



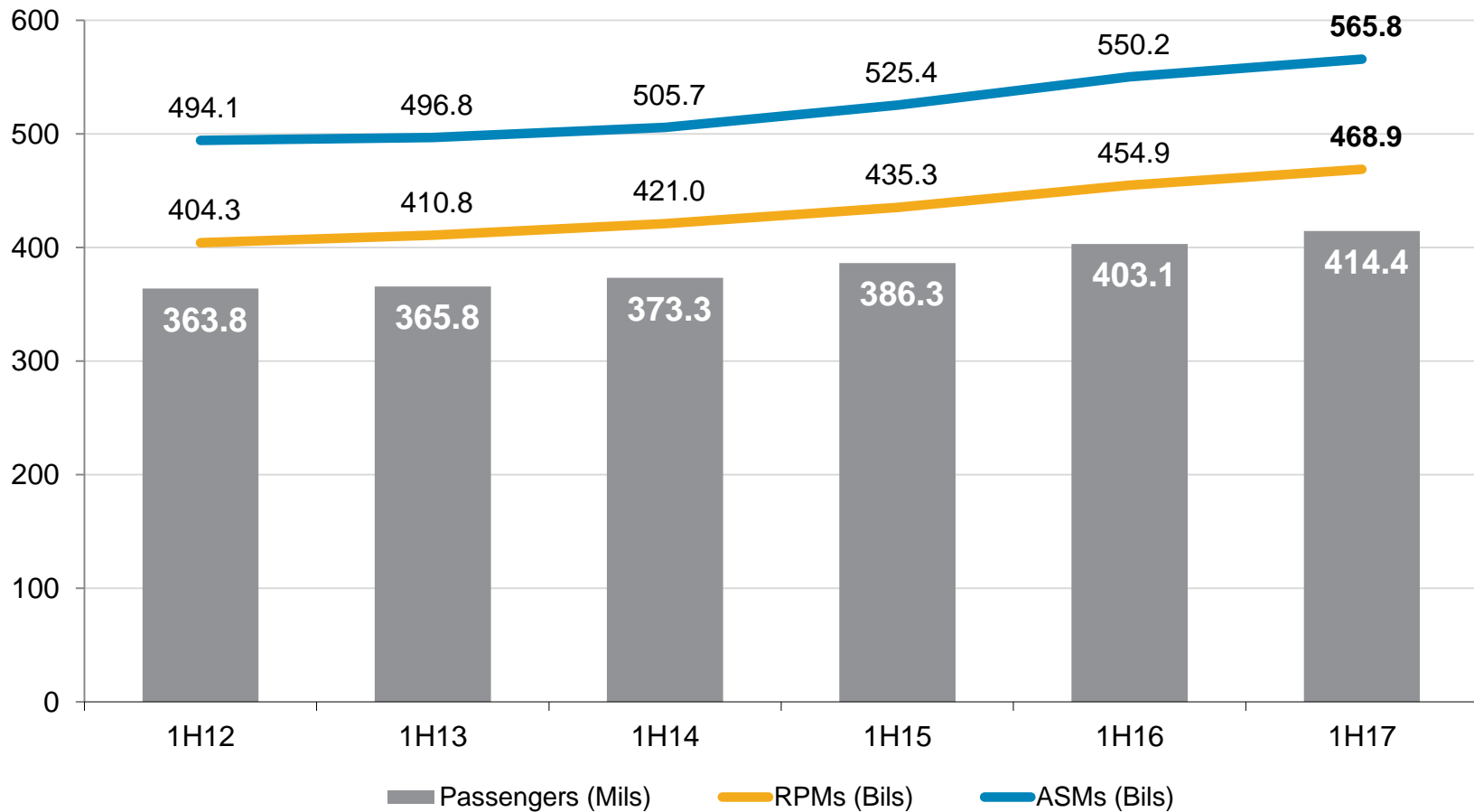
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Thanksgiving Air Travel Forecast and Year-to-Date 2017 Review

John P. Heimlich
Vice President & Chief Economist
A4A Media Briefing
November 1, 2017

U.S. Airline Traffic Flown and Capacity Operated Continue to Grow in 2017

Systemwide Passengers Enplaned Up 2.8% Year Over Year, 13.9% Over Five Years

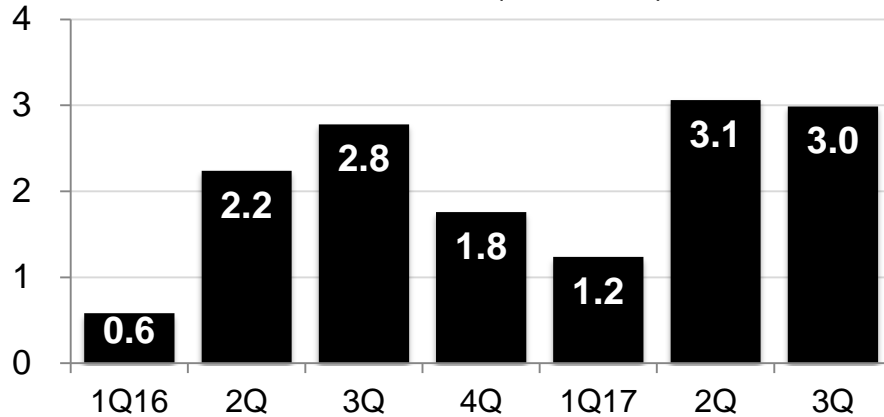


Source: U.S. Bureau of Transportation Statistics T1, systemwide scheduled service on U.S. airlines – revenue passenger miles (RPMs) and available seat miles (ASMs)

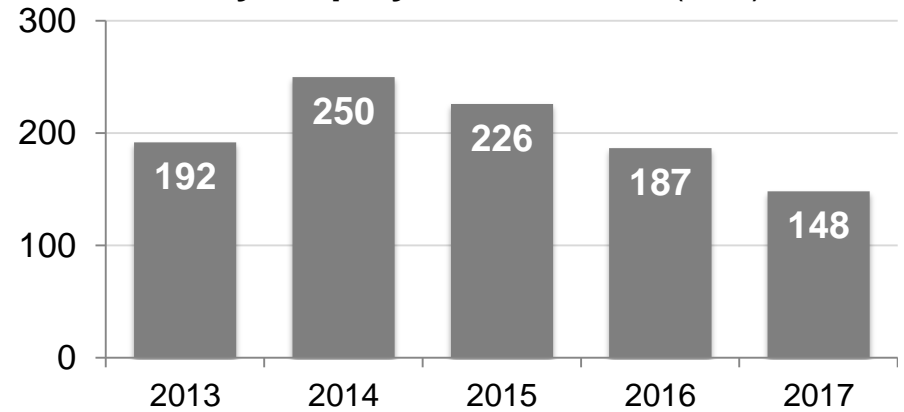


U.S. Economy and Employment Growing; Household Net Worth at All-Time High

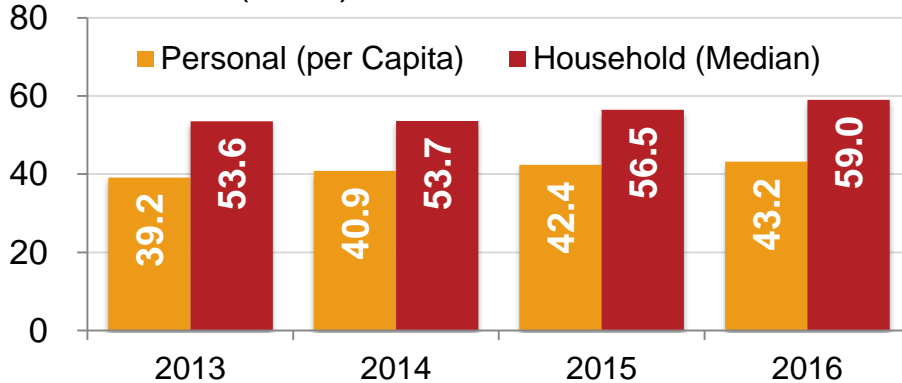
Real GDP Growth Rate (% CAGR)



