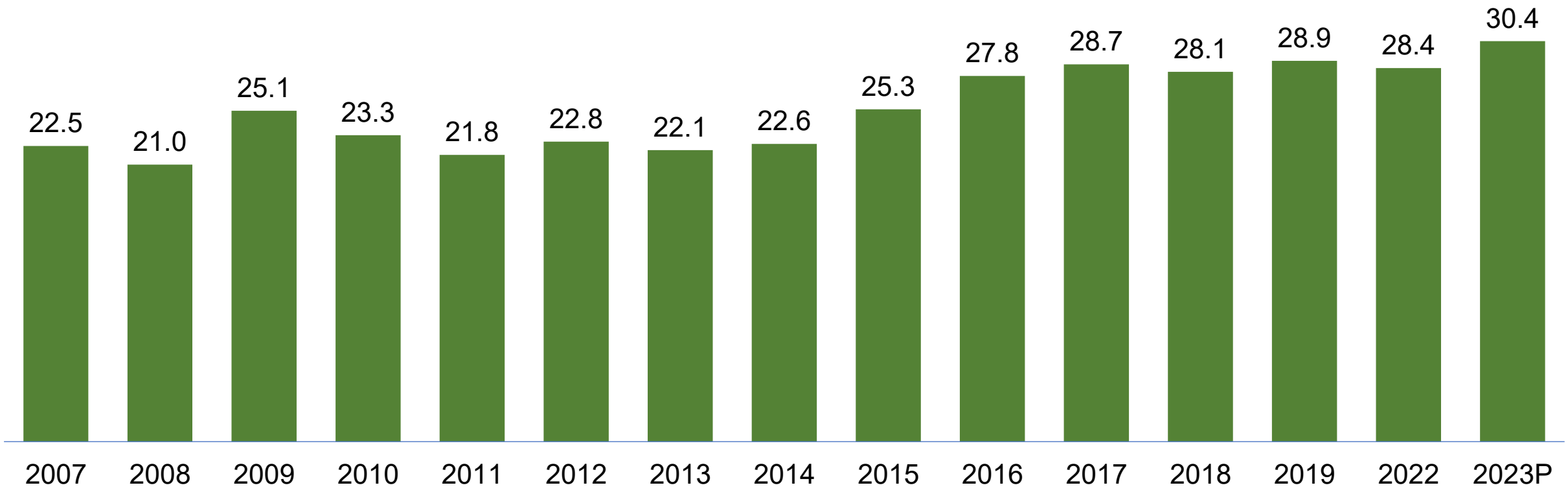


Source: A4A Passenger Airline Cost Index

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

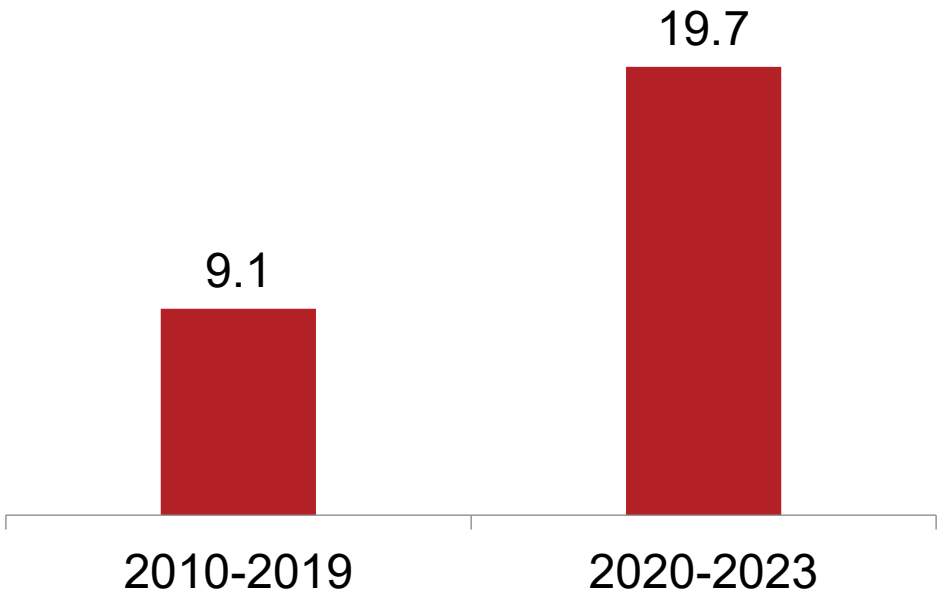


Source: A4A Passenger Airline Cost Index and https://www.vox.com/new-money/2017/4/29/15471634/american-airlines-raise

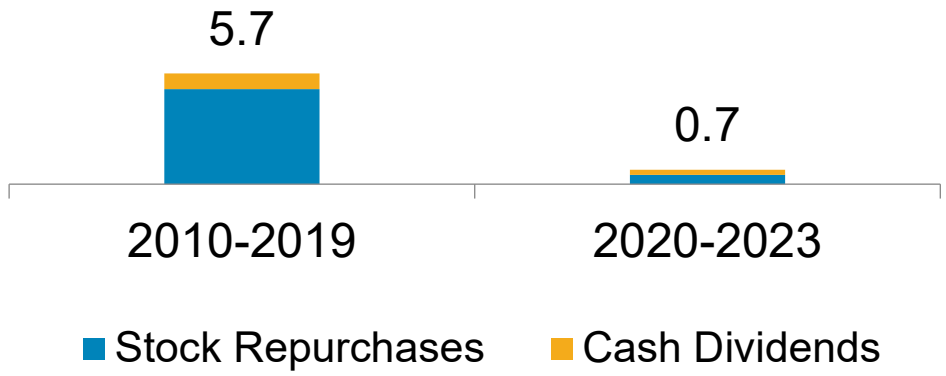
From 2020-2023, U.S. Passenger Airlines Retired $79B in Debt — $19.7B Annually

