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A4A Media Briefing
November 14, 2018

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- » Year-to-Date Operations and Financial Results
- » Thanksgiving-Period Air Travel Forecast
- » Trends in U.S. Airline and Airport Investment / Capital Improvement
- » Update on Taxes and Airport Financial Resources



YTD 2018 OPERATIONS AND FINANCIAL RESULTS

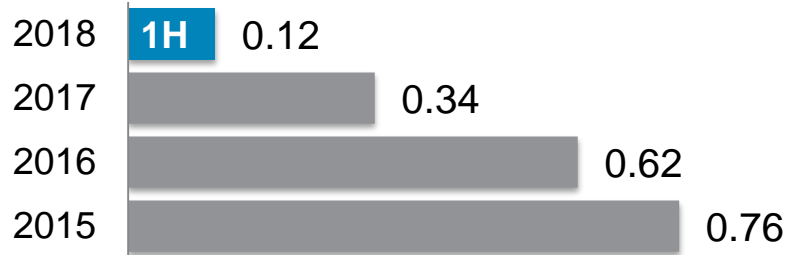


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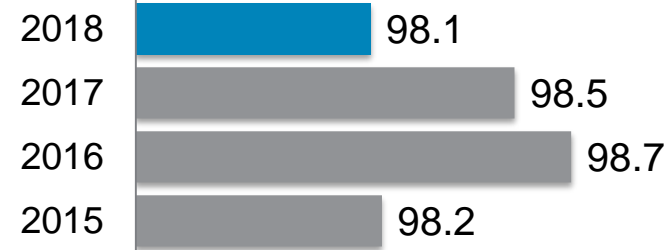
On-Time Performance Inched Up in First 8 Months Despite Slightly Lower Completion

2018 Featuring the Lowest-Ever Recorded Rate of Involuntary Denied Boardings

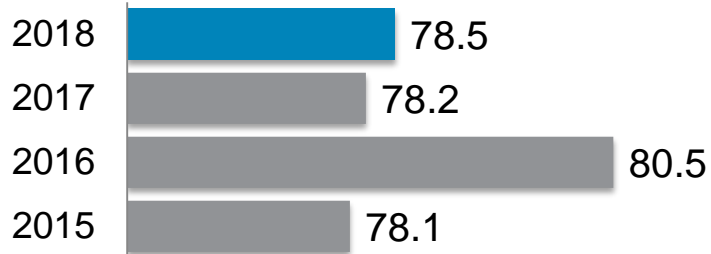
Involuntary Denied Boardings per 10K Psgrs.



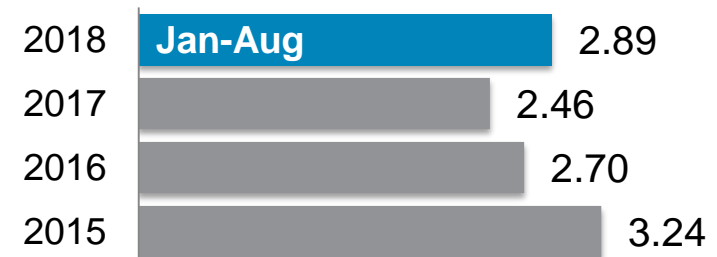
Flight Completion Factor (%) – YTD Aug



On-Time Arrival Rate (%) – YTD Aug



Mishandled Bag Reports per 1,000 Psgrs.



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



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The First Nine Months of 2018 Posed Some Significant Operating Challenges

Power Outages/Airport Equipment:

Jan 1 CBP nationwide outage; Jan 7 (JFK T4 water main break)

Aug 16 – DCA loses power for more than 1 hour, affecting about two dozen flights

Sep 16 – Portions of PHX T4 had a multi-hour closure, prompted by a suspicious abandoned rental car, which snarled air traffic and led to the cancellation of ~30 flights (mostly WN) and delayed hundreds more.

Airport Construction: ATL/CHI/DCA/DFW/HNL/HOU/LAX/MCO/MIA/NYC/PHL/PHX/SAN/TPA

Major Weather

- Jan 3-5 (“bomb cyclone”), 7-8, 12, 16-18, 21-22
- Feb 4-5, 7, 9, 11, 15, 20
- Mar 2 (Winter Storm Riley) 7 (Quinn) 13 (Skylar) 20-22 (Toby)
- Apr 4 (Mid-Atlantic/Northeast), 14-16 (MSP/ORD/CLT/NE), 25 (NE)
- May 3 (CHI/DAL t-storms), 14-16 (CHI/mid-Atlantic/NE t-storms), 31 (SE/mid-Atlantic t-storms)
- Jun 18-20 (rainstorms and low visibility in Chicago/mid-Atlantic), 26 (CHI t-storms)
- Jul 1 (CHI storms), 15 (NYC/PHL storms), 17 (NE/mid-Atlantic), 22 (MCO), 23 (DEN), 27 (NE/mid-Atlantic)
- Aug 2-3, 7-8 (t-storms in mid-Atlantic/NE/CHI), 11 (NYC/PHL), 13-14 (mid-Atlantic/NE/DAL), 17 (NE)
- Sep 3 – “Flooding Causes Massive Delays at O’Hare, Closes Surrounding Roads”; ~500 flights canceled and ~1,100 delayed; crews worked to clean up leaks inside the terminal
- Sep 11-17 – Hurricane Florence (Carolinas) ~3,000 cancellations

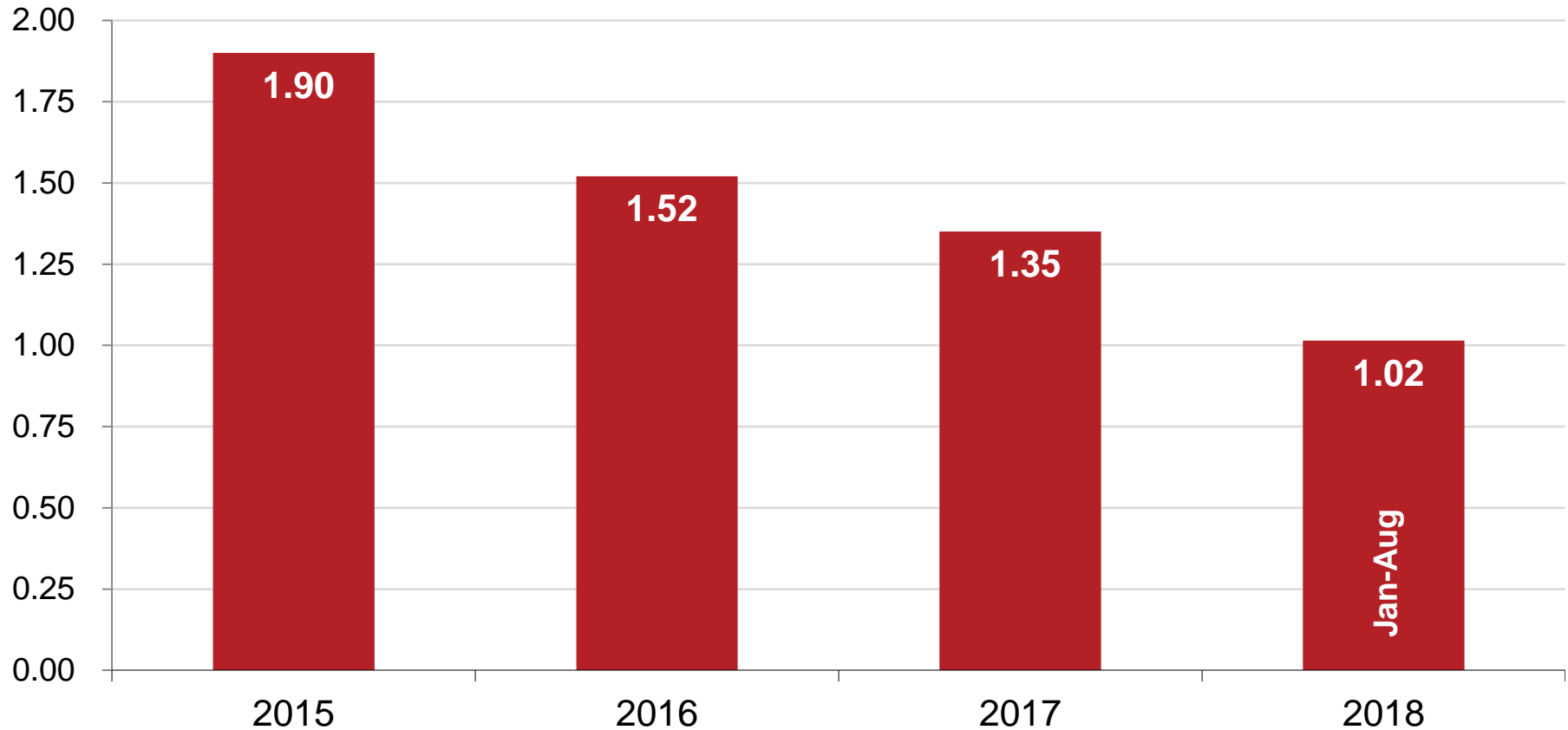
Air Traffic Control: Understaffing at many major facilities; critically low staffing at New York TRACON*

* Staffing is routinely cited as the basis for many traffic management initiatives (ground delay programs, ground stops, airspace flow programs, miles-in-trail) across the NAS
Source: A4A research, FAA Air Traffic Organization and masFlight (subsidiary of Global Eagle)



The Rate of Customer Complaints to DOT Continues to Fall in 2018

Customer Complaints re: U.S. Airlines per 100,000 Passengers



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

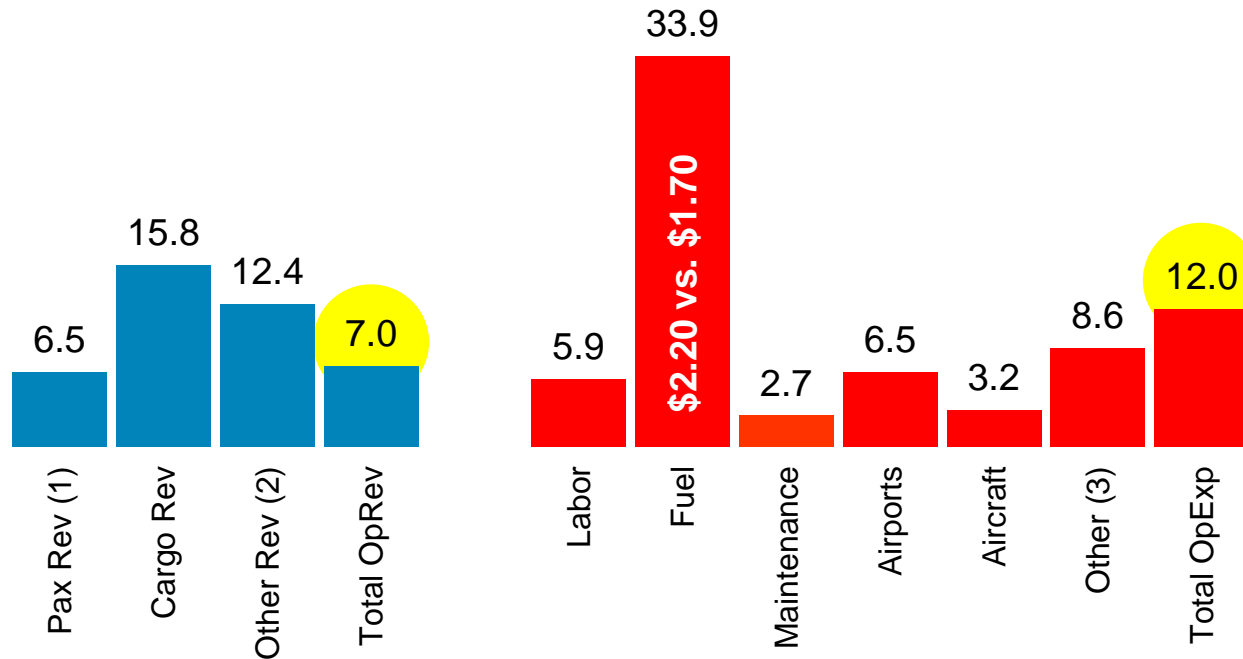


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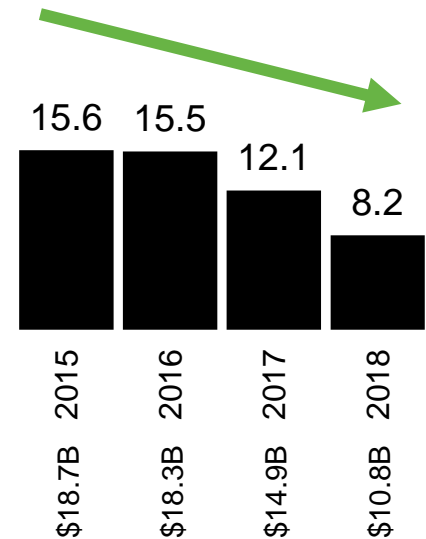
YTD 3Q18 Expenses Rose Faster Than Revenues, Reducing Profitability Yet Again