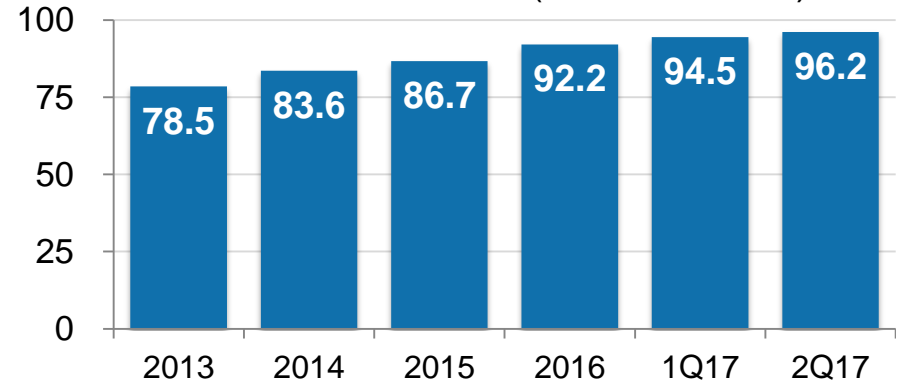
Monthly Employment Growth (000)



Income (\$000)



Household Net Worth (\$ Trillion, NSA)



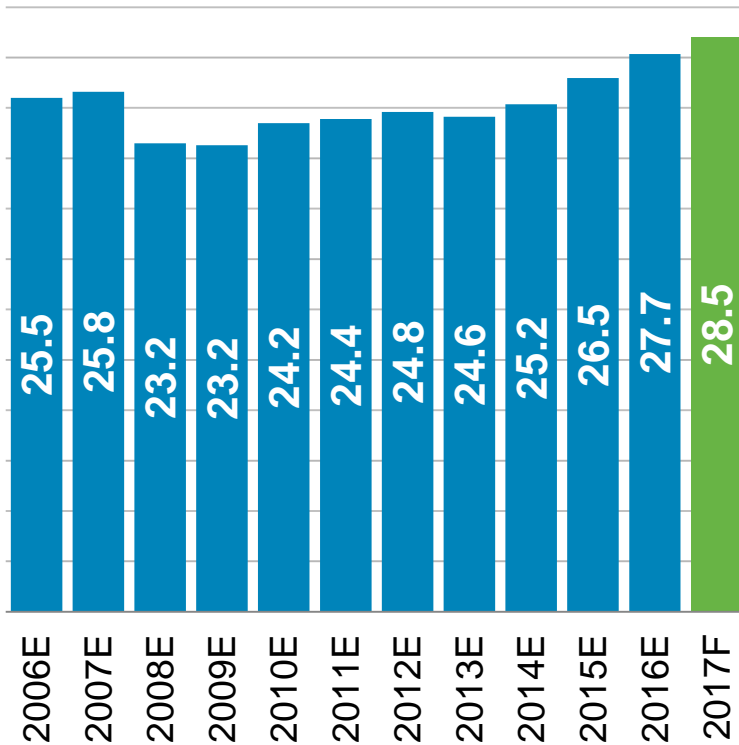
Sources: BEA, BLS, Federal Reserve and IHS; U.S. GDP real annual average growth rate (%), U.S. nonfarm payroll employment growth (month-over-month, in 000s, seasonally adjusted), U.S. disposable personal income (BEA) and median household income (Census); U.S. household net worth in current dollars, not seasonally adjusted



A4A Projects U.S. Airlines to Carry 28.5M Thanksgiving-Period Passengers in 2017

Period = Friday (Nov. 17) Preceding Holiday Through Tuesday (Nov. 28) Following Holiday

U.S. Airline Onboard Passengers (Millions) – Scheduled Service, 12-Day Thanksgiving Period



- U.S. airlines will **carry 2.38M passengers** per day, up ~69K (3%) from 2016
- U.S. airlines will **offer 2.79M seats** per day, up ~86K (3.2%) from 2016
- T-giving Day was 2nd **lightest** day of CY2016
- Sunday return was **busiest** day of CY2016

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

Note: E=estimate; F=forecast

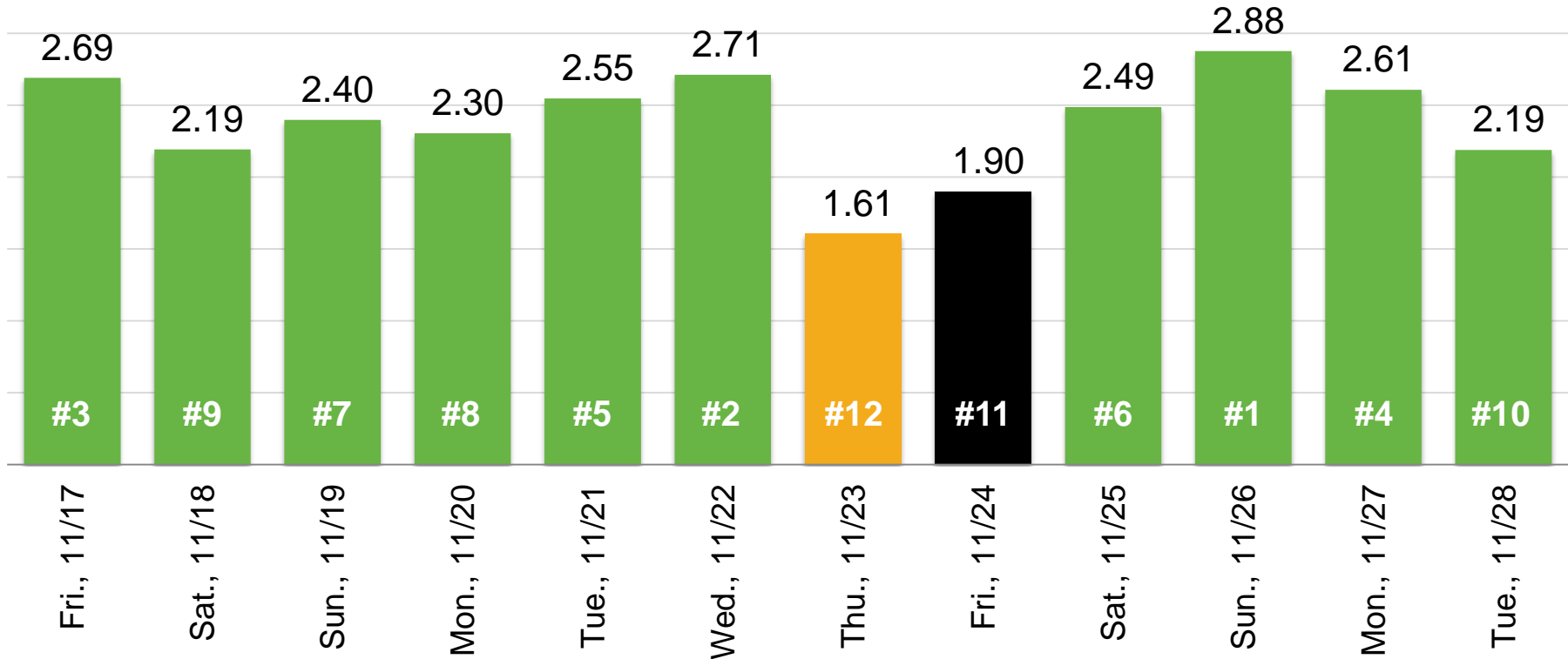


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A4A Projects Daily Thanksgiving Passenger Volumes to Range from 1.61M to 2.88M