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

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



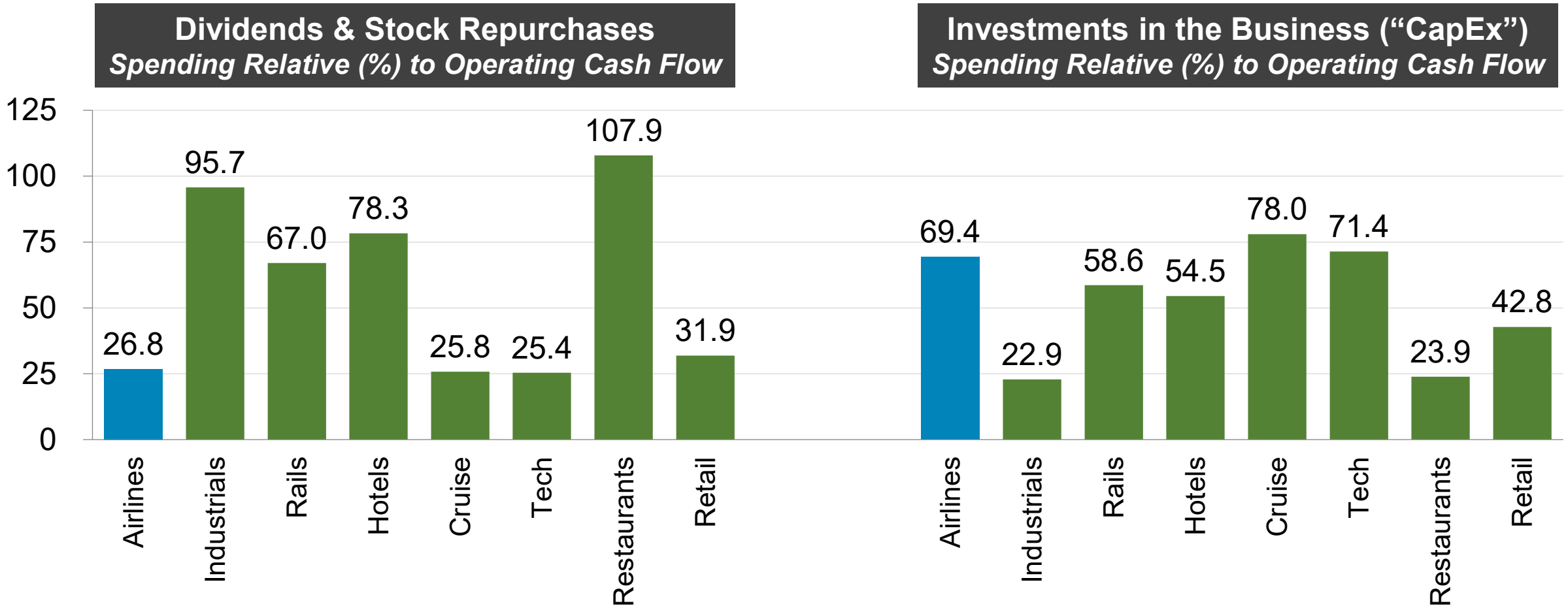
Average Annual Returns to Shareholders ($ Bils)



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 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")



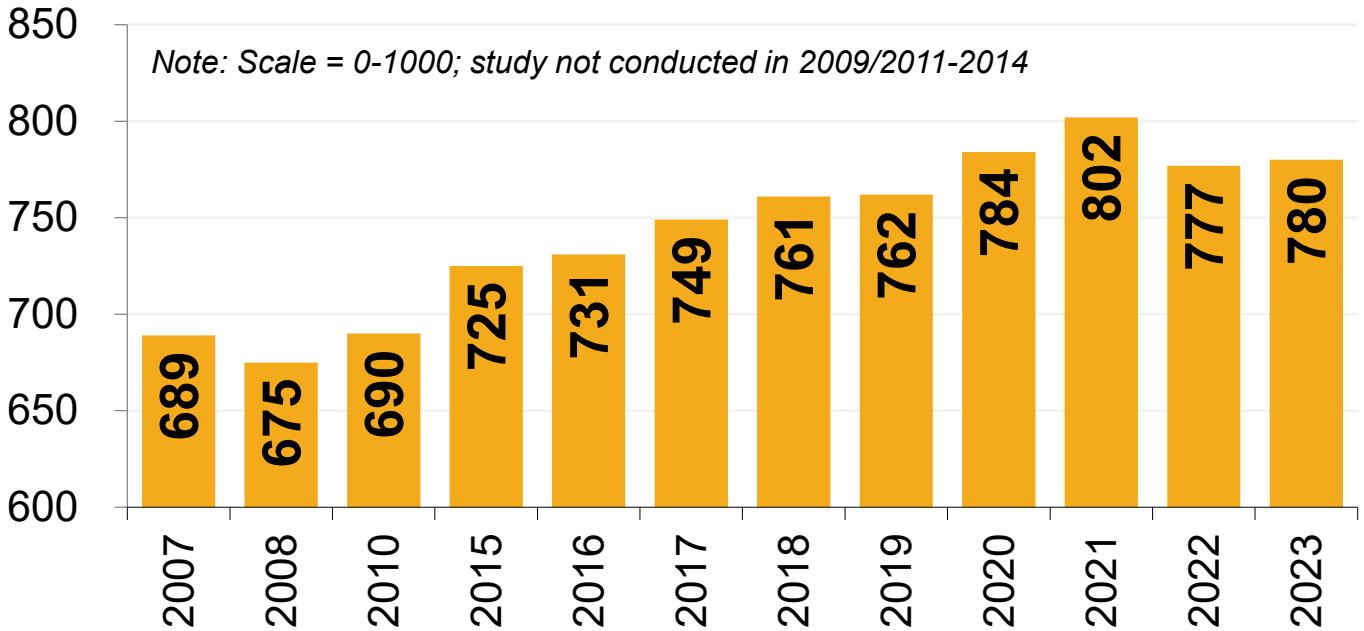
Source: Goldman Sachs, "Cash Flow Benchmarking by Sector" (March 2020), with data from CapIQ and Bloomberg compiled for 2015-2019

* 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

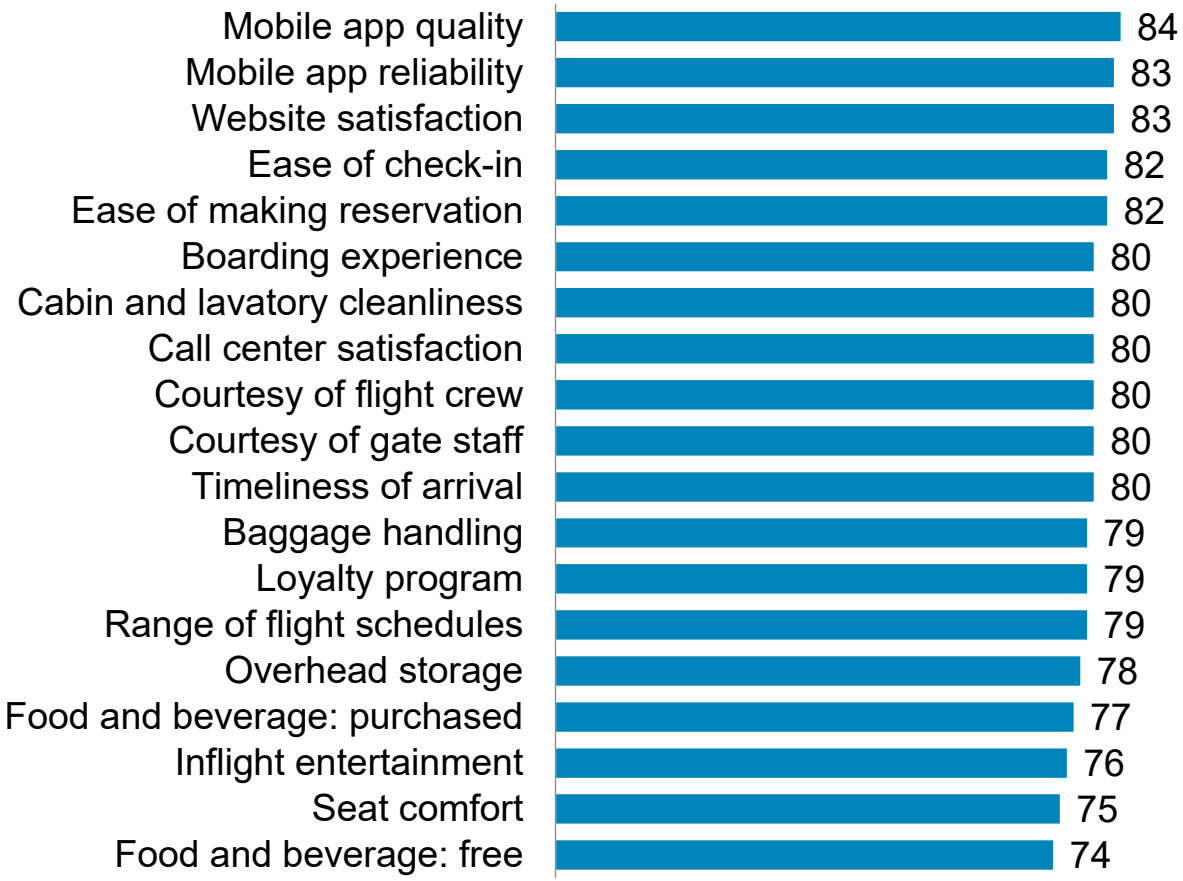
* Concourses, lounges, signage, restrooms, gate areas