Carriers Under Cost Pressure in Every Major Category, Driving Margins Lower in 2018

Change (%) in Operating Revenues and Expenses First Nine Months 2018 vs. First Nine Months 2017



Pre-Tax Profit Margin (%) YTD 3Q Four-Year Trend



1. Traffic (revenue passenger miles) up 4.8 percent; yield (revenue per passenger-mile flown) up 1.6 percent; U.S. CPI up 2.5 percent

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

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

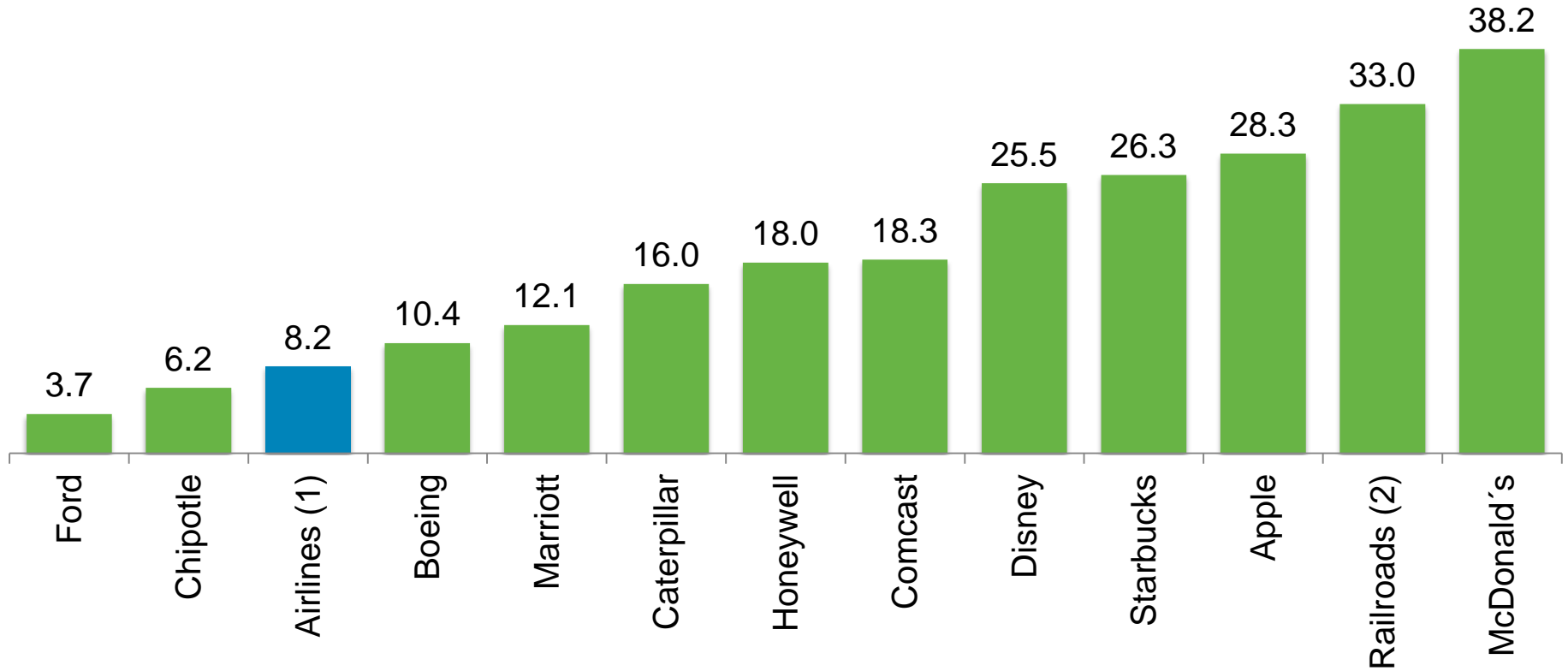
Source: A4A analysis of reports by Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United



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In YTD 3Q18, U.S. Passenger Airline* Profitability Less Than a Third of Starbucks

Pre-Tax Profit Margin (% of Operating Revenues)



¹ Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United

² CSX, Norfolk Southern and Union Pacific

Source: Company SEC filings

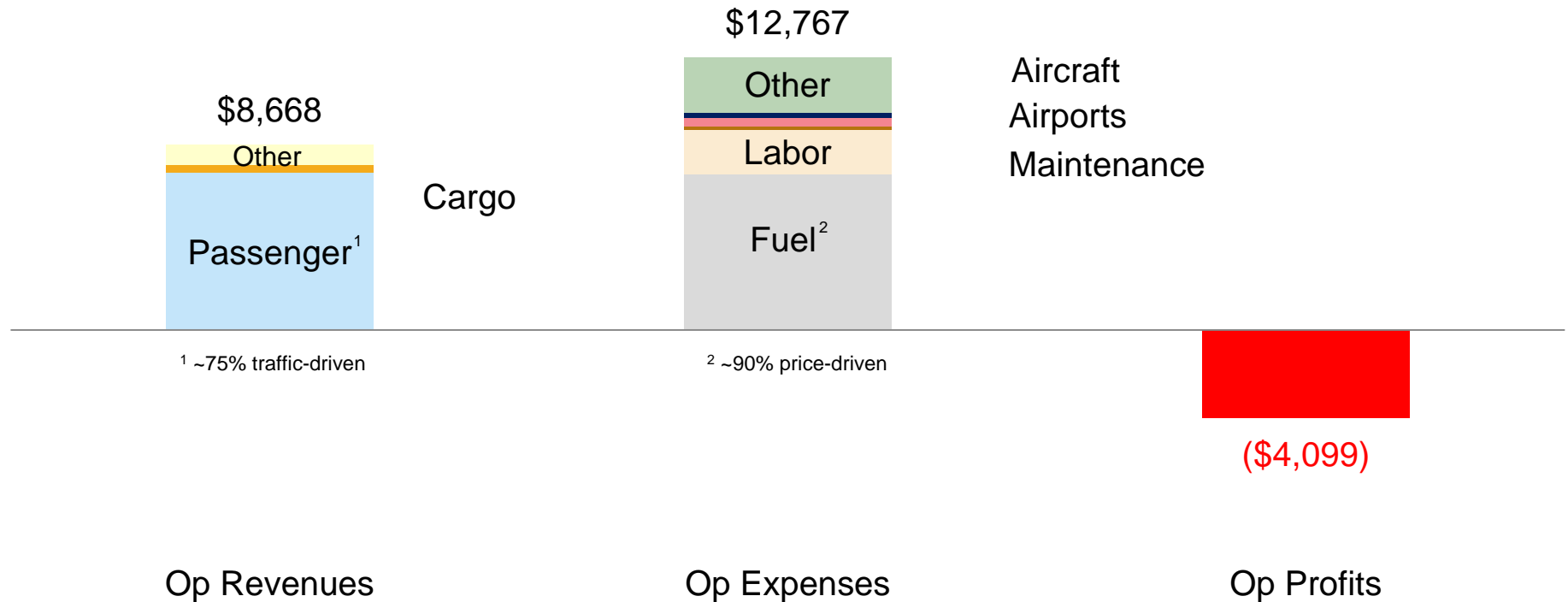


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Airlines Recovered \$0.68 in Revenue for Every \$1.00 Increase in Operating Costs

Fuel Alone Accounted for 57 Percent of the Year-Over-Year Increase in Costs

Change (\$ Millions) in Revenues and Expenses – First Nine Months 2018 vs. First Nine Months 2017



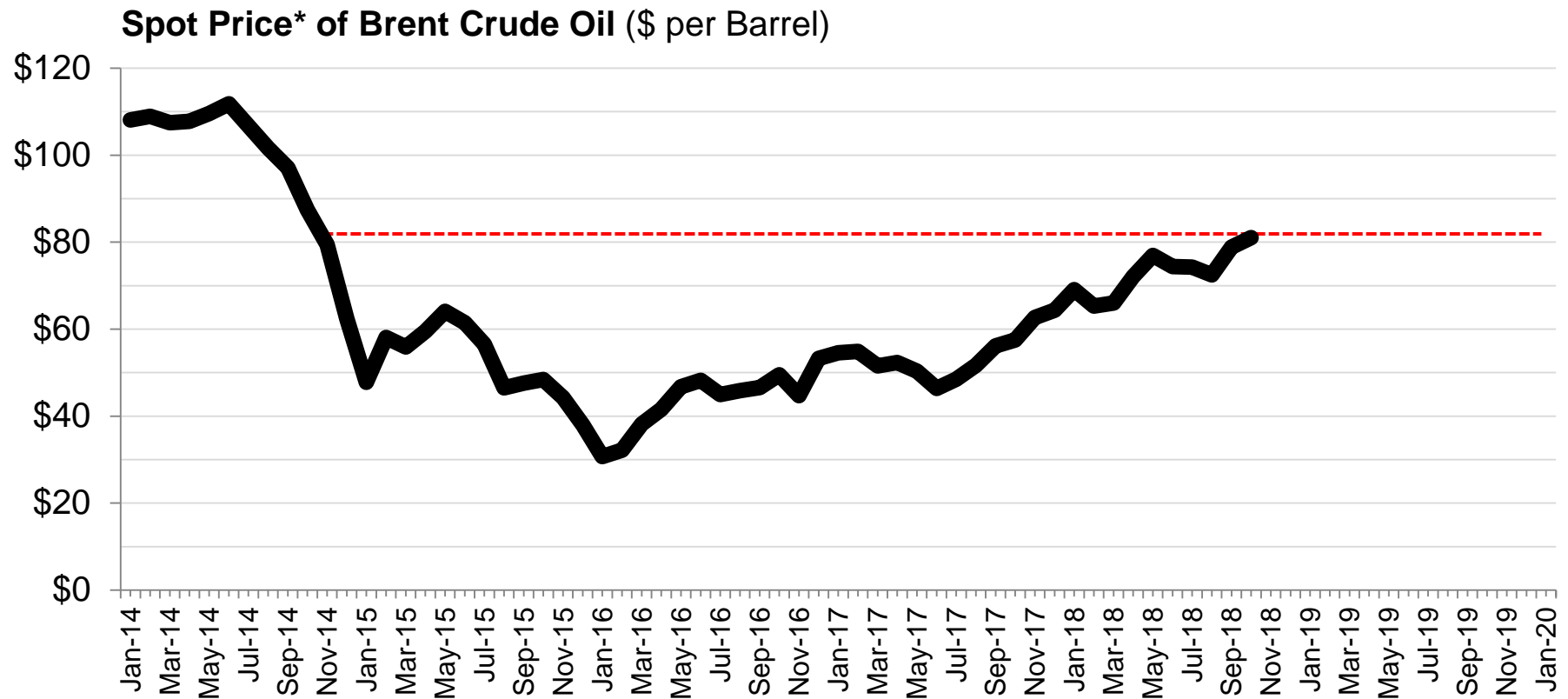
Source: A4A analysis of reports by Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United



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Crude-Oil Prices Rising Swiftly, to Highest Level Since Late 2014