Expected Busiest Days: Sunday Return, Monday Return and Wednesday Preceding

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



Source: A4A, selected sample carriers and DOT T100 segment data

* Friday, Nov. 17 through Tuesday, Nov. 28



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How's the Weather Affecting U.S. Airport Operations?

<http://airlines.org/dataset/current-operation-status-for-us-airports>

NOVEMBER

1

12:02 EDT

U.S. Airport Flight Operations

21,667

Daily Scheduled

7,041

Departed

29

Canceled

99.9%

Completion Factor

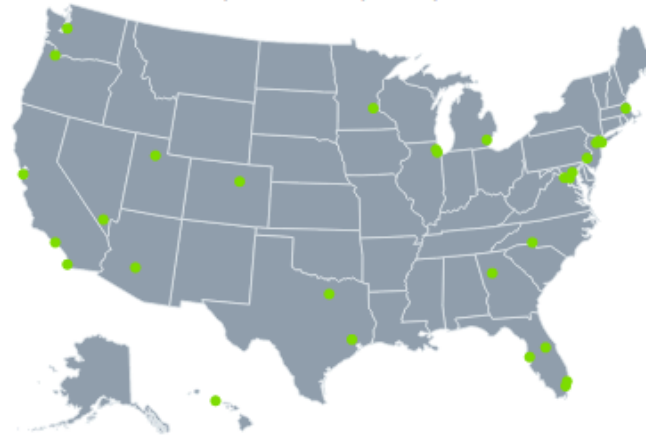
95.3%

OTP (A14)

Top 30 U.S. Airports by Passenger Volume: Performance as of 12:02 EDT on November 1

Airport Weather

Click on Airport to see current operational performance.



% of Flights Operating On Time (A14)

● 100-80 ● 79-60 ● 59-0 ○ Pending

Recent Daily U.S. Airport Performance

Completion Factor: 98.8% (Average)



Canceled Flights: 8,227 (Total)



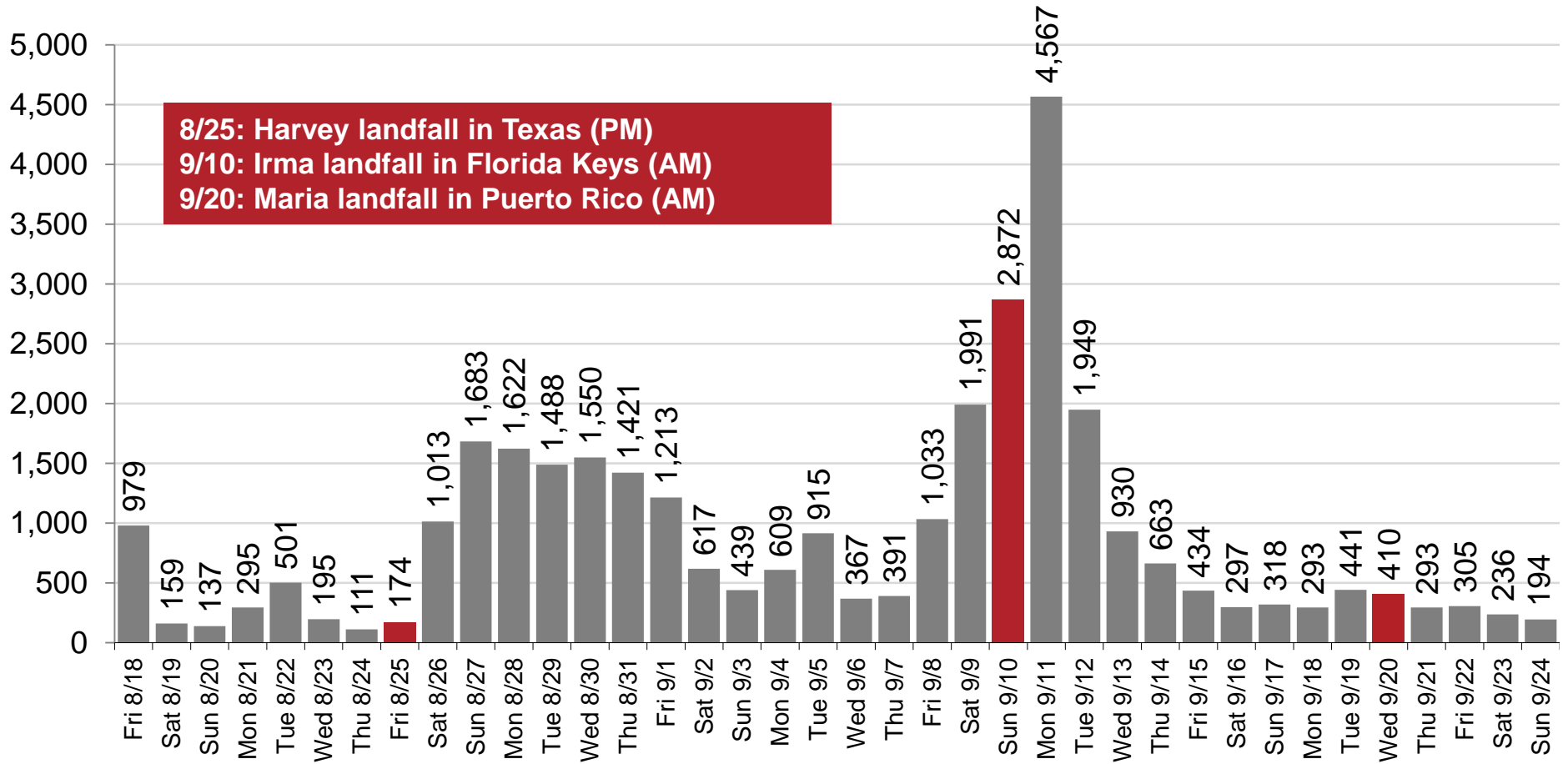
Hover for specific date; Modify date ranges by highlighting.



Descriptions and definitions: All data provided by GEE Operations Solutions – masFlight (geemedia.com), Domestic and International flight departures for U.S. airlines (mainline and regional) from U.S. DOT large-hub airports. Non-U.S. Airlines are not included. Today's flight performance is cumulative throughout the day. DO = Departed on or before schedule. A14 = Arrived within 15 minutes of schedule. OTP = On-Time (A14) Performance (Arrivals). Completion Factor (CF) = Percent of scheduled departures. Pending = departed, currently in flight.