* 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℠

ACSI 2023 Airline Customer Satisfaction Index Matched All-Time High

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

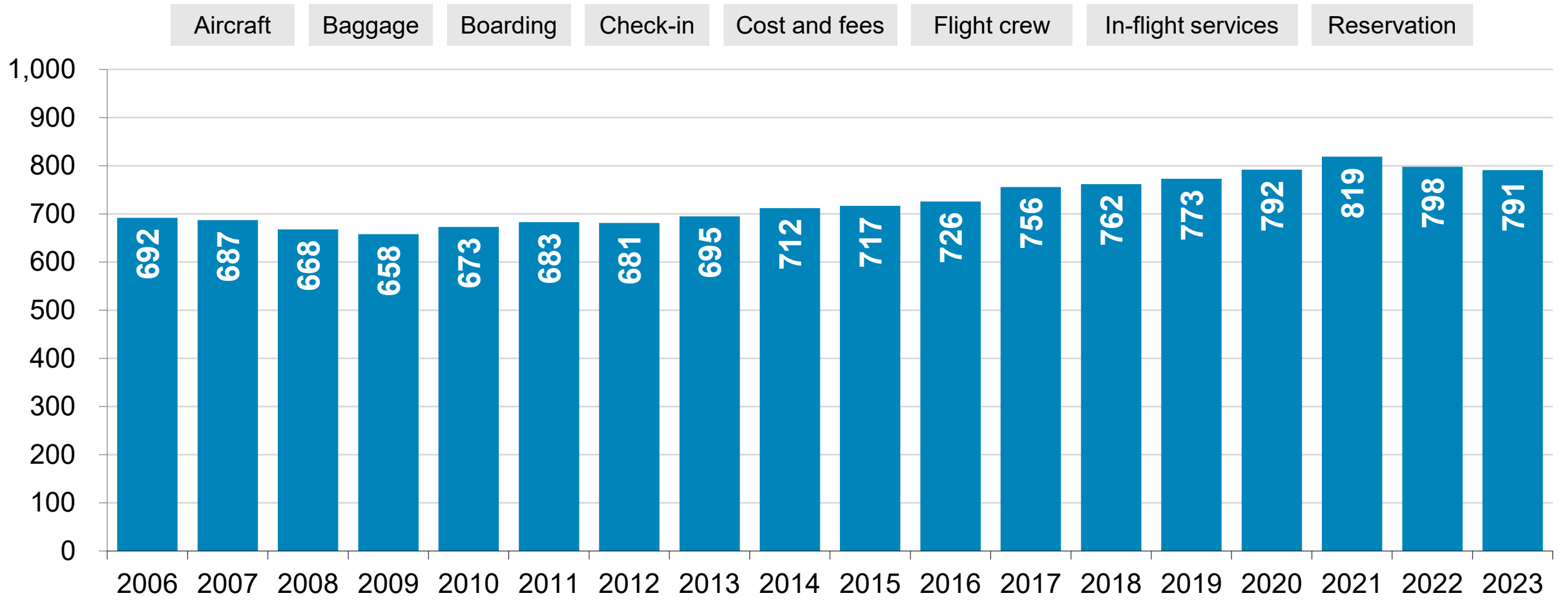


Note: ACSI® and its logo are Registered Marks of the University of Michigan; see http://www.theacsi.org/the-american-customer-satisfaction-index. Study commenced in 1994.

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)



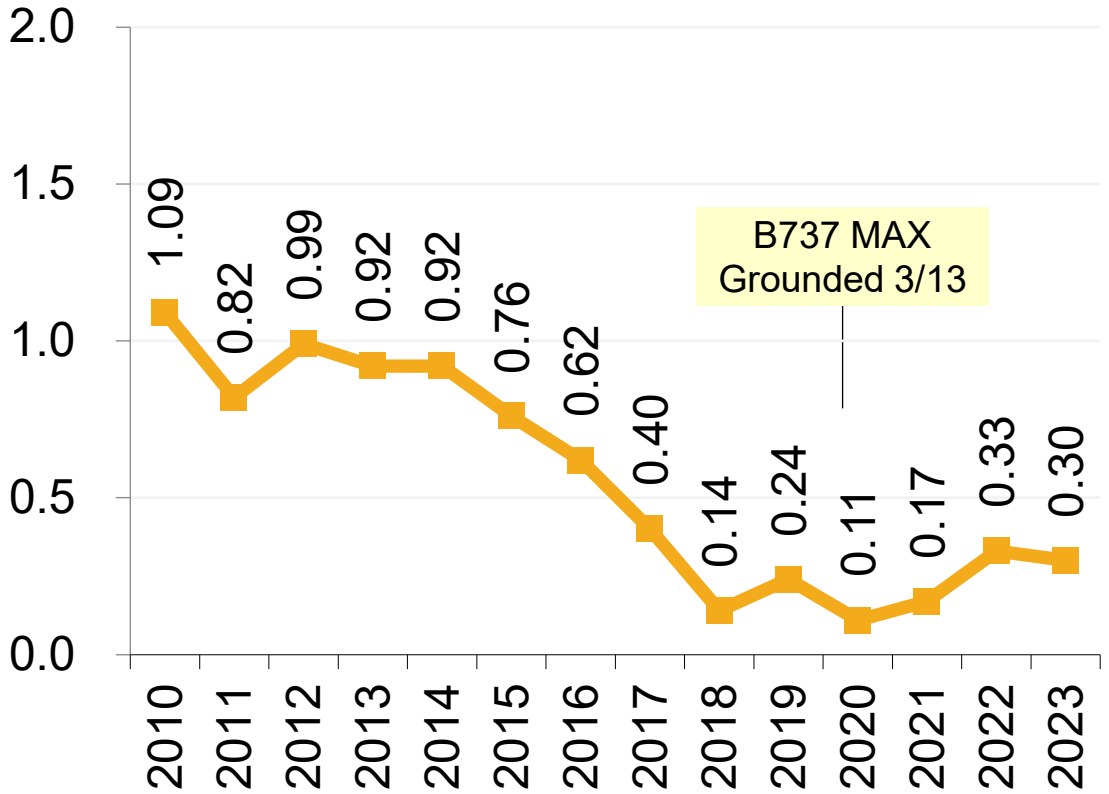
Note: The study is based on responses from 7,774 passengers who flew on a major North America airline within the past month of completing a survey. The study was fielded from March 2022 through March 2023.