October 2018 Benchmark Price Averaged 41 Percent More Than October 2017



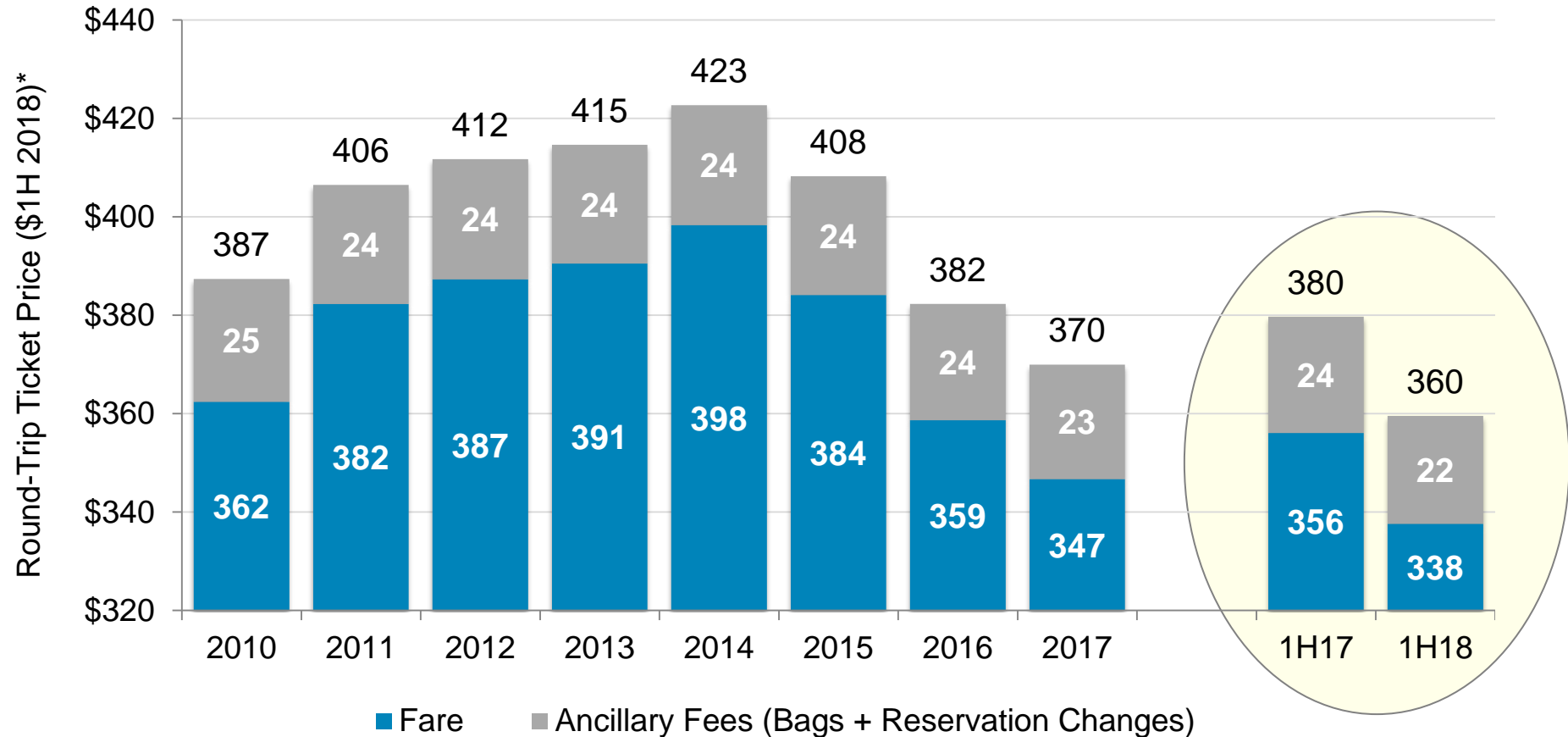
Source: A4A and Energy Information Administration (http://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm)



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Inflation-Adjusted Fares Continue to Fall in 2018, Averaging Less Than in 2010

Real Price* of Domestic Air Travel Down 5.3% YOY (-5.2% Fares, -7.2% Fees)

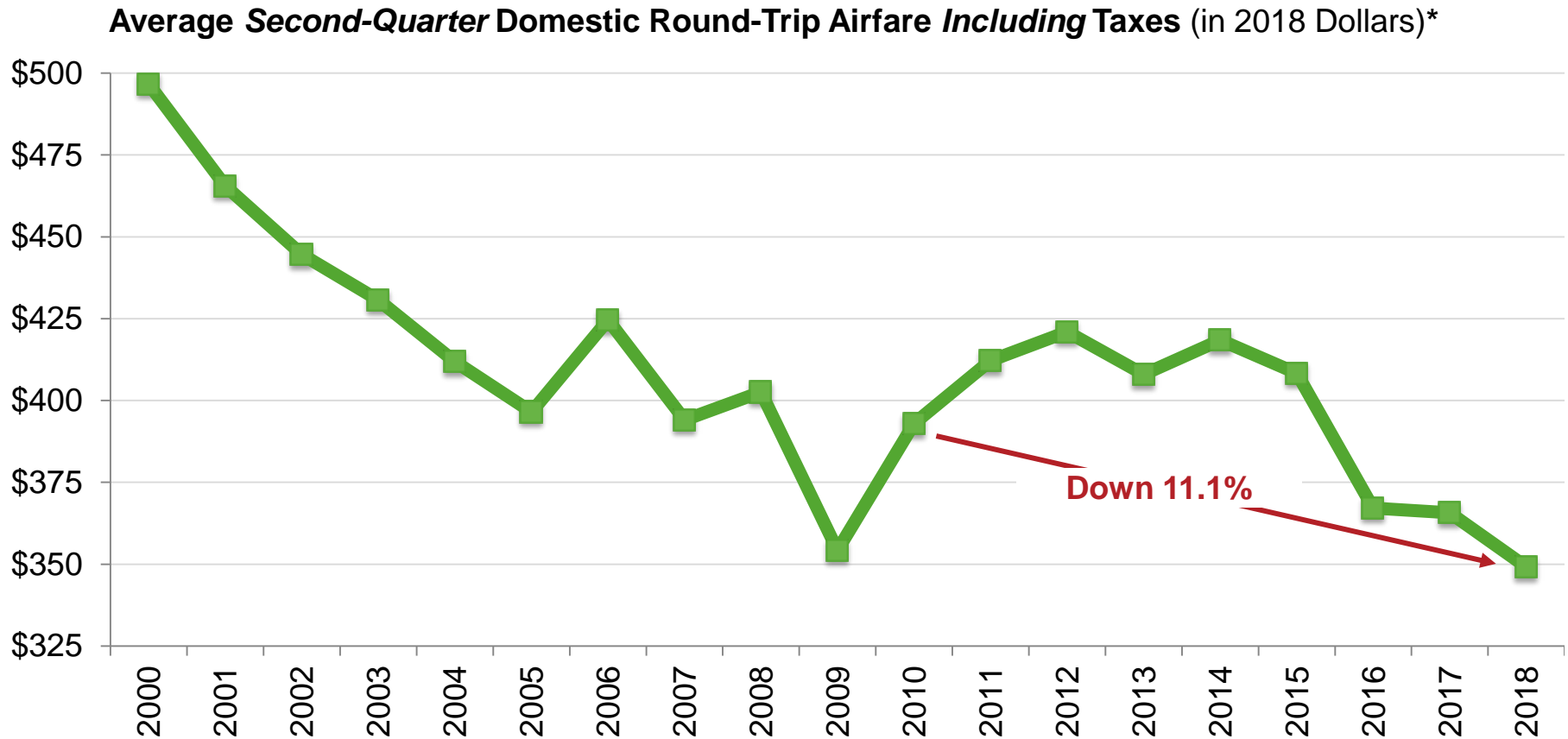


Source: A4A analysis of DOT Data Bank 1B (all cabins and fare basis codes) and DOT Form 41 via Airline Data Inc. (airlinedata.com)

* Excl. taxes; CPI up 2.5% YOY

In Fact, 2Q 2018 Inflation-Adjusted Fares Were Lowest 2Q Ever Recorded by DOT

In Real Terms, Domestic Fares Fell ~11% From 2Q 2010 and ~30% From 2Q 2000



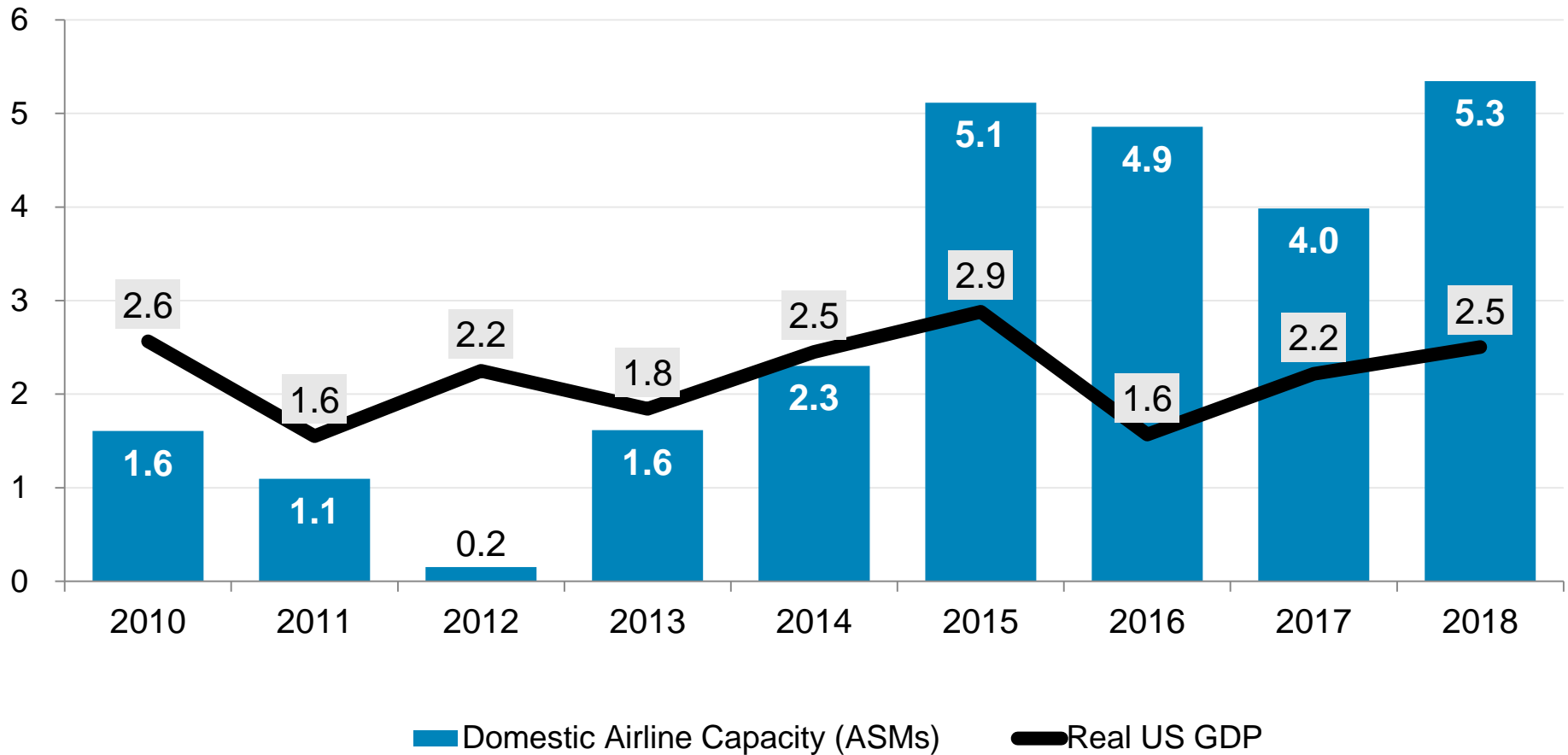
Source: Bureau of Transportation Statistics