Severe Hurricanes Disrupted August-September 2017 Airline Flight Operations

Nationwide U.S. Domestic Flight Cancellations



Source: masFlight

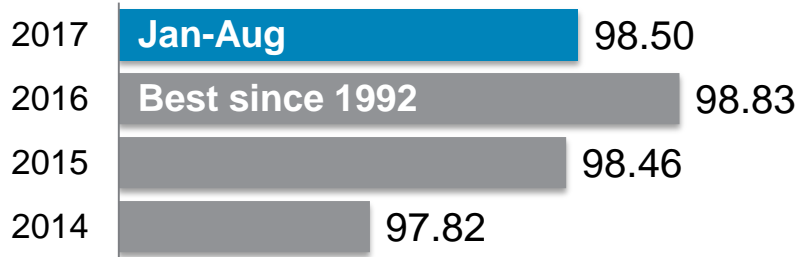


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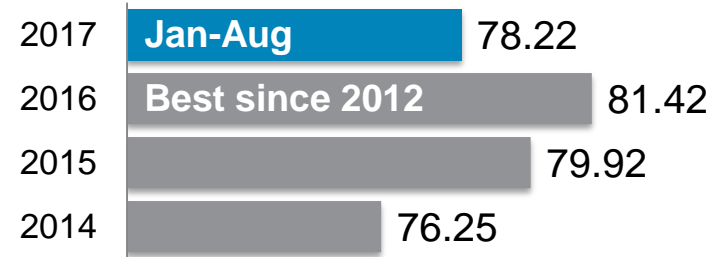
U.S. Airline Flight Operations Impacted by 2017 Extreme Weather Events

But Baggage Handling Continues to Improve and Denied Boardings Continue to Fall

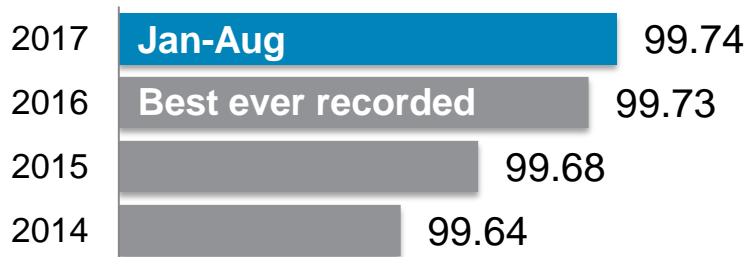
Flight Completion Factor (%)



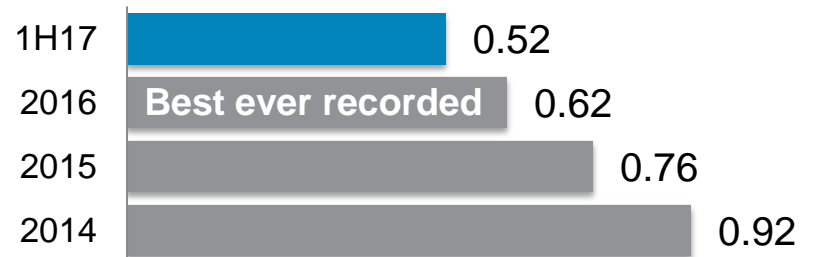
On-Time Arrival Rate (%)



Properly Handled Bag Rate (%)



Involuntary Denied Boardings*



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

* Per 10,000 enplaned passengers

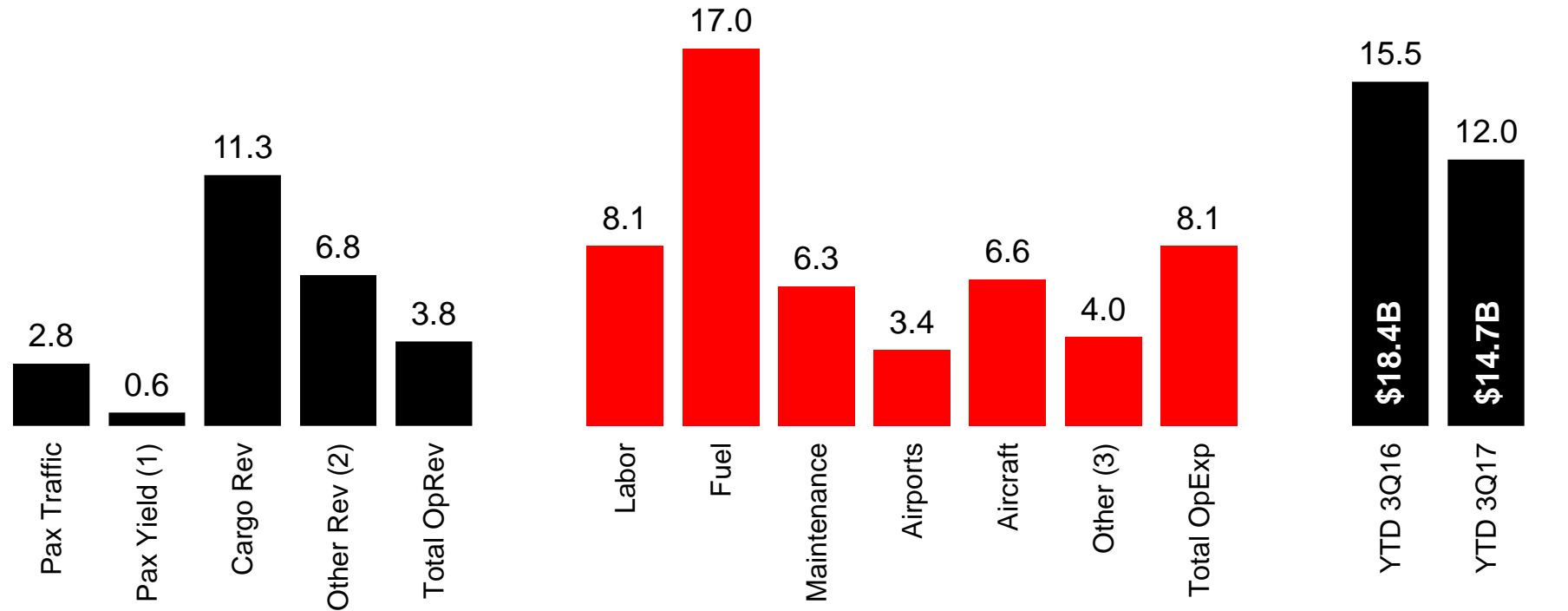


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YTD 3Q17 Revenues Rose 3.8%, But All Major Expenses Rose Further – Up 8.1%

Profitability (Average Pre-Tax Profit Margin) Fell to 12%

Year-over-Year Change (%) in Operating Revenues and Expenses



1. Yield = fare per mile (cents per RPM)

2. Sale of frequent flyer award miles to airline business partners, pet transportation, in-sourced aircraft and engine repair, flight simulator rentals, inflight sales, etc.