Source: J.D. Power North America Airline Satisfaction Study℠

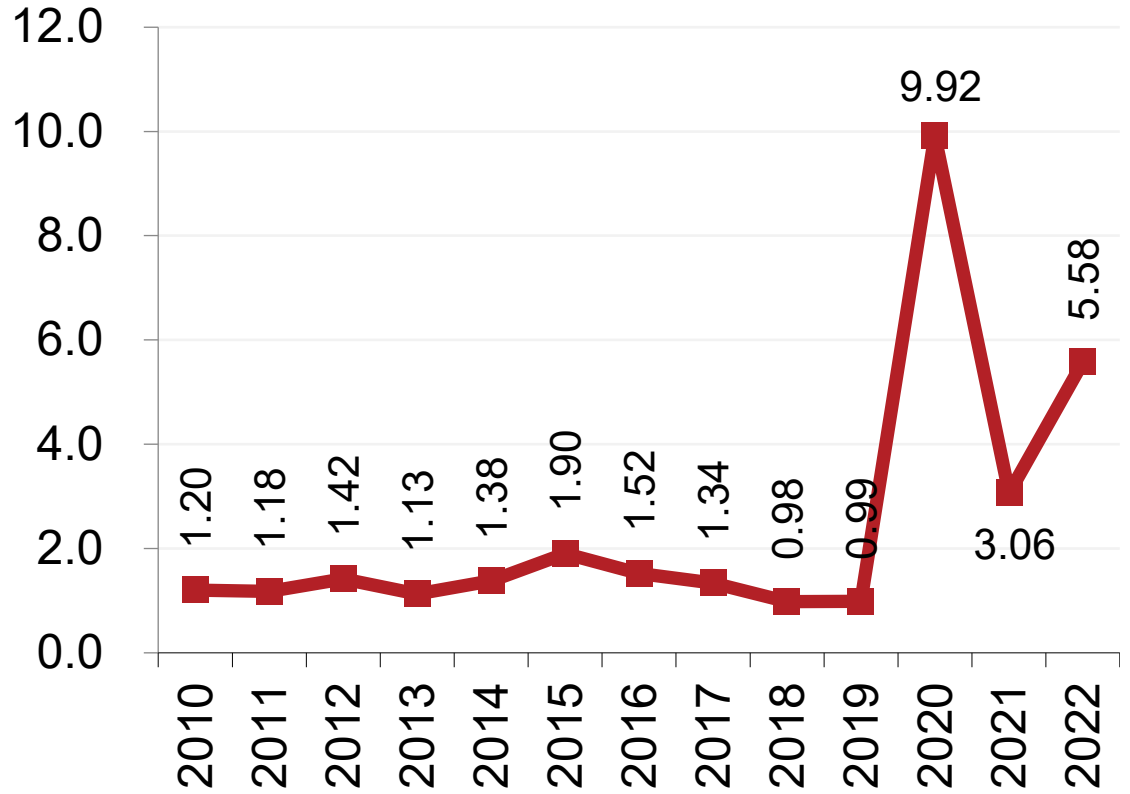
Denied Boardings and Customer Complaints

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

Involuntary Denied Boardings per 10K Pax*

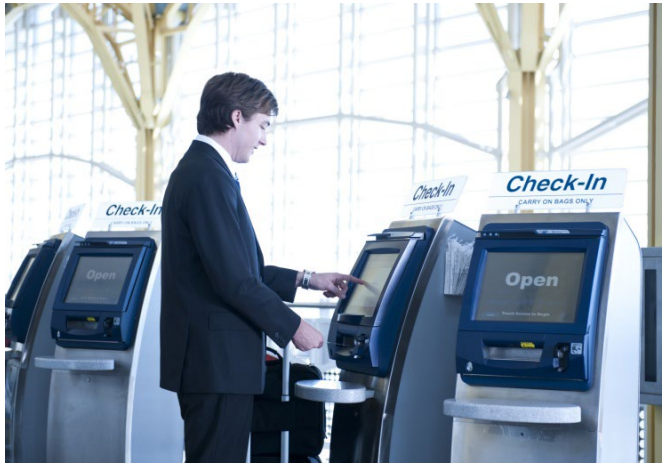


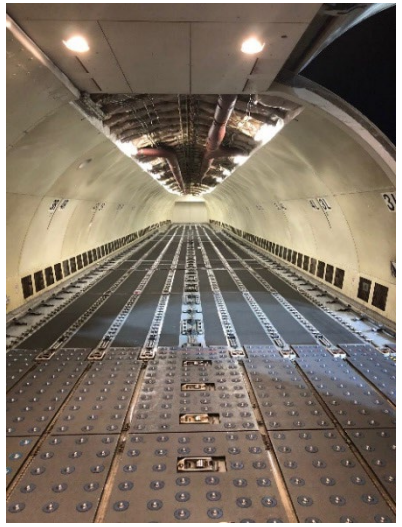
DOT Customer Complaints per 100K Pax*

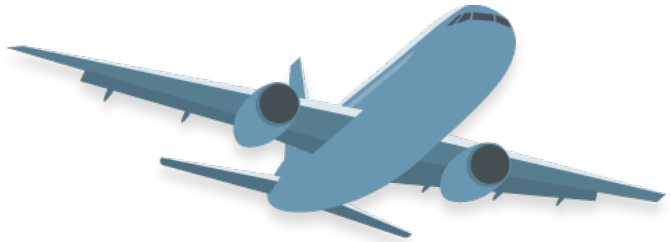


Source: DOT *Air Travel Consumer Report (*http://www.dot.gov/airconsumer/air-travel-consumer-reports)