* Fare and taxes only, adjusted for inflation



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In 2015-2018, Domestic Airline Capacity Grew at Twice the Rate of the U.S. Economy



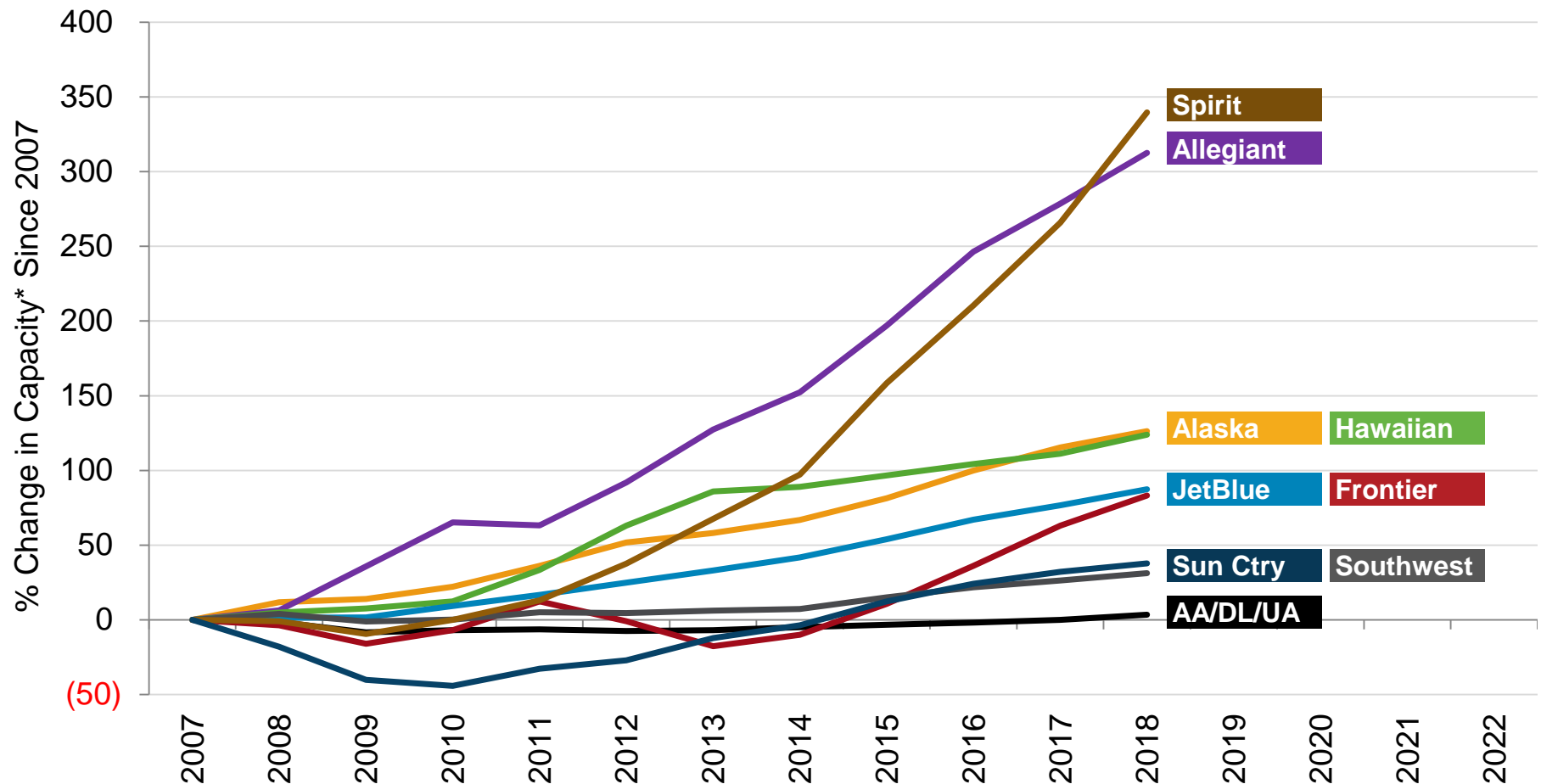
Source: Bureau of Economic Analysis and published airline schedules via Diio Mi



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Among 11 U.S. Airline Brands, Smaller Carriers Have Been Growing the Fastest

Different Types of Carriers Market Their Prices and Services Differently



Source: Innovata (via Diio Mi) schedules as of Oct. 5, 2018, for selected marketing airlines including predecessors

* Systemwide scheduled available seat miles



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Airlines Utilize a Wide Array of Tools to Improve Profitability Amid Rising Fuel Prices

Increase fuel efficiency (reduce consumption per unit of flying)

- Continue to replace older (often smaller) aircraft with typically larger, next-generation or re-engined aircraft
- Deploy state-of-the-art flight planning/navigation software to optimize airborne movement of aircraft



- Utilize taxi-management technologies – and single-engine taxi – to minimize ground-based fuel burn
- Consistently employ ground power while parked at gate instead of aircraft auxiliary power unit (APU)
- Reduce onboard weight (e.g., lighter materials/structures, inflight entertainment systems, excess fuel)



Airlines Utilize a Wide Array of Tools to Improve Profitability (Cont'd)

Reduce or contain non-fuel costs

- Deploy customer-preferred technologies (e.g., airport kiosks for self-tagging of luggage, airline apps for passenger modification of itinerary in lieu of agents)



- Drive more bookings to lower-cost direct distribution channels (e.g., website, app)
- Trim management/nonunion headcount via attrition, buy-outs; freeze open positions

- Use virtual medicine (e.g., Doctor on Demand) for health care – cost-efficient and highly popular with workforce
- Achieve single pilot/FA contracts – reduce delays/cancels, enable efficient use of aircraft/crews, avoids over-hiring
- Employ new software/methods to improve hotel procurement and manage employee travel bookings



- Insource engine/ground-handling/other work to be performed better/more efficiently (where practicable)
- Negotiate preferred-pricing maintenance contracts enabled by improved scale/credit, recover warranties on aircraft parts, leverage data streams from new aircraft/engines to increase reliability and lower repair/inspection costs



Airlines Utilize a Wide Array of Tools to Improve Profitability (Cont'd)

Generate more revenue

- Carry more passenger traffic or better mix of traffic (corporate/premium), optimize fare/fee structure
- Boost availability/desirability of ancillary products (fleet-wide/faster WiFi, live TV int'l, refurbished clubs)
- Increase credit card sales – attracting new accounts due to larger networks and customer-preferred timings



- Intensify cargo sales efforts and leverage increased belly capacity (and temp controls) offered by new aircraft



Airlines Utilize a Wide Array of Tools to Improve Profitability (Cont'd)

Hybrid revenue/cost improvements

- Re-optimize route networks
 - trim unprofitable capacity, defer deliveries, add routes enabled by new aircraft
- Increase utilization of aircraft, ground equipment and gates at hubs and take advantage of new gates coming online at key locations in 2018-2020
- Reduce fleet/subfleet types to lower hiring, training and maintenance costs while increasing both aircraft substitutability and product consistency (for travelers)



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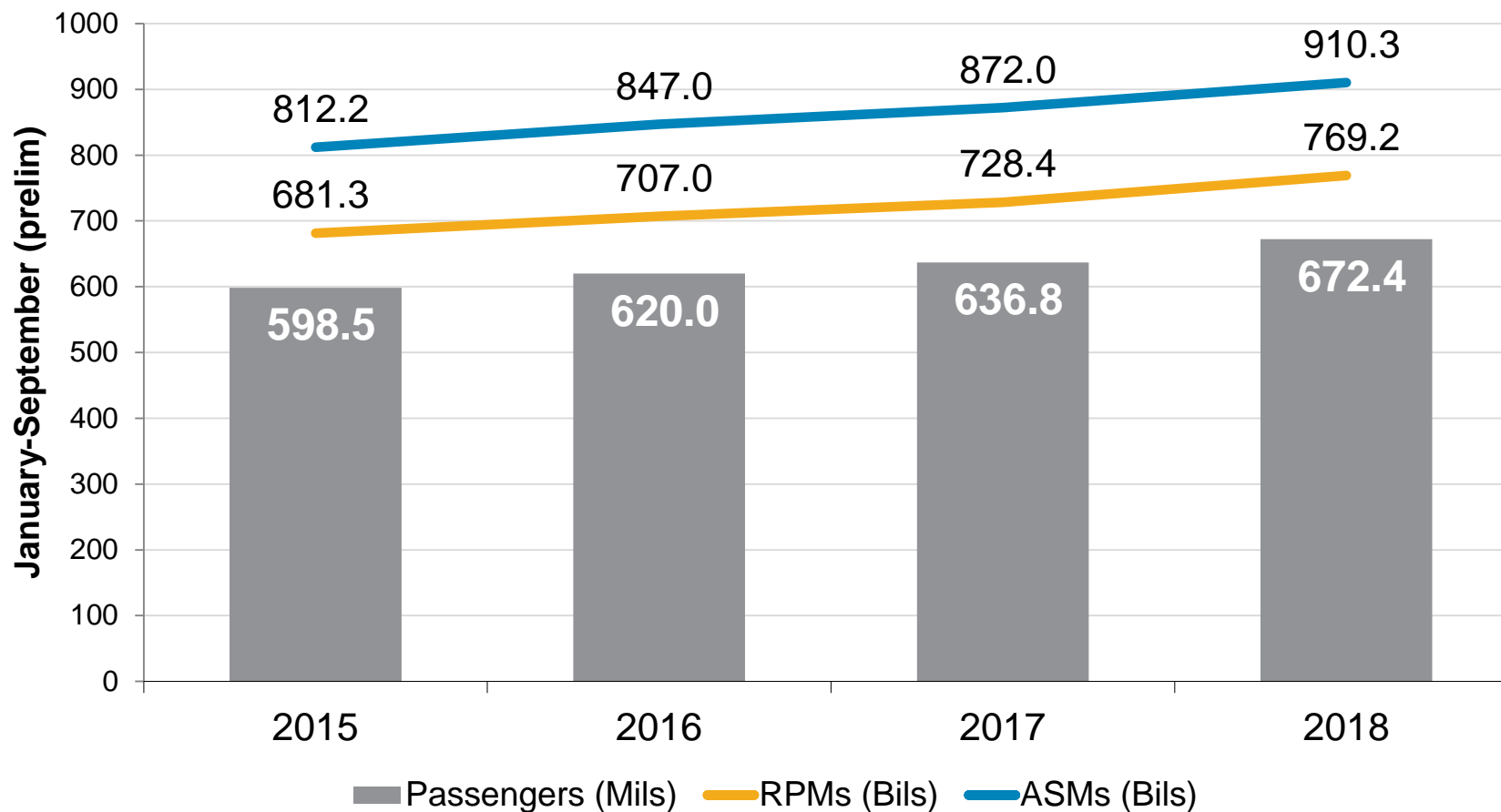
THANKSGIVING PERIOD AIR TRAVEL FORECAST: PROJECTING ALL-TIME HIGH



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U.S. Airline Traffic Flown and Capacity Operated Have Continued to Grow in 2018

Passenger Traffic Up 5.6% Year Over Year, Seating Capacity Up 4.4%



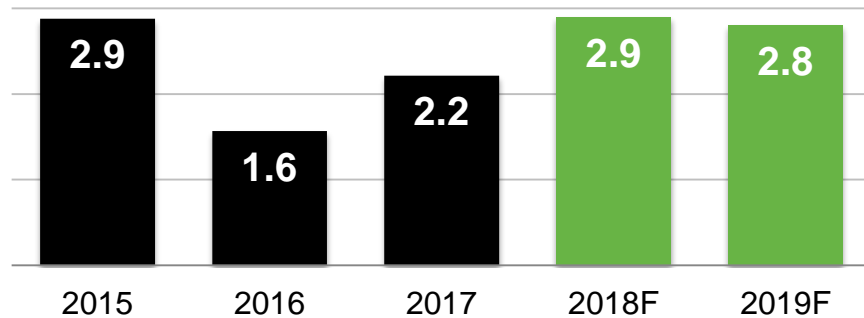
Source: U.S. Bureau of Transportation Statistics T1, systemwide scheduled service on U.S. airlines – revenue passenger miles (RPMs) and available seat miles (ASMs)