3. Professional fees, food/beverage, insurance, commissions, GDS fees, communications, advertising, utilities, office supplies, crew hotels, nonfuel payments to regionals

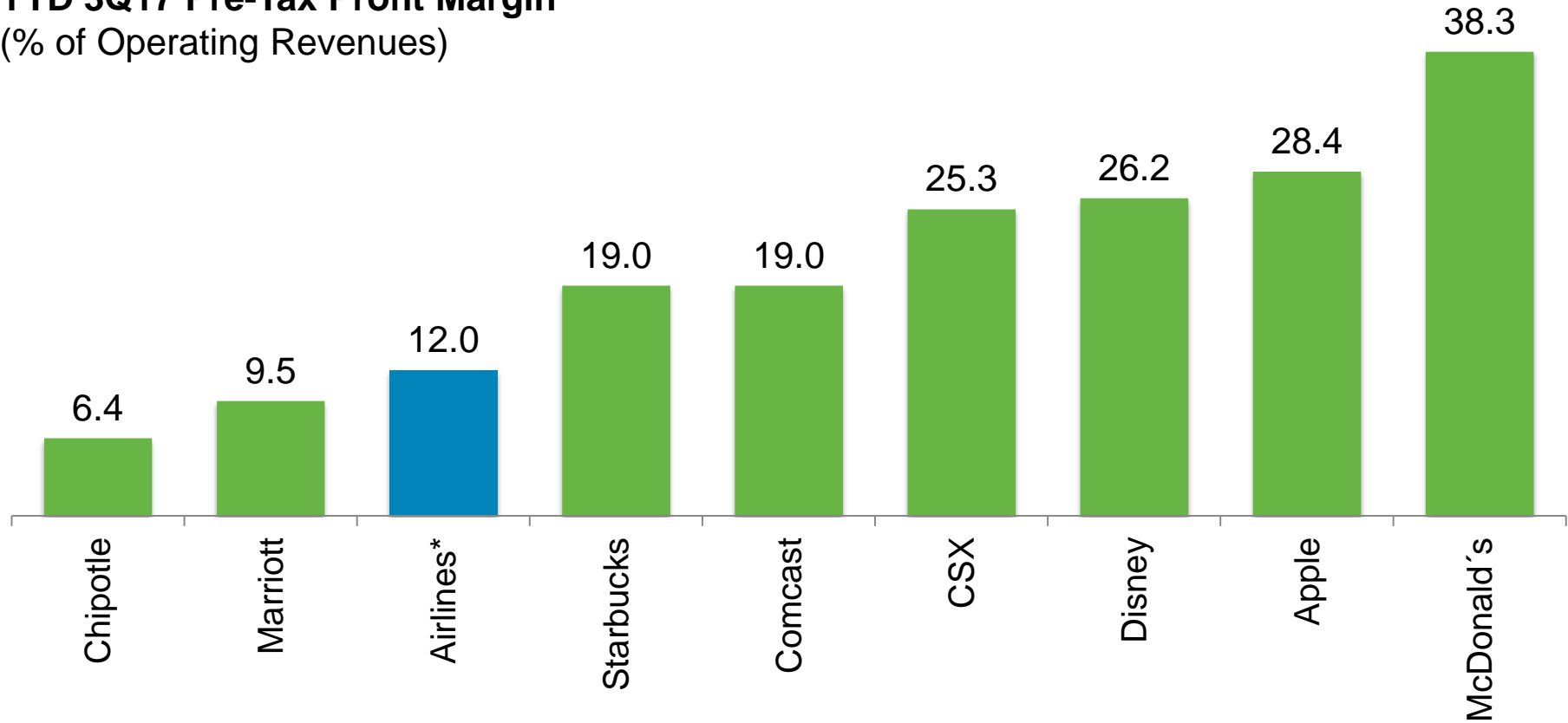
Source: A4A analysis of reports by Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United



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In 2017, U.S. Passenger Airline* Profitability Respectable But Below Average

YTD 3Q17 Pre-Tax Profit Margin (% of Operating Revenues)



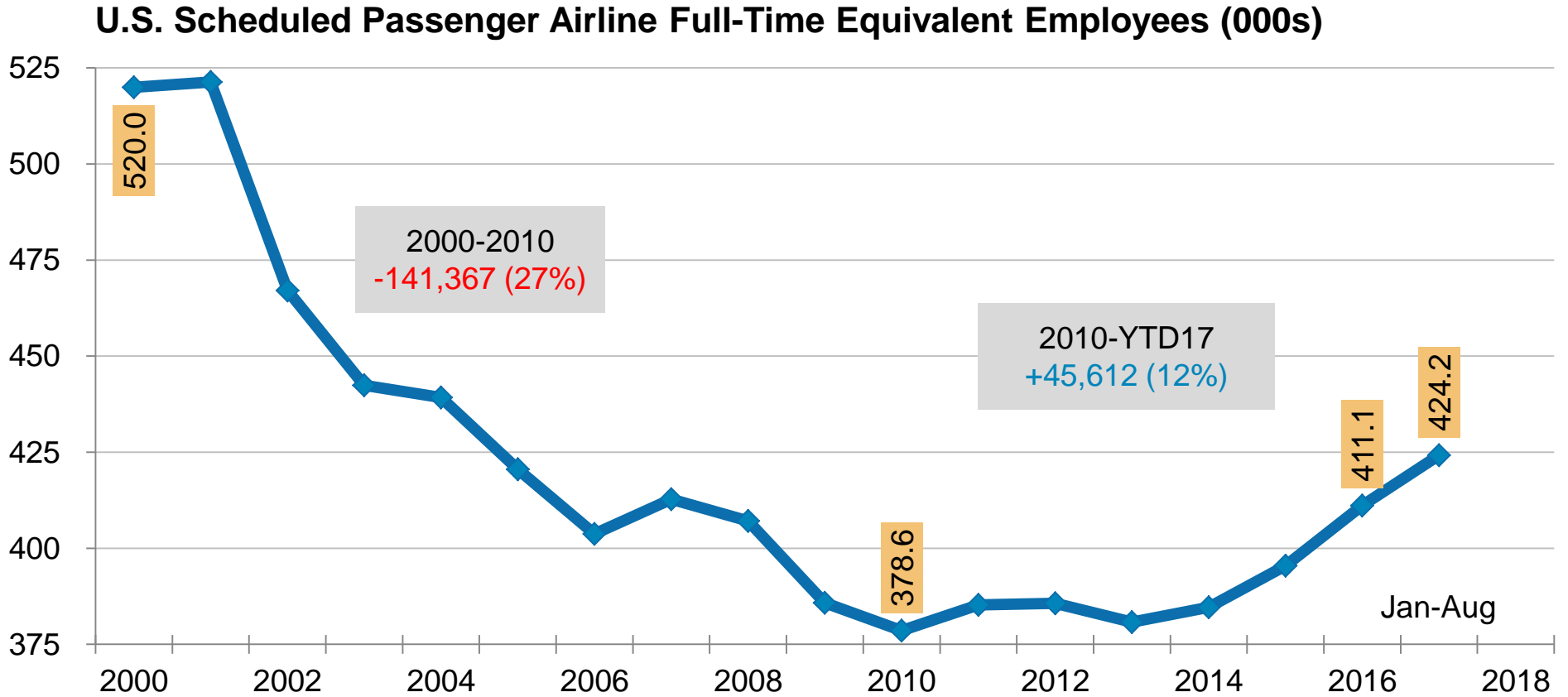
* A4A analysis of reports by Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United
Source: Company SEC filings



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U.S. Passenger Airline Jobs Averaging Highest Level Since 2004