* U.S. passenger airlines

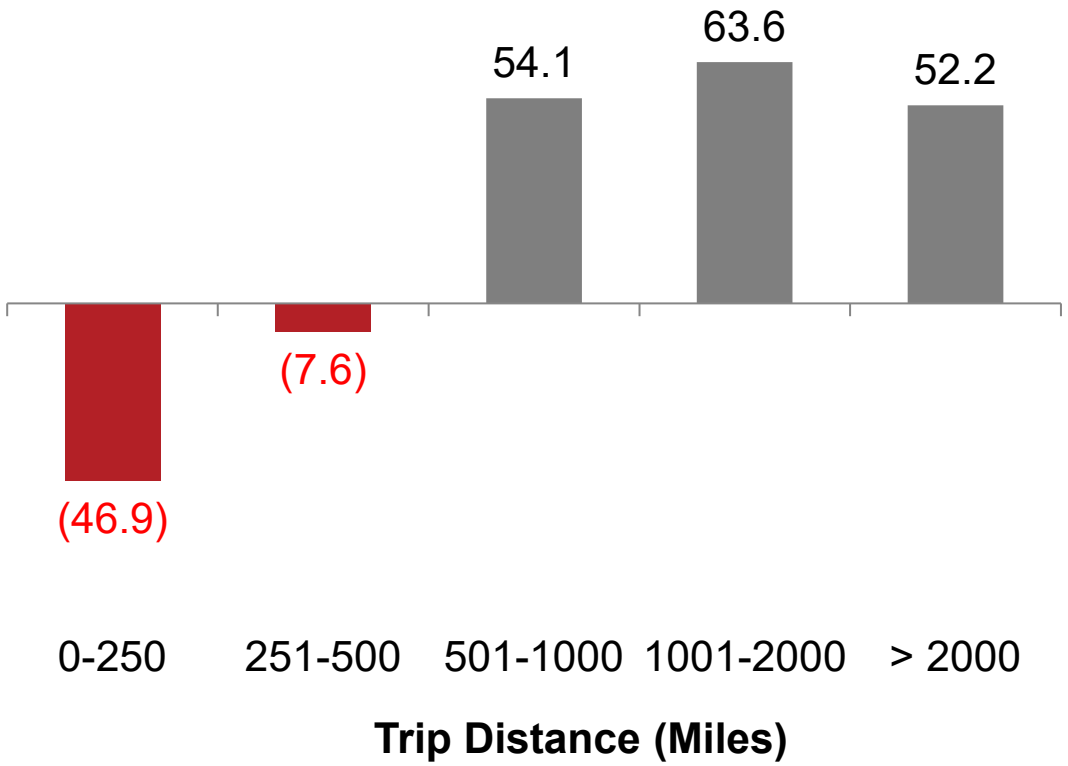

Check-In
Open



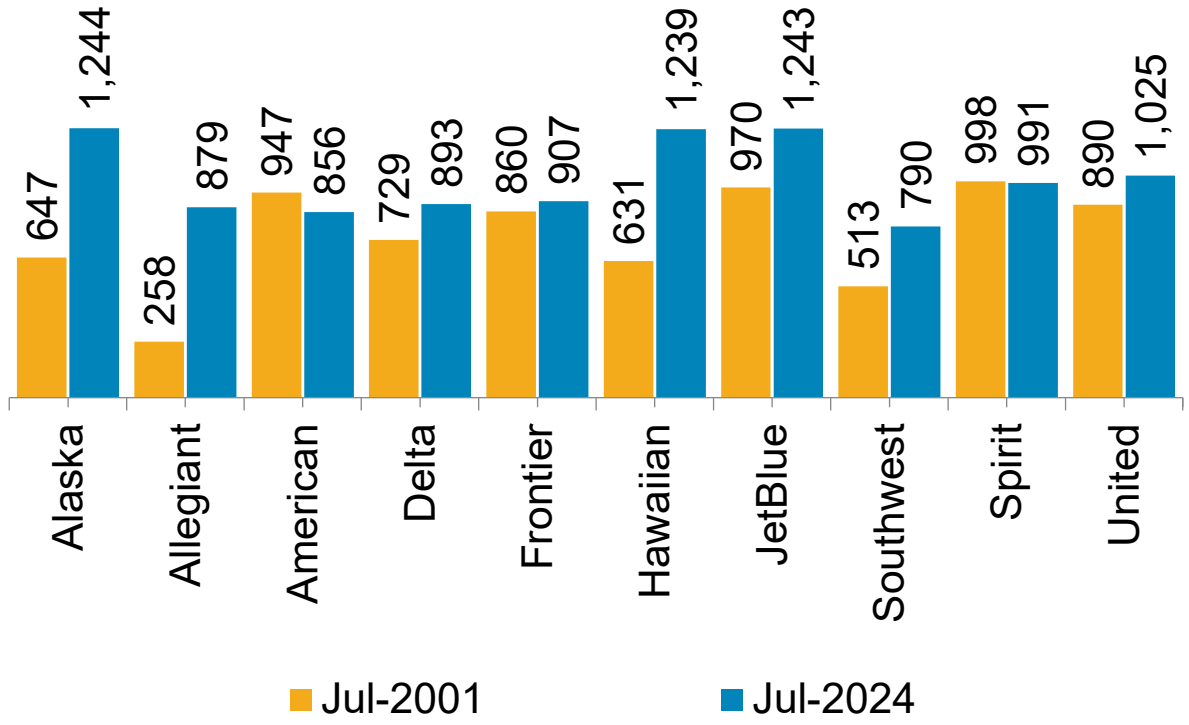


After 9/11, Domestic Passengers Avoided Air Travel on Shorter Distances; Airlines Adjusted Their Networks Accordingly, Aided by Aircraft Advances, to Increase Average Seat Distance

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



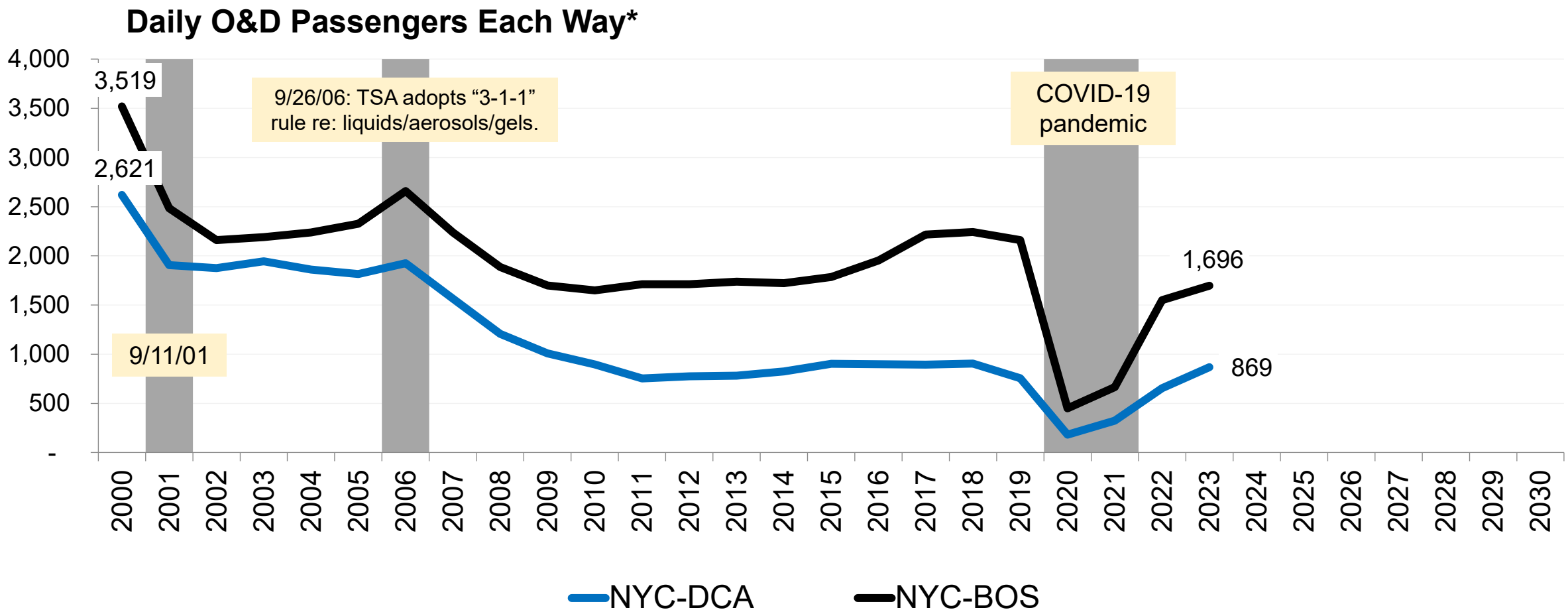
Average Scheduled Domestic Seat Distance (Miles) by Marketing Airline



Source: DOT Data Bank 1B (O&D Survey data) and Cirium published airline schedules (Jan. 5, 2024)