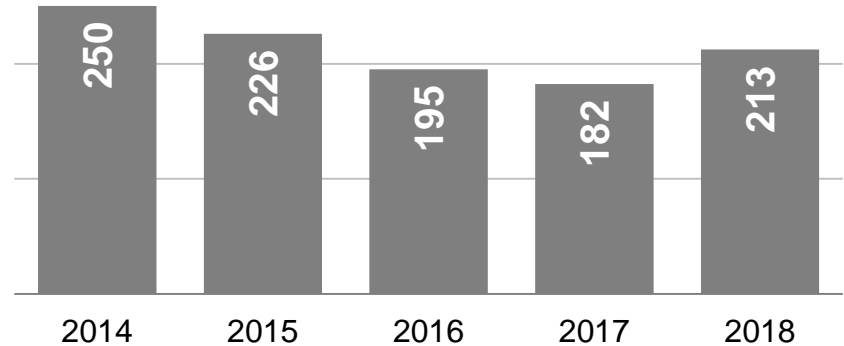
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U.S. Economy, Jobs Growing; Household Net Worth Continues to Set New Records

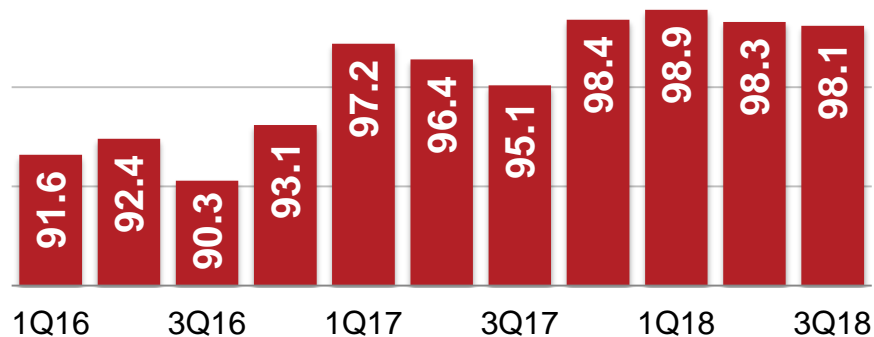
U.S. Real GDP Growth (% CAGR)



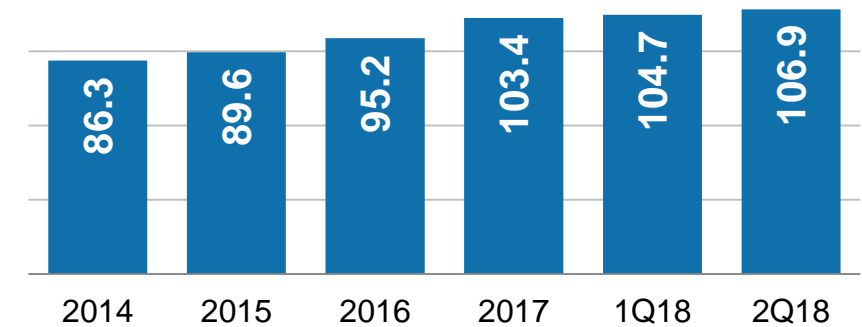
U.S. Employment Growth (000)



Consumer Sentiment (UMich Index 1Q66=100)



U.S. Household Net Worth (\$ Trillion, NSA)



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



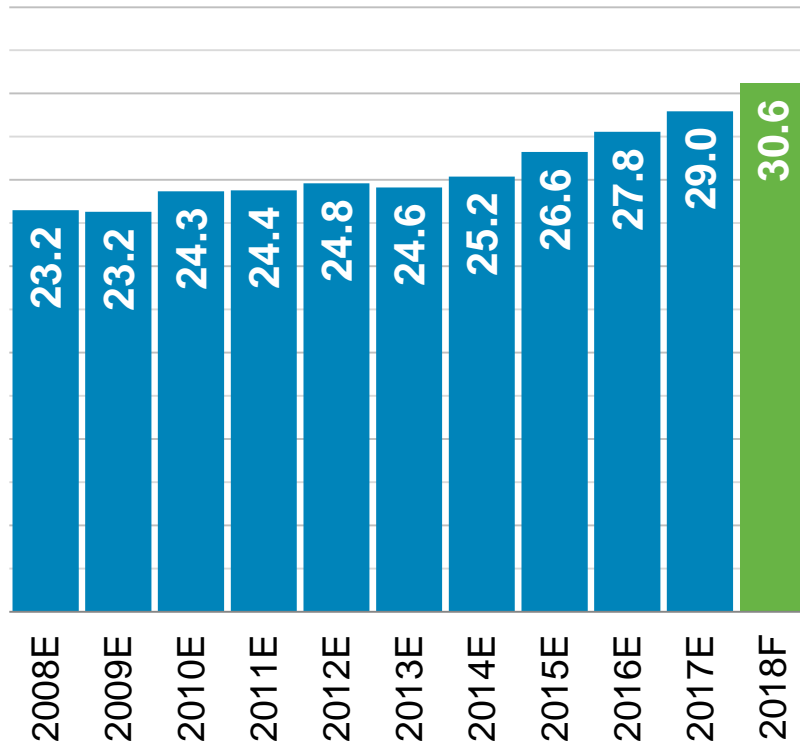
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A4A Projects U.S. Airlines to Carry 30.6M Thanksgiving* Passengers in 2018, Up 5.7%

*12-Day Forecast Period = Fri., Nov. 16 Through Tues., Nov. 27

U.S. Airline Onboard Passengers (Millions)

12-Day Thanksgiving Period, 2008E-2018F



2018 Volume Projections

- 2.55M **passengers** per day, up ~137,000
- 2.94M **seats** per day, up ~158,000
- Daily volumes to range from 1.73M to 3.06M

2017 Thanksgiving Highlights

- T-giving Day was 4th **lightest** day of year
- Sunday return was 2nd **busiest** day of year
- Wednesday before was 18th **busiest** day of year

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

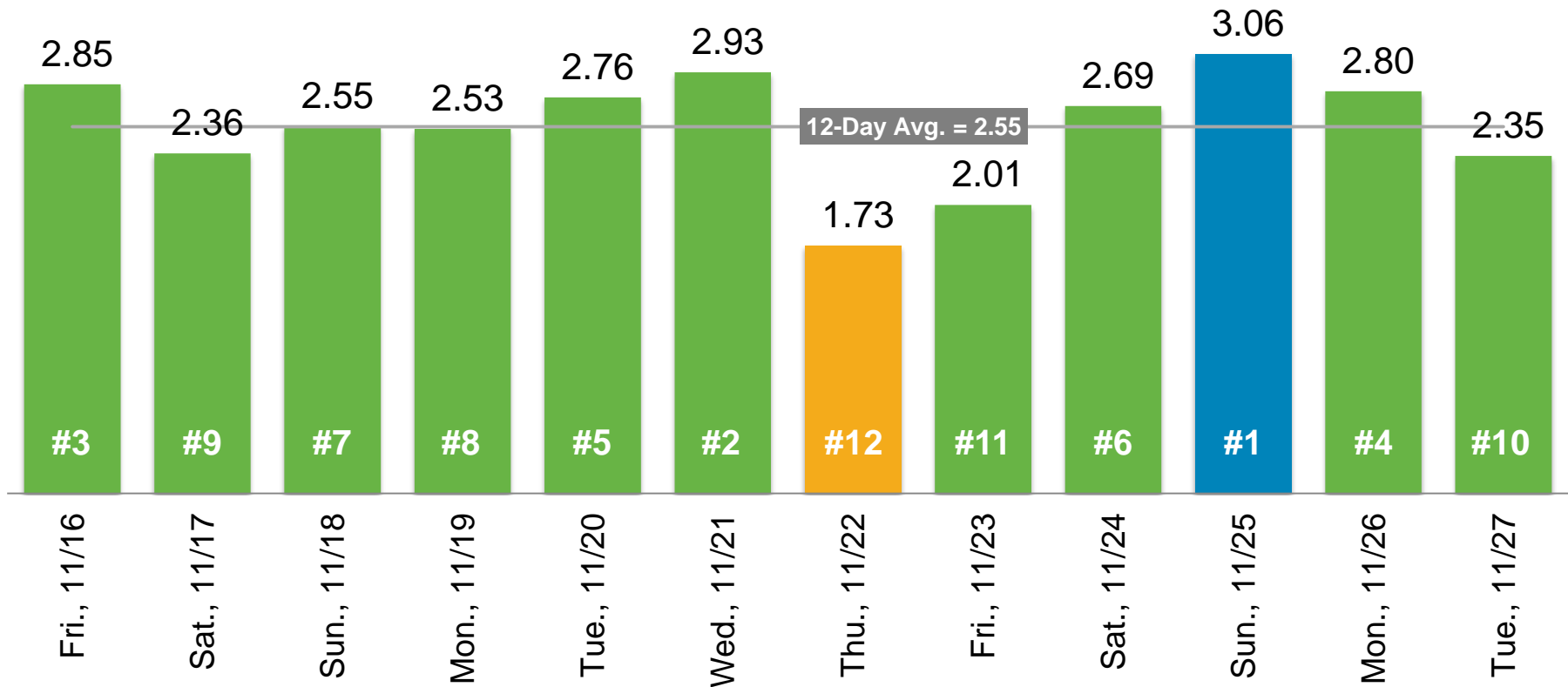


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Daily Thanksgiving Passenger Volumes to Vary by as Much as 1.33M (77%)

T-giving Day to Fall 32% Below 12-Day Average, Sunday Return 20% Above Average

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



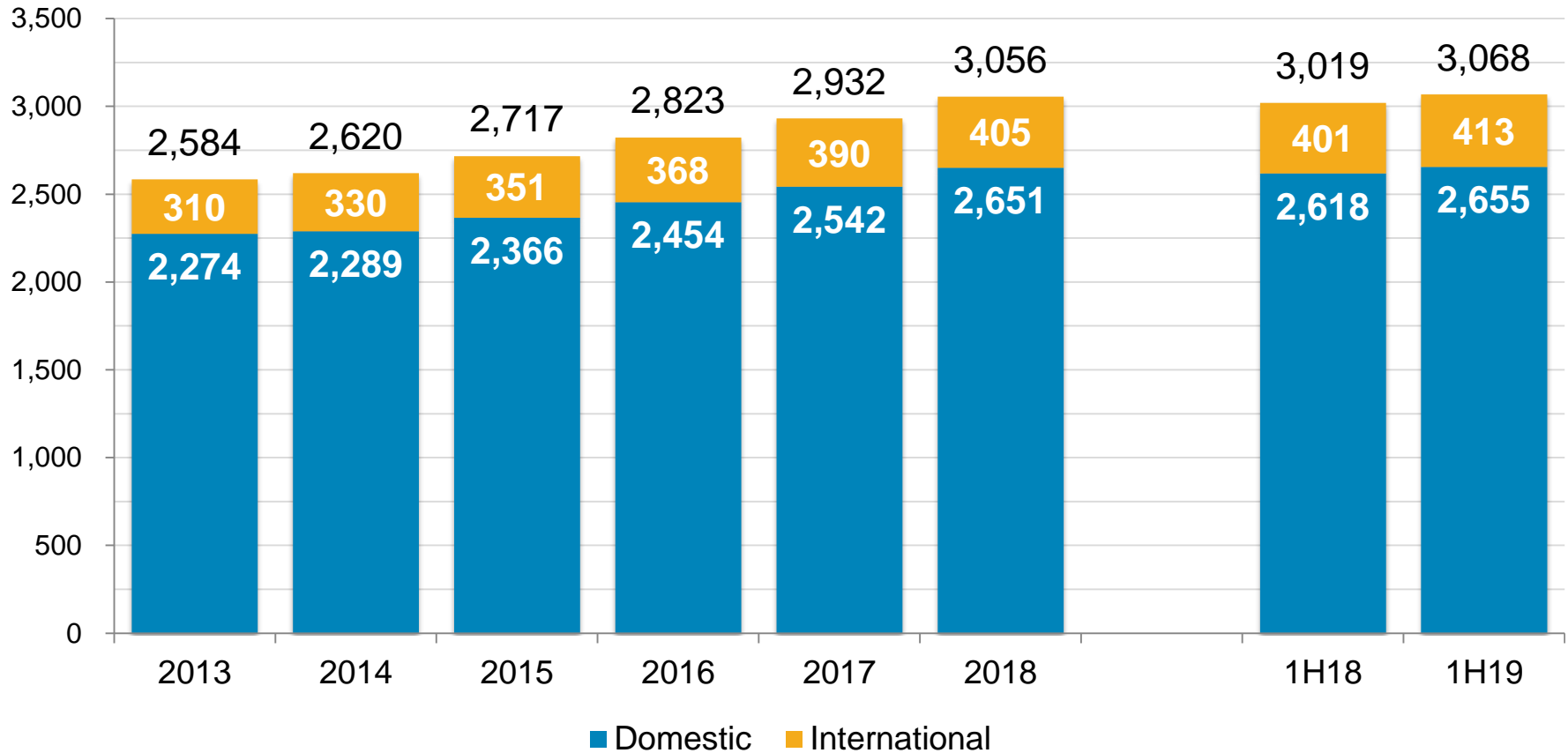
Source: A4A analysis of TSA and BTS T100 segment data