August 2017 Represented the **46th Consecutive Month of YOY Gains**



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

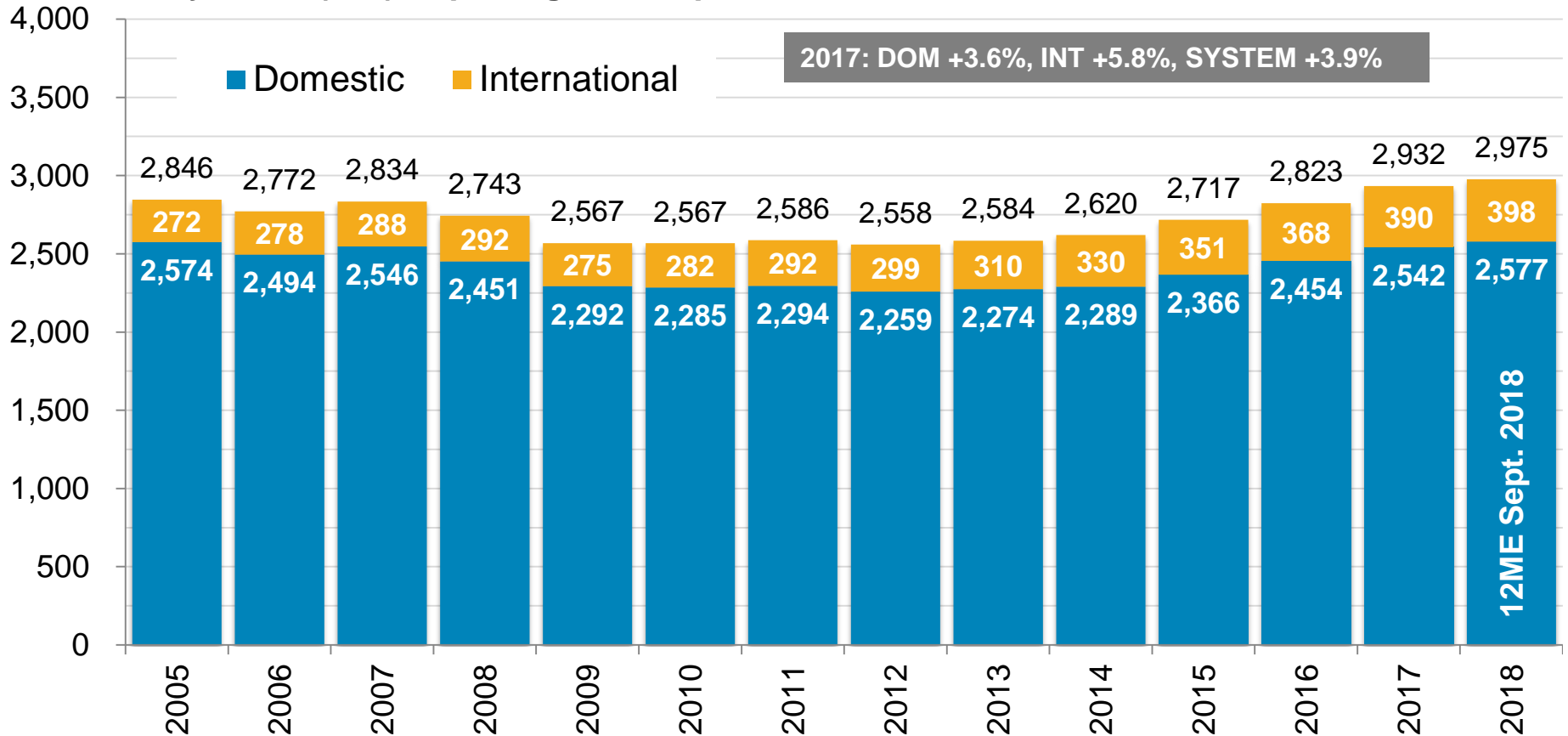


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As Airlines Achieve Economic Profits, Customers Are Seeing More Seats

Supply of Seats Departing U.S. Airports at All-Time High Entering 2018

Daily Seats (000) Departing U.S. Airports in Scheduled Service

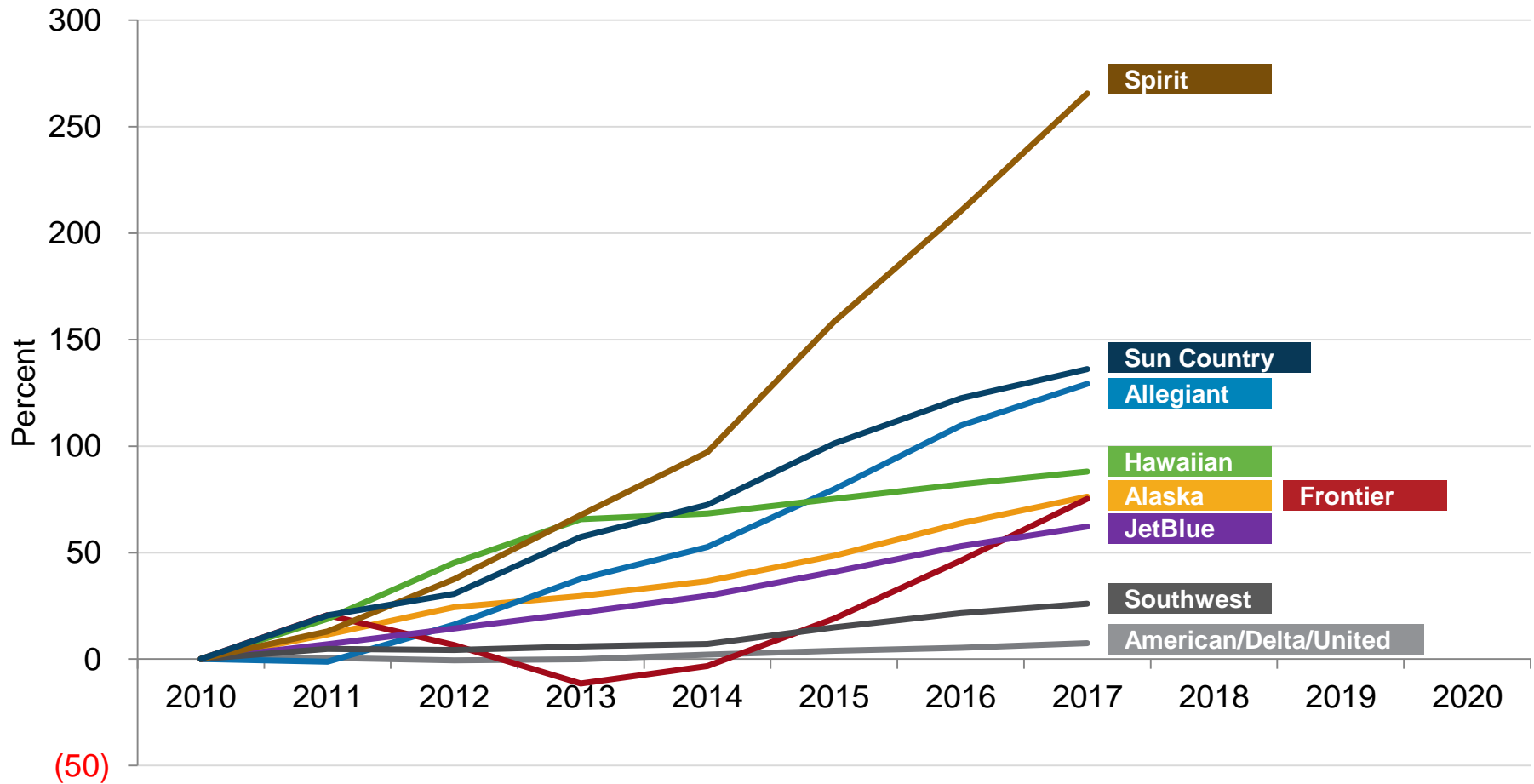


Source: Innovata (via Diio Mi) published schedules as of Oct. 27, 2017, for all airlines providing scheduled passenger service from U.S. airports to all destinations