* Four quarters ending June 2001

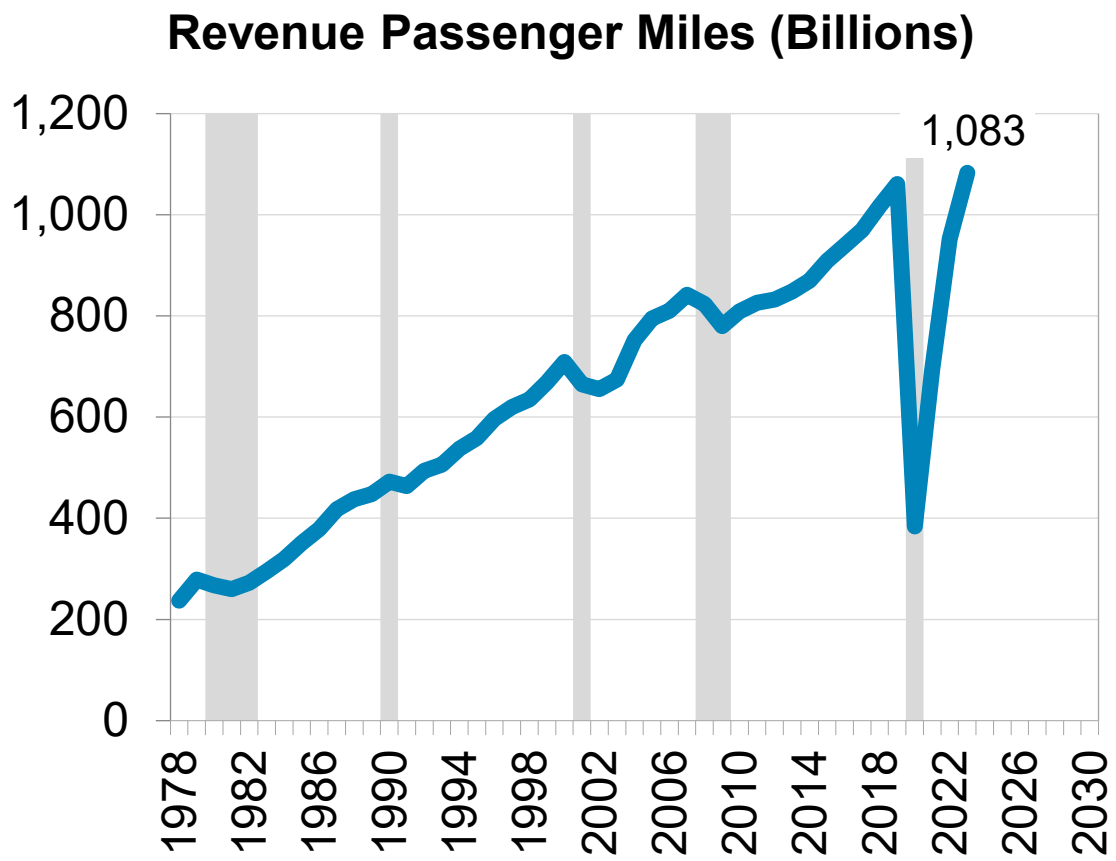
Air Passenger Volumes Between New York and Boston/Washington Have Fallen Sharply Since 2000, Due Largely to Changes in Security Requirements and Improved Alternatives to Flying

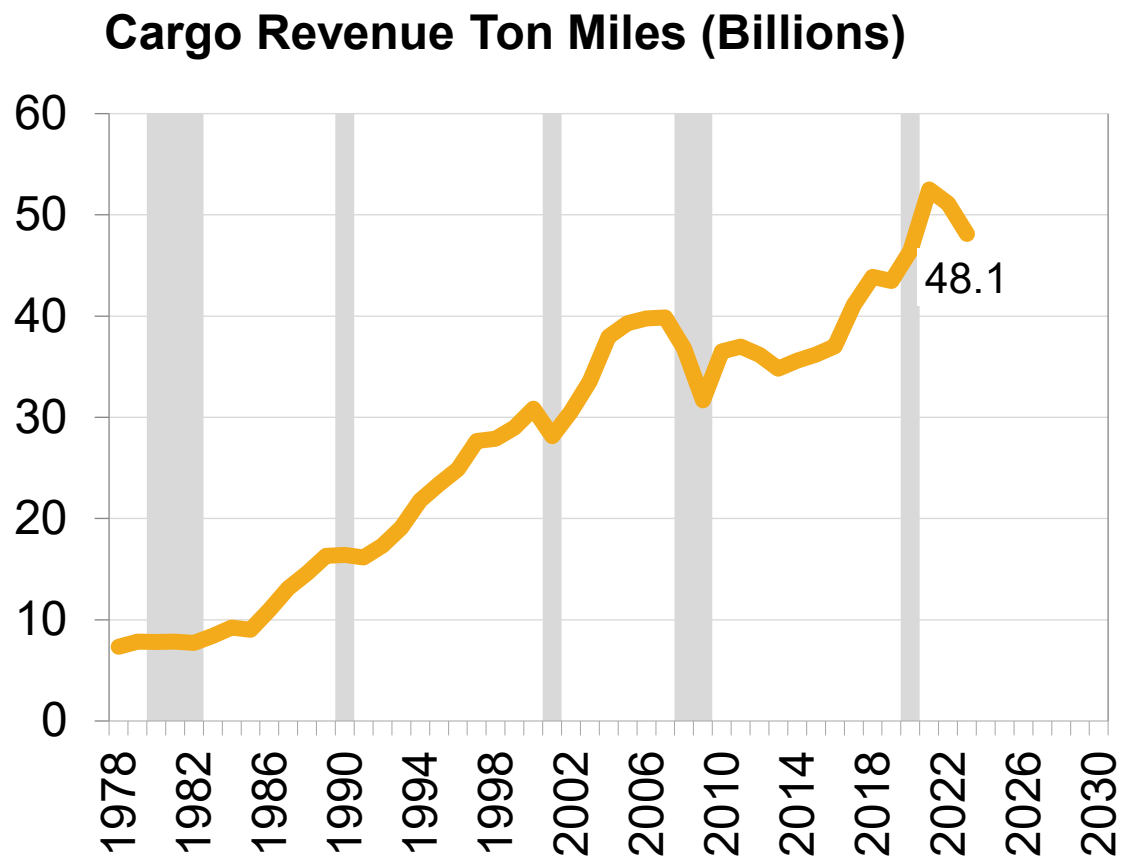


Source: DOT Data Bank 1B (O&D Survey data)