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Customers Will See All-Time High of 3.07M Daily Seats Departing U.S. Airports

Daily Seats (000) Departing U.S. Airports: Up 4.2% YOY in 2018 and 1.6% in 1H 2019



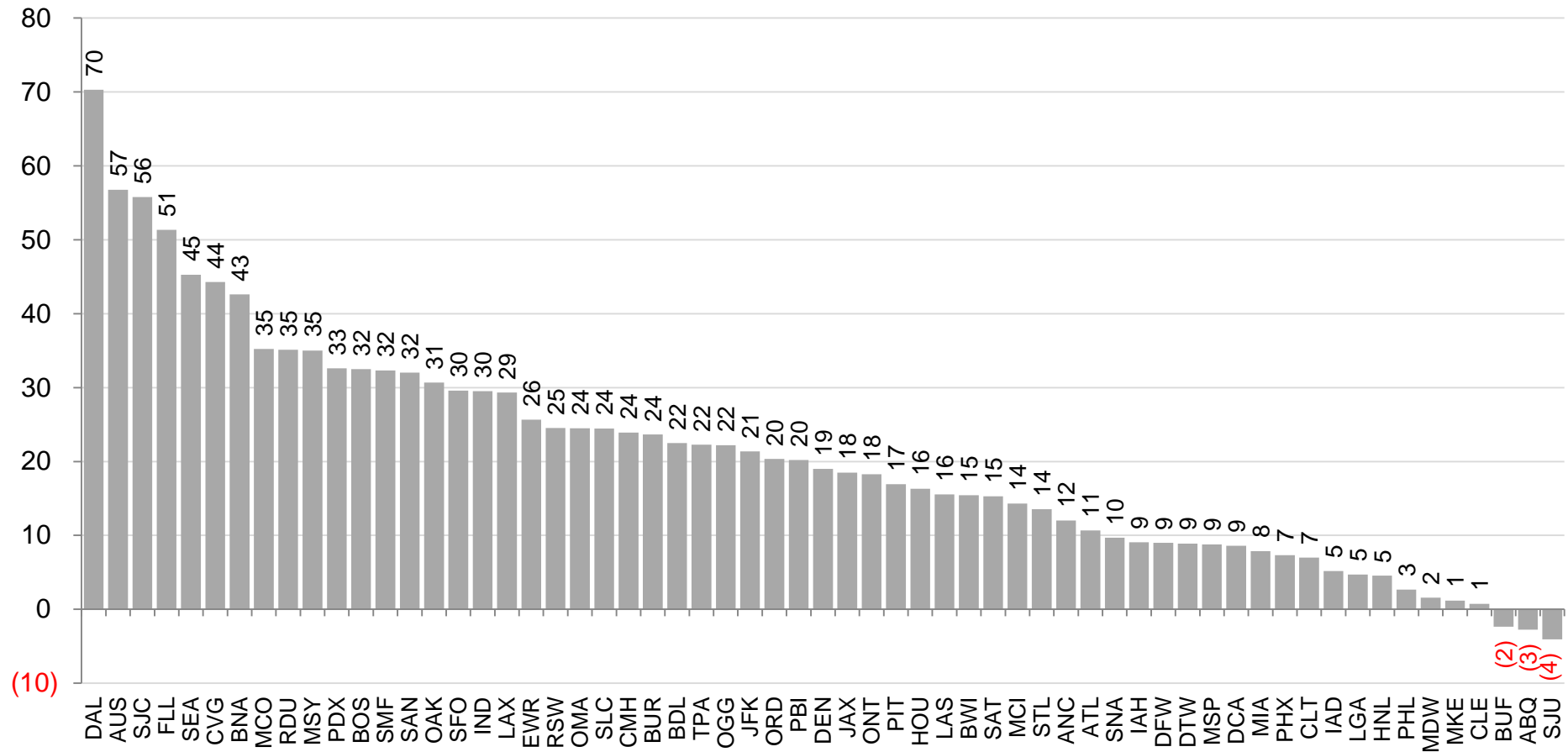
Source: Innovata (via Diio Mi) published schedules as of Nov. 3, 2018, for all airlines providing scheduled passenger service from U.S. airports to all destinations



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Almost Every Major* U.S. Airport Has Seen Supply of Seats Rise Over Past 5 Years

% Change in Scheduled-Service Seats Available: 2018 vs. 2013



Source: Innovata (via Diio Mi) published schedules as of Oct. 26, 2018, for all airlines providing scheduled service

* FAA large and medium hub airports



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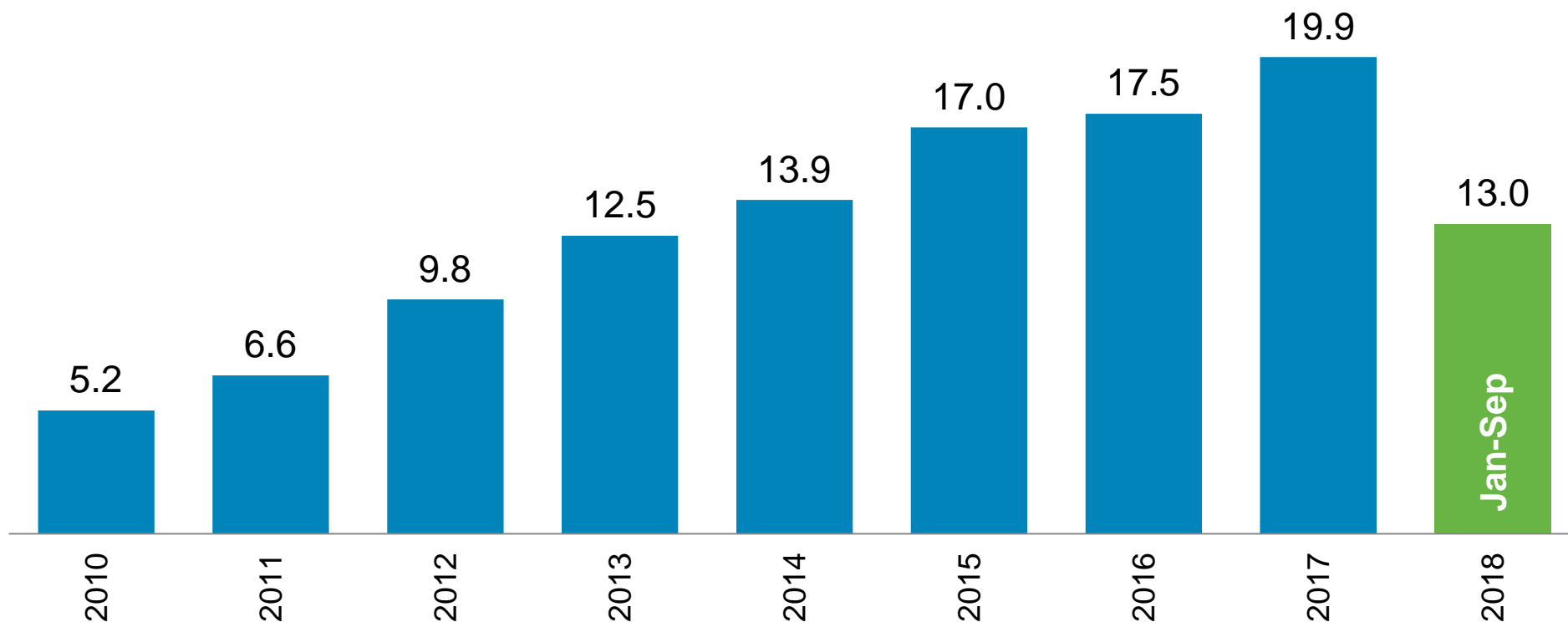
U.S. AIRLINES & AIRPORTS – INVESTING HEAVILY FOR THE FUTURE



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Substantial U.S. Airline Capital Investment* Has Continued in 2018 Despite Waning Profits – Bringing Total for This Business Cycle to \$115 Billion

U.S. Passenger Airline Capital Expenditures* (\$ Billions per Year)



* Includes payments made for aircraft and other flight equipment, ground and other property and equipment, airport and other facility construction and information technology
Source: SEC filings of Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit, United and merged/acquired predecessors

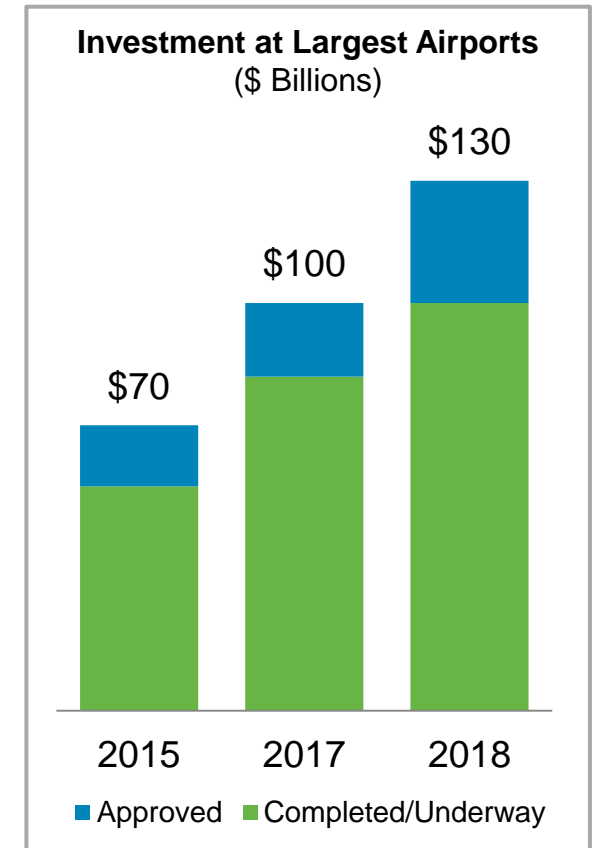


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Airline-Airport Collaboration Has Paved Way for Widespread Infrastructure Investment