Smaller U.S. Carriers Have Been Growing Far Faster Than the Four Largest Carriers

Growth in Systemwide Scheduled ASMs Since 2010



Source: Innovata (via Diio Mi) published schedules as of Oct. 13, 2017, for selected marketing airlines including predecessors



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Airlines Strongly Support Infrastructure Investment Across the Country

Airline-Airport Collaboration Has Paved the Way for Widespread Capital Improvements

- » **Over \$100 billion of capital projects** have been **completed**, are **underway** or **approved** at the nation's **30 largest airports alone** since 2008, including, for example:
 - New runways at Fort Lauderdale, Washington Dulles, Seattle, and Charlotte
 - Multiple new runways at Chicago O'Hare
 - New international facilities at Atlanta and Los Angeles
 - New, expanded or modernized terminals at Miami, Las Vegas, Orlando, Hawaii, Houston, Denver, Seattle, Salt Lake City and San Francisco

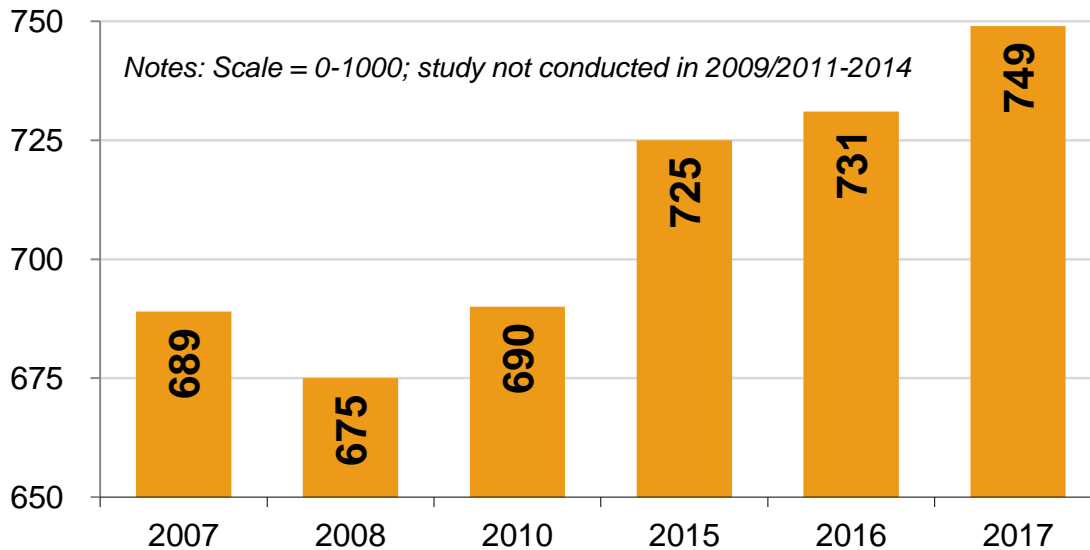
- » **Development is also robust at smaller airports**, including, for example:
 - Runway projects at Erie, Columbus, Dayton, Des Moines, Nashville and Sioux Falls
 - Terminal projects at New Orleans, Eugene, Grand Rapids, Greenville-Spartanburg, Norfolk, Portland (Maine), Reno-Tahoe and Wichita





J.D. Power: North American Airport Satisfaction Climbs to Record High

“Overall passenger satisfaction with North American airports has reached an all-time high, as airports of every size have found creative ways to address the challenges of constant construction projects and increased passenger capacity demand... [M]ajor city airports that are in the thick of massive construction efforts—notably Newark Liberty, LaGuardia, Los Angeles International and Chicago O’Hare—are still fighting the headwinds of traveler disruption and access challenges that are handicapping their overall satisfaction scores.” (Sept. 21, 2017)



Six factors (in order of importance):

- Terminal Facilities* (24%)
- Airport Accessibility (19%)
- Security Check (16%)
- Baggage Claim (15%)
- Check-In/ Baggage Check (14%)
- Food / Beverage / Retail (13%)

* Concourses, lounges, signage, restrooms, gate areas

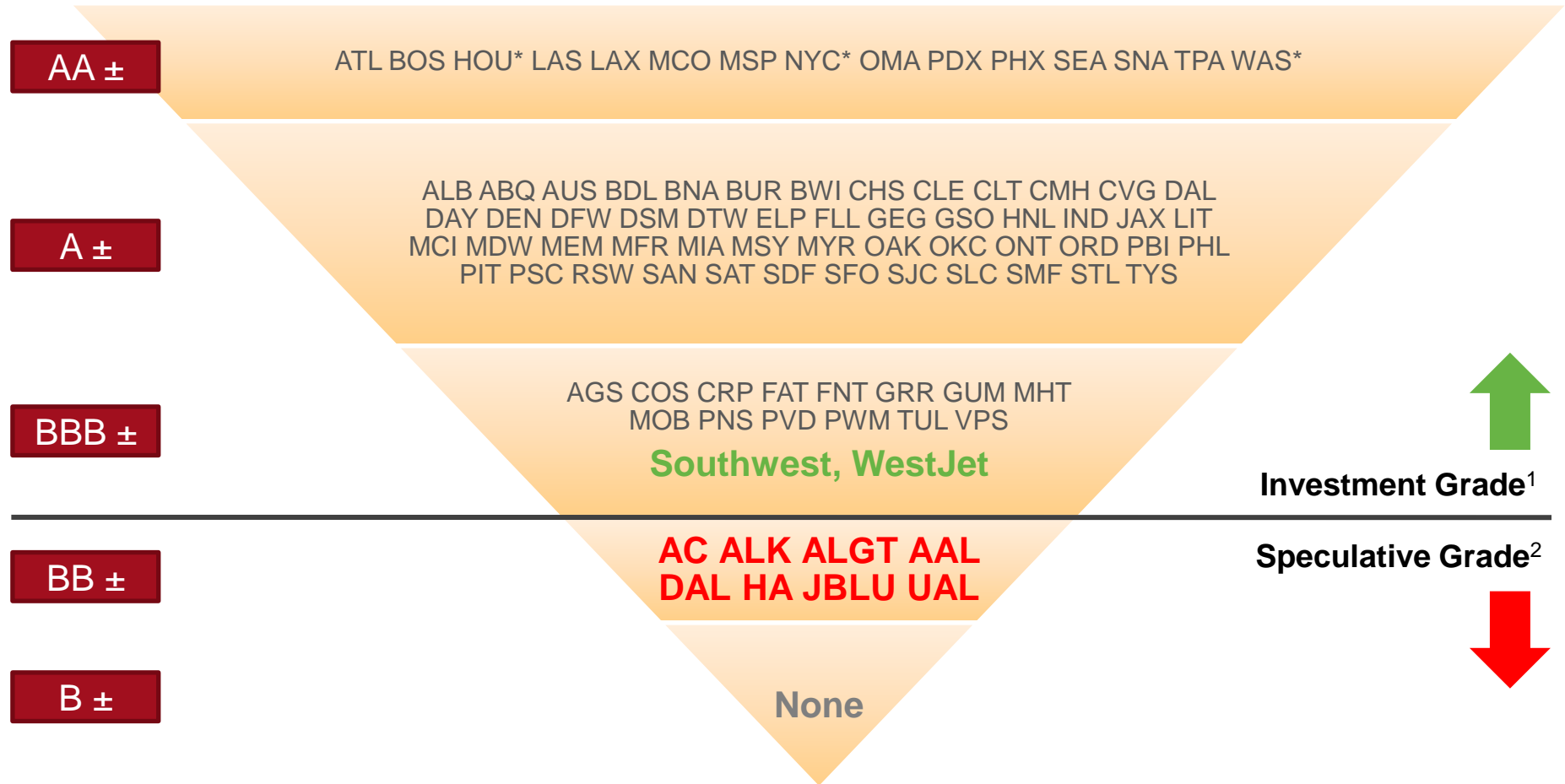
Notes: The study, fielded Jan-Aug 2017, is based on responses from 34,695 North American travelers who traveled through at least one domestic airport with both departure and arrival experiences (including connecting airports) during the past three months. Travelers evaluated either a departing or arriving airport from their round-trip experience.