* NYC includes EWR/JFK/LGA airports; 2023 = Jan-Sep

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

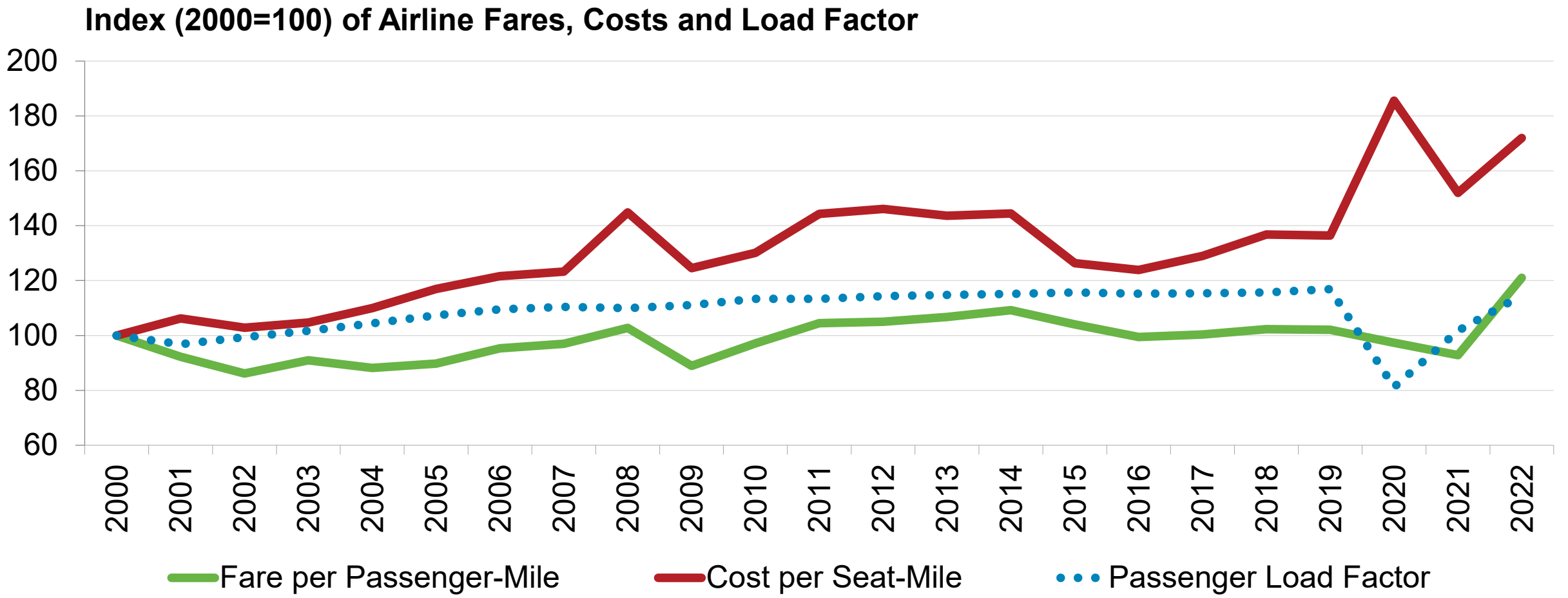




Source: U.S. Bureau of Transportation Statistics (T1 systemwide for U.S. airlines – all services)