Capital Projects Have Grown 86% Since 2015 at the 30 Largest U.S. Airports

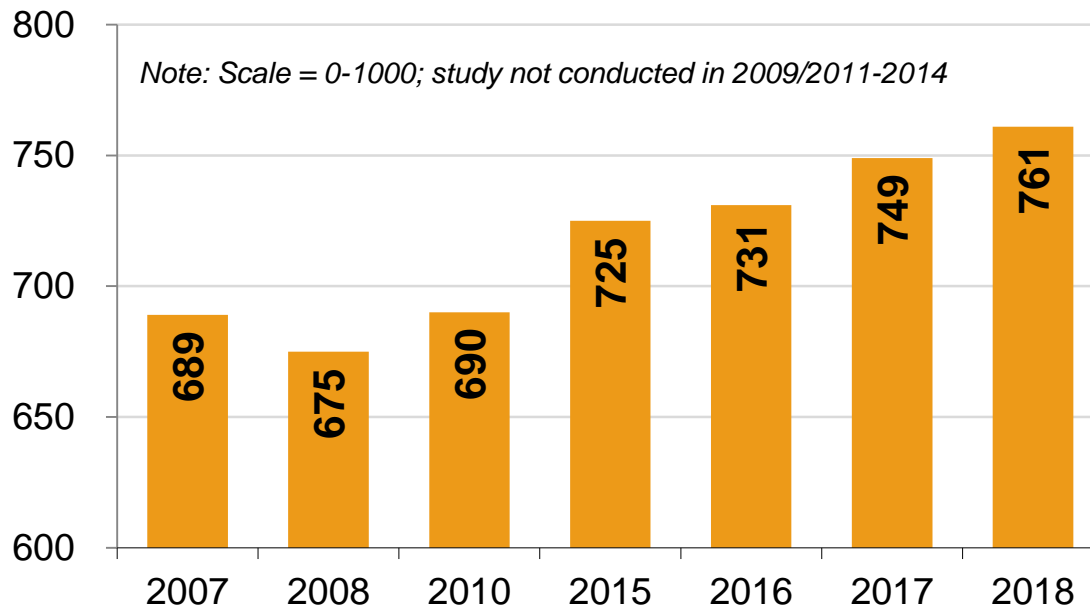
- » **\$130B** of capital projects completed, underway or approved at the **30 largest U.S. airports** since 2008, including, for example:
 - Multiple new runways at Chicago O'Hare and new runways at Fort Lauderdale, Washington Dulles, Seattle and Charlotte
 - New/expanded/modernized facilities at NYC, Miami, Las Vegas, Orlando, Honolulu, Houston, Denver, Seattle, Salt Lake City and San Francisco plus international facilities at Atlanta, Boston and L.A.
- » Development is also robust at **smaller airports**, including:
 - Runway projects at Columbus, Des Moines, Erie, Nashville, Providence, Sioux Falls; terminal projects at New Orleans, Eugene, Grand Rapids, Greenville-Spartanburg, Oakland, Dallas Love Field, San Luis Obispo, Portland (ME), Pasco, Reno-Tahoe, Wichita
- » Investment is also occurring in **cargo** facilities and related infrastructure at Louisville, Newark, Lafayette (Louisiana), Indianapolis, Rockford, Memphis and elsewhere





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

“North America airports have managed to shrug off the potentially disruptive effects of record passenger volumes and massive construction projects to achieve a **record high in overall passenger satisfaction**.” (Sept. 19, 2018)



Six factors:

- 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

* The study is based on responses from 40,183 North America travelers who traveled through at least one domestic airport and covers both departure and arrival experiences (including connecting airports) during the past three months. Travelers evaluated either a departing or arriving airport from their round-trip experience. The study was fielded from September 2017 through September 2018.

Source: J.D. Power 2018 North America Airport Satisfaction StudySM



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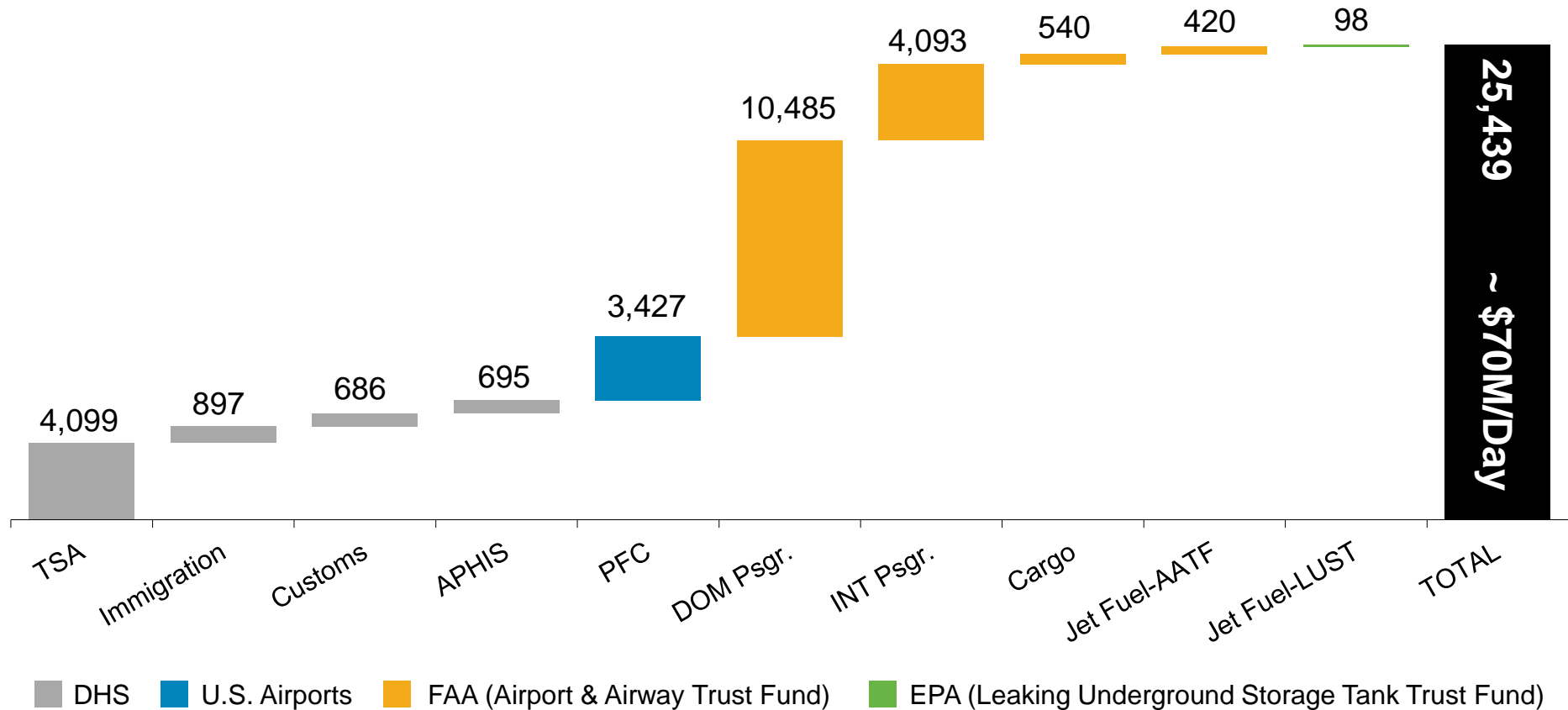
RECORD TAX COLLECTIONS & ABUNDANT AIRPORT FINANCIAL RESOURCES



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U.S. Commercial Aviation Taxes/Fees* Topped \$25 Billion (~\$70M per Day) in 2018

Fiscal Year 2018 Collections* (\$Millions) from Airlines and their Customers



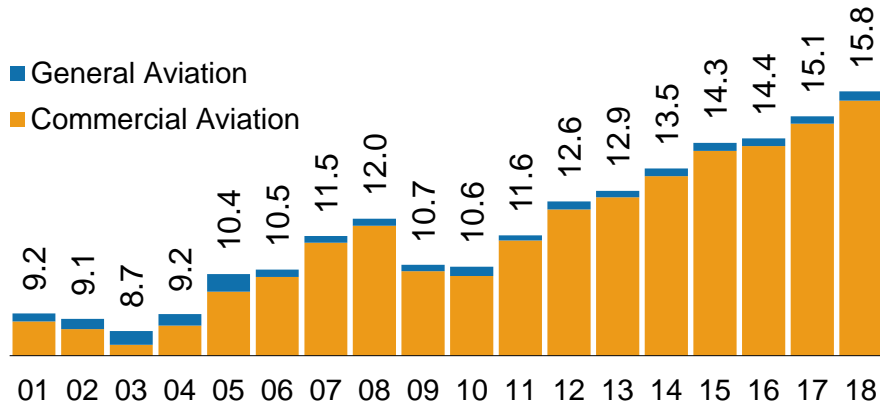
* U.S. federally levied/approved, including collections from non-U.S. carriers; APHIS figure is A4A estimate pending FOIA; PFC figure is FAA estimate for calendar year 2018
 Sources: Animal and Plant Health Inspection Service (APHIS), Customs and Border Protection (CBP), Federal Aviation Administration (FAA), Treasury Dept. and A4A



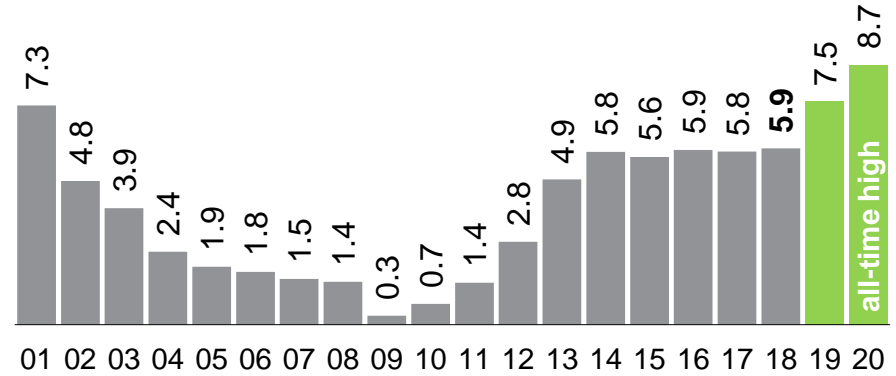
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U.S. Airports Have Ample/Multiple Resources from Which to Fund Improvements

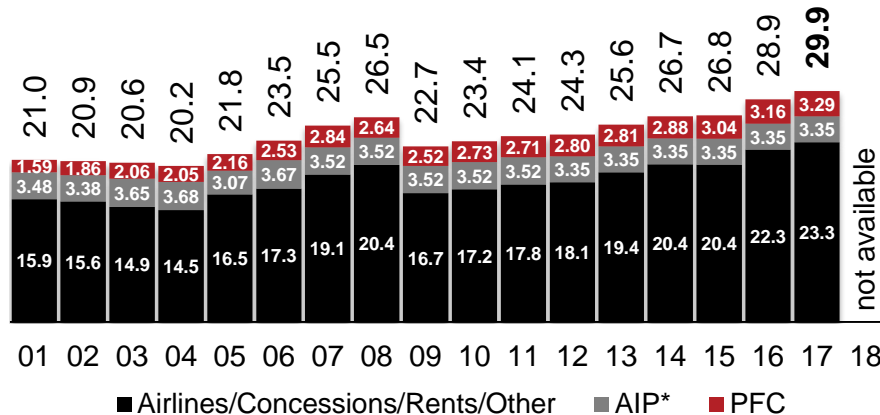
Airport & Airway Trust Fund Revenues (\$ Bils)



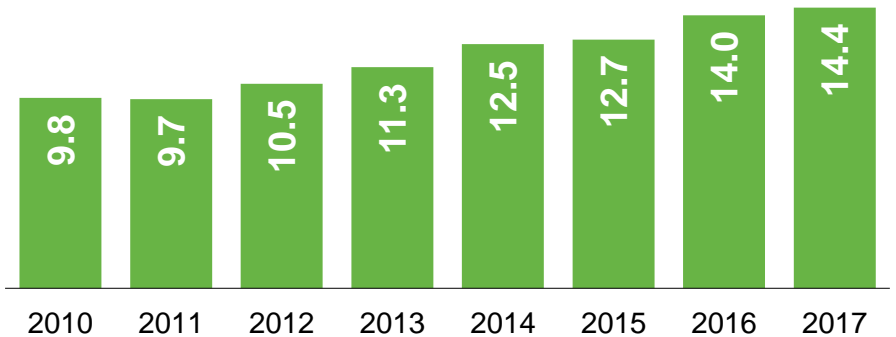
Airport & Airway Trust Fund Unobligated Balance (\$ Bils)



U.S. Airport Revenues (\$ Bils)



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



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

* Airport Improvement Program



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Fitch Ratings: Skies Remain Friendly for U.S. Airports

“...**strong overall performance for U.S. airports should continue undeterred for the foreseeable future** according to Fitch Ratings in its latest annual peer review for the sector...