Source: J.D. Power 2017 North America Airport Satisfaction Study (<http://www.jdpower.com/press-releases/jd-power-2017-north-america-airport-satisfaction-study>)



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Strong Credit Ratings Allow Airports to Access Capital Markets at Preferred Rates



¹ Describes issuers with relatively high levels of creditworthiness and credit quality

² Describes issuers with ability to repay but facing significant uncertainties, such as adverse business or financial circumstances that could affect credit risk

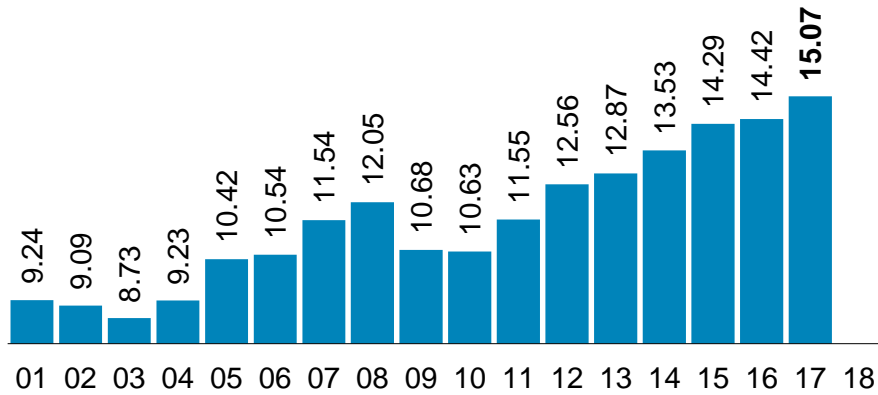
Source: Standard and Poor's

* HOU = HOU/IAH; NYC = EWR/JFK/LGA; WAS=DCA/IAD

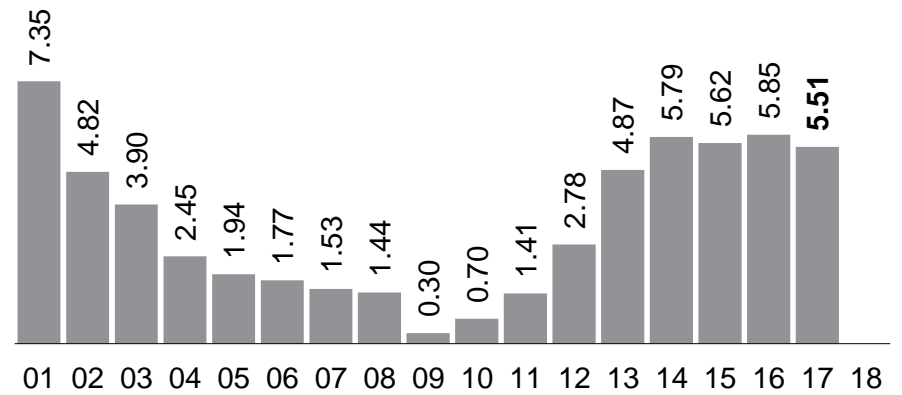


U.S. Airports Have Ample/Multiple Resources from Which to Fund Improvements

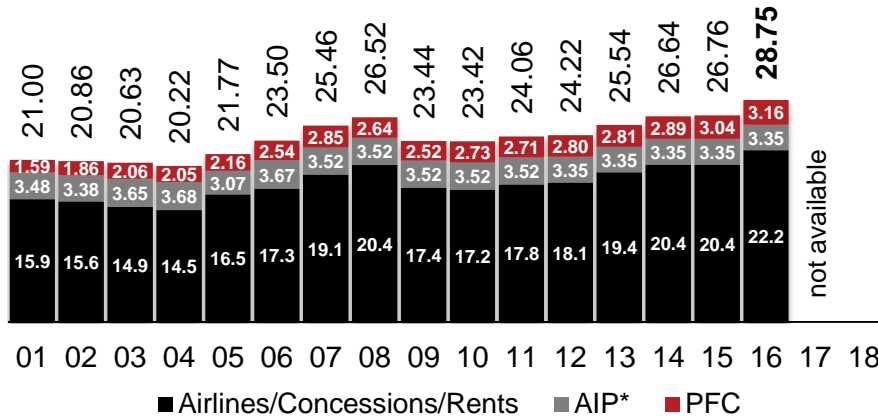
Airport & Airway Trust Fund Revenues (\$ Billions)



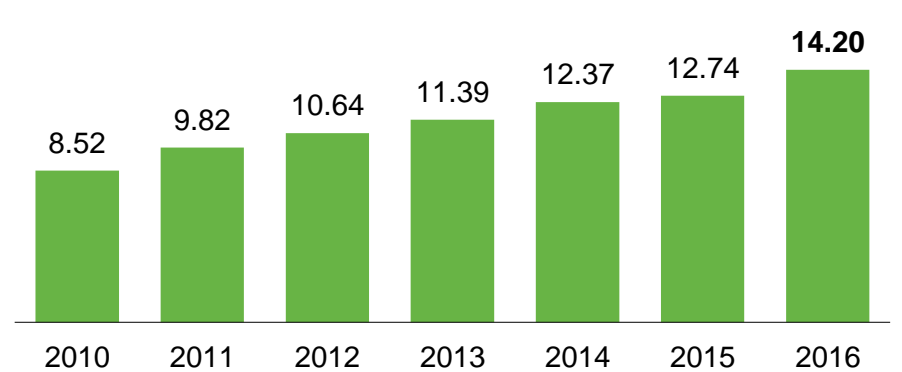
Airport & Airway Trust Fund Unobligated Balance (\$ Billions)



U.S. Airport Revenues (\$ Billions)



U.S. Airport Unrestricted Cash & Investments (\$ Billions)



Source: A4A, FAA, U.S. Treasury; PFC collections exclude any compensation received for collecting/handling/remitting

* Airport Improvement Program



www.airlines.org



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