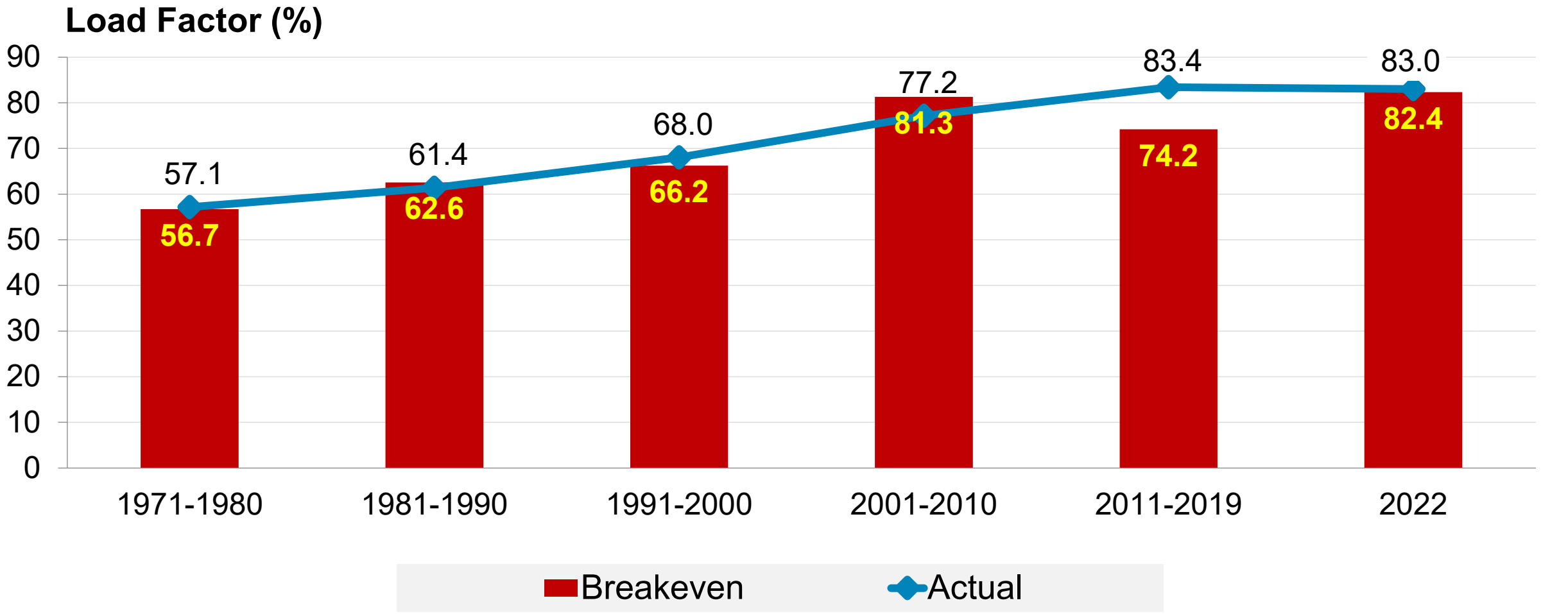
Note: Recessions highlighted in gray

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

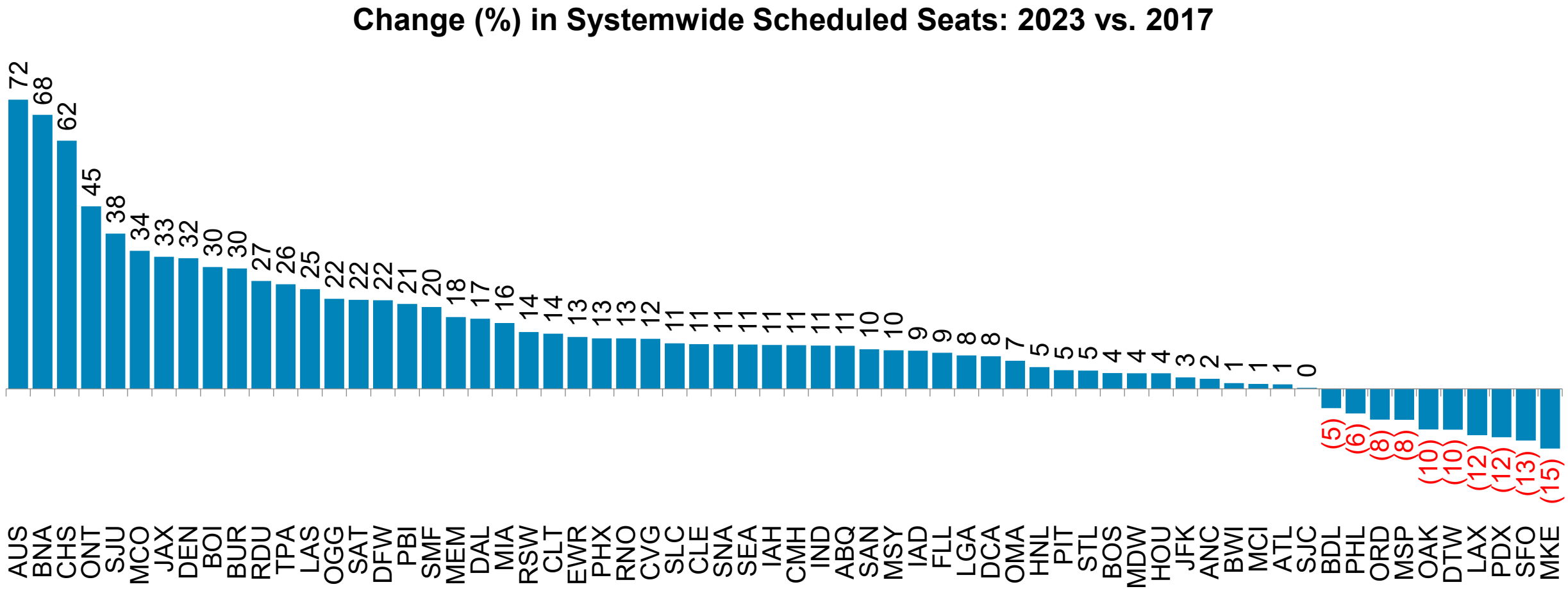


Source: A4A Passenger Airline Cost Index

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

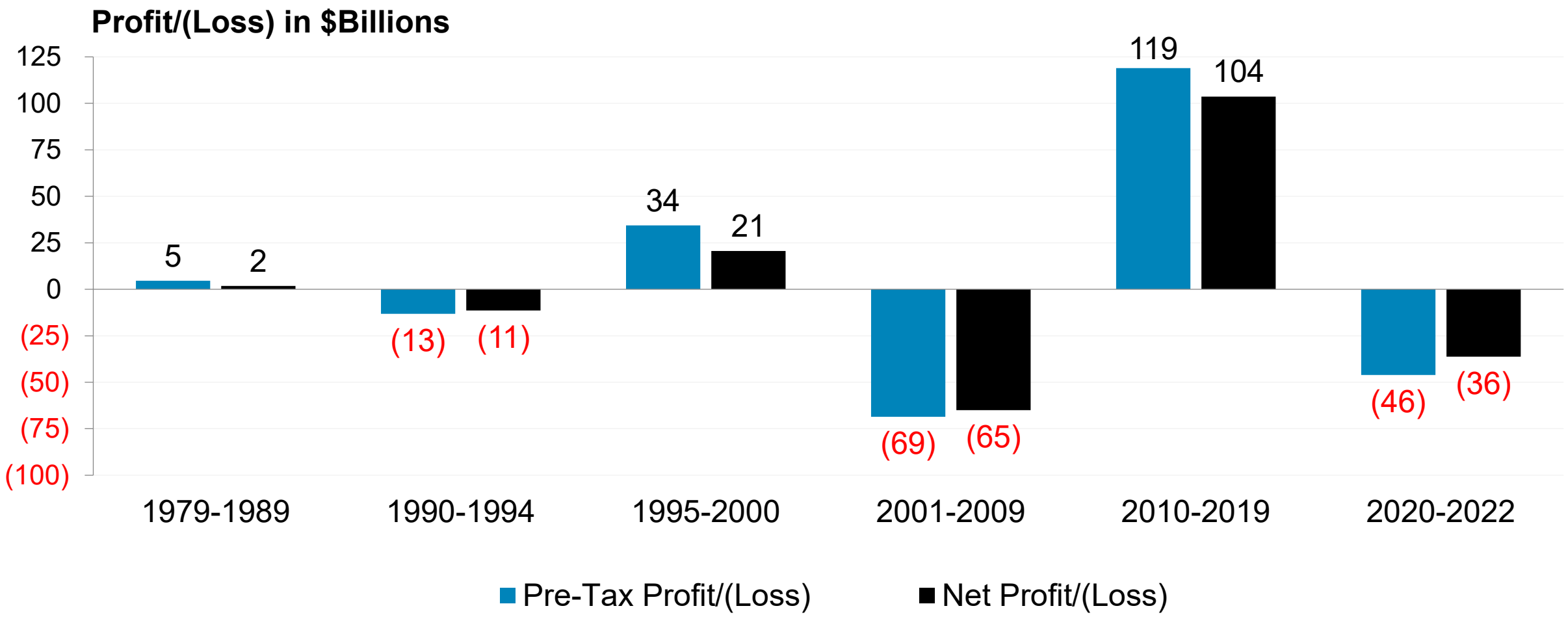
Austin, Nashville and Charleston (SC) Have Soared Above the Rest



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

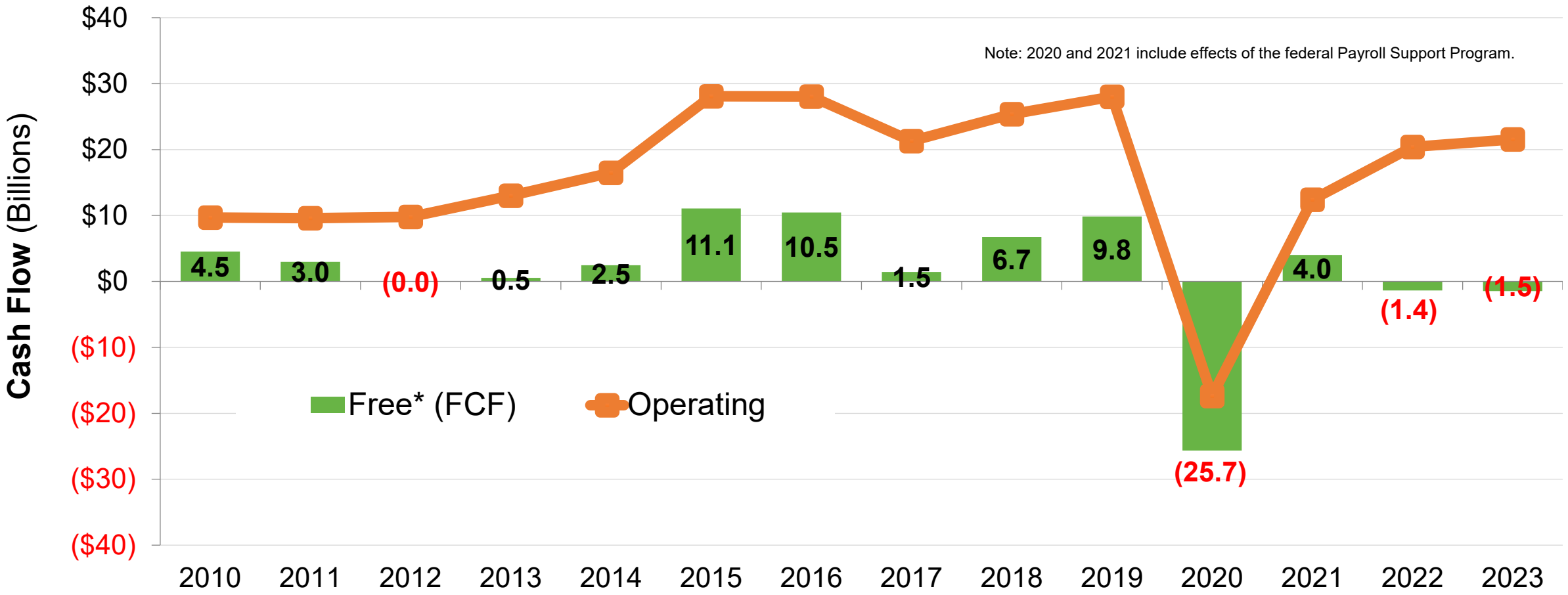
In the Deregulated Period, U.S. Passenger Airline "Earnings" Have Been Cyclical and Volatile

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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