Fitch-rated airports are still **largely entrenched in ‘A’ territory**. ‘**Airports in general are showing a lot of resilience** as the industry continues to evolve and event-driven challenges from the broader economy take shape,’ said Senior Director Seth Lehman. ‘**Over 90% of the airports Fitch rates currently have a Stable Rating Outlook, which signifies continued stability deep into next year.**’

GDP growth and general airline health remain the most important revenue gauges for airports, though rising rates could make borrowing debt more expensive for airports with a **substantial pipeline of investments on the horizon.**”

-- Fitch Ratings: “Skies Remain Friendly for U.S. Airports” (Oct. 29, 2018)

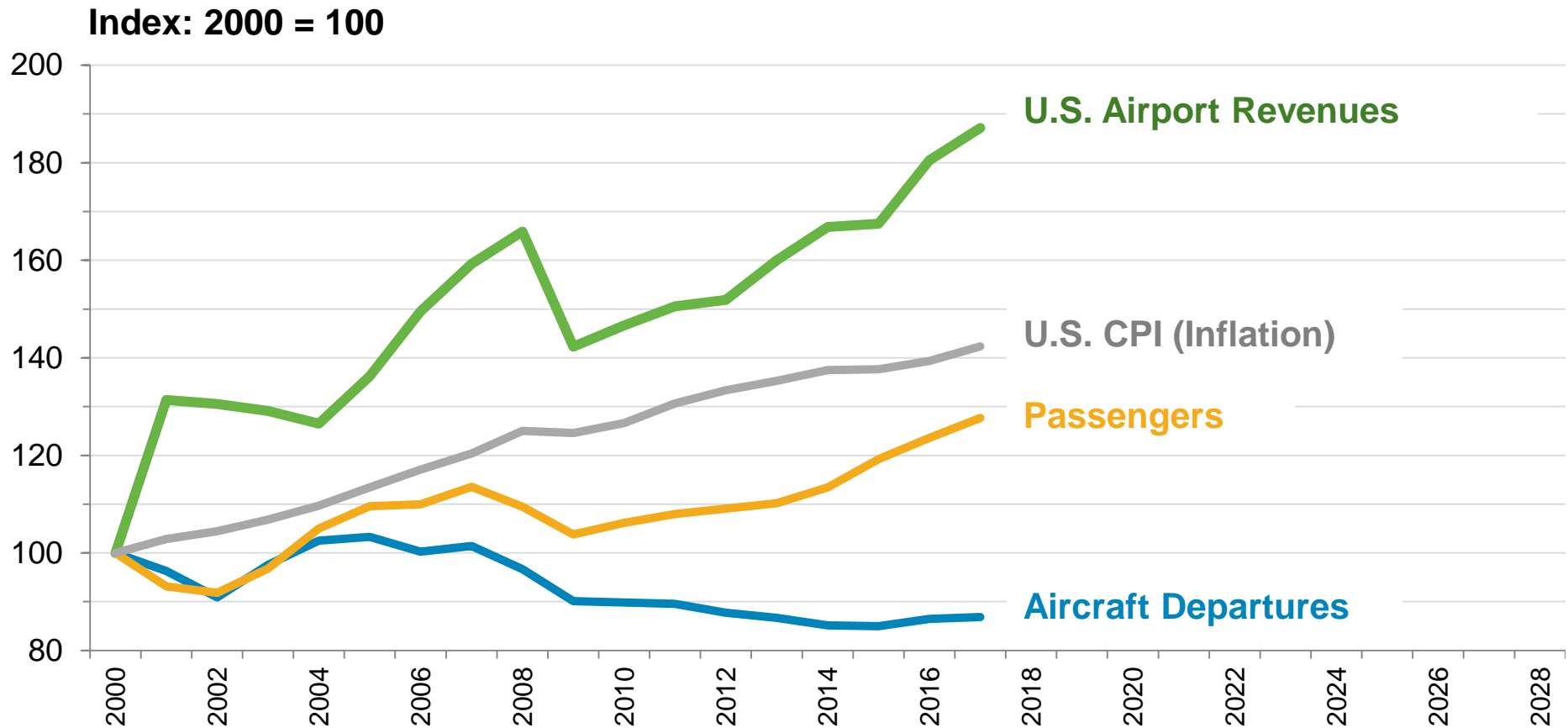
Sources: <https://www.fitchratings.com/site/pr/10049679> and Peer Review of U.S. Airports (Attribute Assessments, Metrics and Ratings), Oct. 29, 2018



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U.S. Airport Revenues Have Grown Faster Than Flights, Passengers and Inflation

From 2000 to 2017, Airport Revenues Rose 87%, Double the Pace of U.S. Inflation



Source: FAA Form 5100-127 and DOT T100 + 298c reflecting all scheduled and nonscheduled passenger and cargo airline flights departing U.S. airports

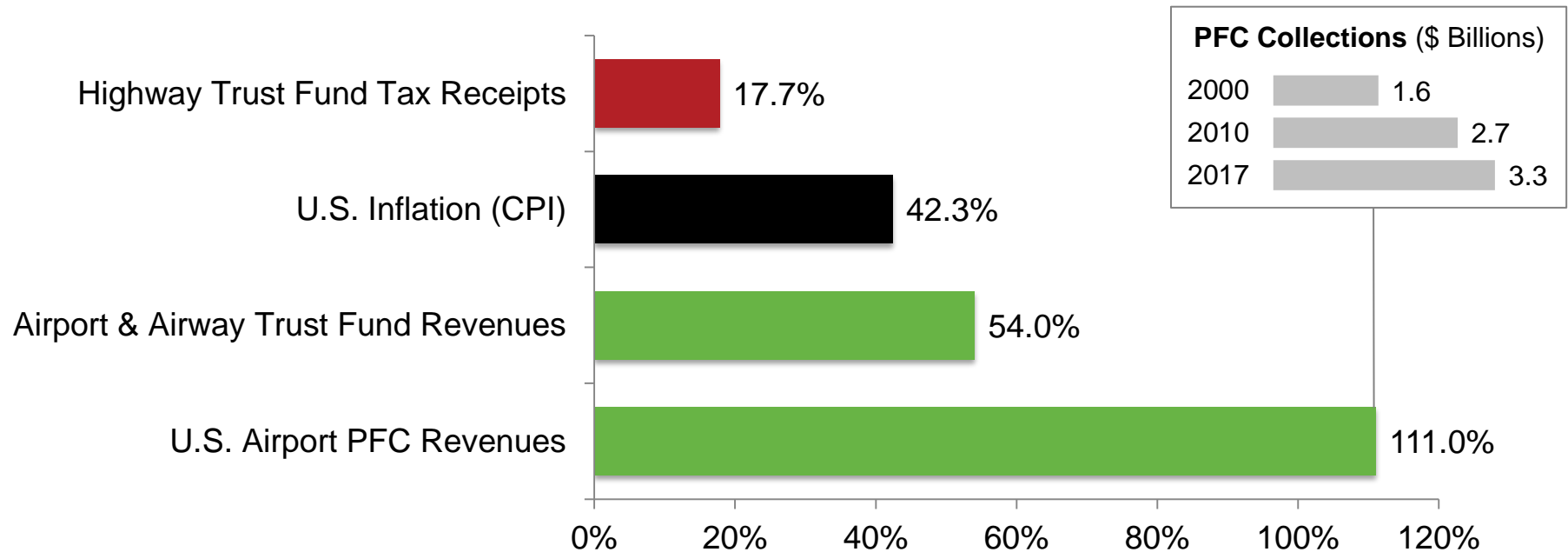


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In Contrast to Highway Trust Fund Fuel Tax Revenues, Airport PFCs and Aviation Trust Fund Revenues Have Sharply Outpaced U.S. Inflation

2017 PFC Collections Reached \$3.3 Billion – the Highest Level in Program History

Percent Change, 2000-2017



Source: FAA Passenger Facility Charge (PFC) reports, Federal Highway Administration, Bureau of Labor Statistics (for the Consumer Price Index [CPI])

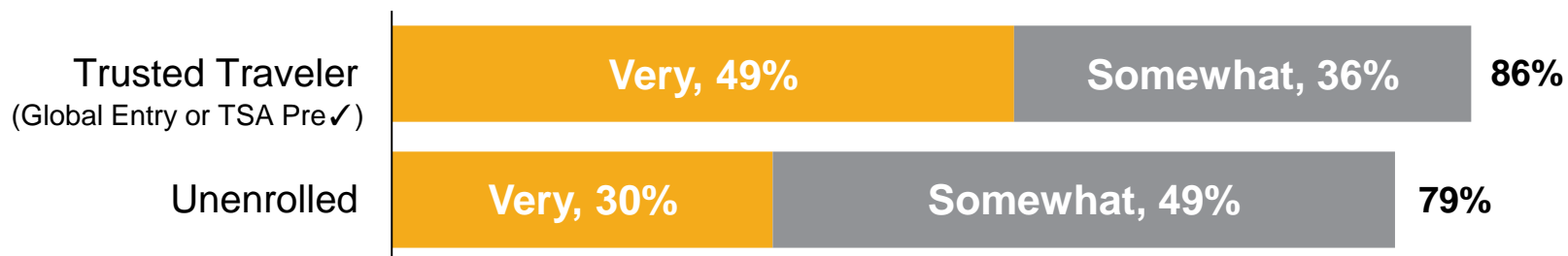


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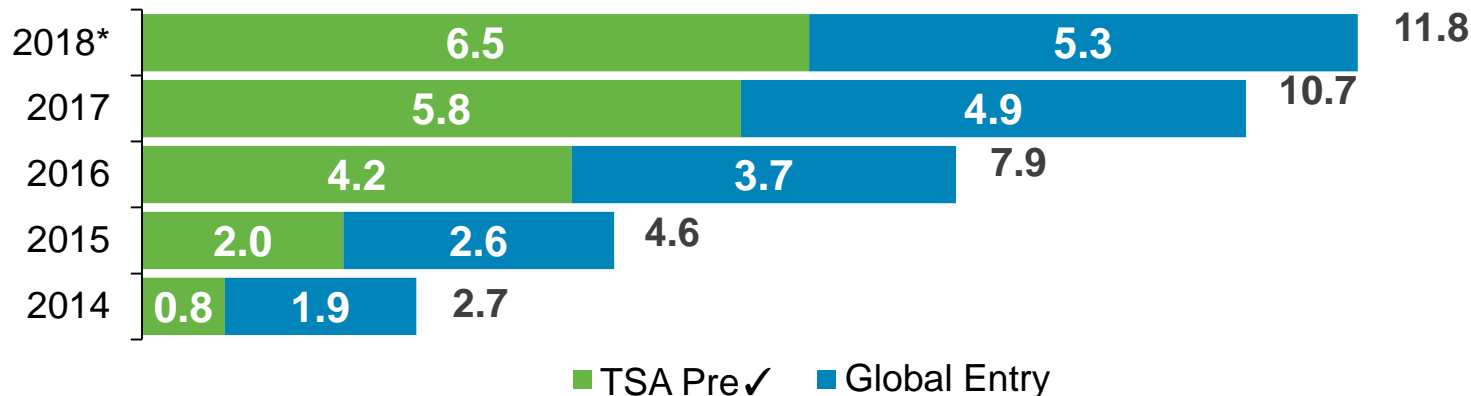
Flyer Satisfaction Rises Markedly With Enrollment in “Trusted Traveler” Programs

Airline/Government Collaboration Boosting Enrollment in Global Entry and TSA Pre✓

% of 2017 Flyers “Somewhat Satisfied” or “Very Satisfied” With Overall Air Travel Experience



Millions of Persons Enrolled in DHS Trusted Traveler Programs (Dec. 31)



Sources: Ipsos survey of American adults (January 2018), TSA and CBP

* As of May 16



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www.airlines.org



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