



Airlines for America

We Connect the World

**Linking Sustainable Profitability and Consolidation
ICAO Air Transport Symposium**

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Rationalize Tax Burden

- » Repeal the commercial jet-fuel tax
- » Hold the line on the Passenger Facility Charge (PFC) cap and passenger security fee
- » Ensure that taxation of users of airports and airways is proportional to their use

Rationalize Regulatory Burden

- » Promote regulatory reform to ensure that rules are based on sound science and cost/benefit analysis, and eliminate rules that drive excessive costs and/or inefficiencies

Modernize and Reform Infrastructure

- » Accelerate the deployment of the most cost-beneficial elements of NextGen, including performance-based navigation procedures
- » Harmonize disparate NextGen regulations
- » Reduce waiting times for passenger security screening
- » Accelerate economically viable public and private efforts to further reduce aviation emissions through technology, operations and infrastructure

Enhance Global Competitiveness

- » Foster further consolidation and immunized global alliances
- » Remove limits on cross-border investment
- » Promote “de facto” market access by eliminating discrimination and unfair competitive practices faced by U.S. airlines in global markets
- » Limit U.S. Export-Import Bank aircraft-purchase subsidies to creditworthy foreign carriers
- » Reform U.S. visa policies by reducing processing times and adding processing locations
- » Advocate for increased customs staffing
- » Prevent implementation of the European Union’s Emissions Trading Scheme (ETS) by adopting a global regulatory approach to address worldwide aircraft emissions

Mitigate Jet-Fuel Cost and Price Volatility

- » Curb speculation in oil futures market
- » Promote R&D and deployment of commercially viable, sustainable alternative fuels and advanced aircraft technologies
- » Bolster domestic fuel supplies in an environmentally sound manner



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U.S. Carriers: Competing in a Global Marketplace

Selected M&A and/or Cross-Border Investment: 2005-Present

Inside USA	Outside USA
Republic/Shuttle America	Air France/KLM
US Airways/America West	Copa/AeroRepública
SkyWest/Atlantic Southeast	Lufthansa/Swiss
Pinnacle/Colgan	Air China/Cathay Pacific*
Lufthansa/JetBlue*	Cathay Pacific/Dragonair
Delta/Northwest	Lufthansa/Brussels*/BMI/Austrian
Republic/Midwest/Frontier	Avianca/TACA
United/Continental	British Airways/Iberia
Pinnacle/Mesaba	LAN/TAM (pending)
SkyWest-ASA/ExpressJet	LAN/Aires*
Southwest/AirTran	TAM/TRIP*

Source: A4A and Deutsche Bank Global Research

* Strategic investment but not full ownership or control

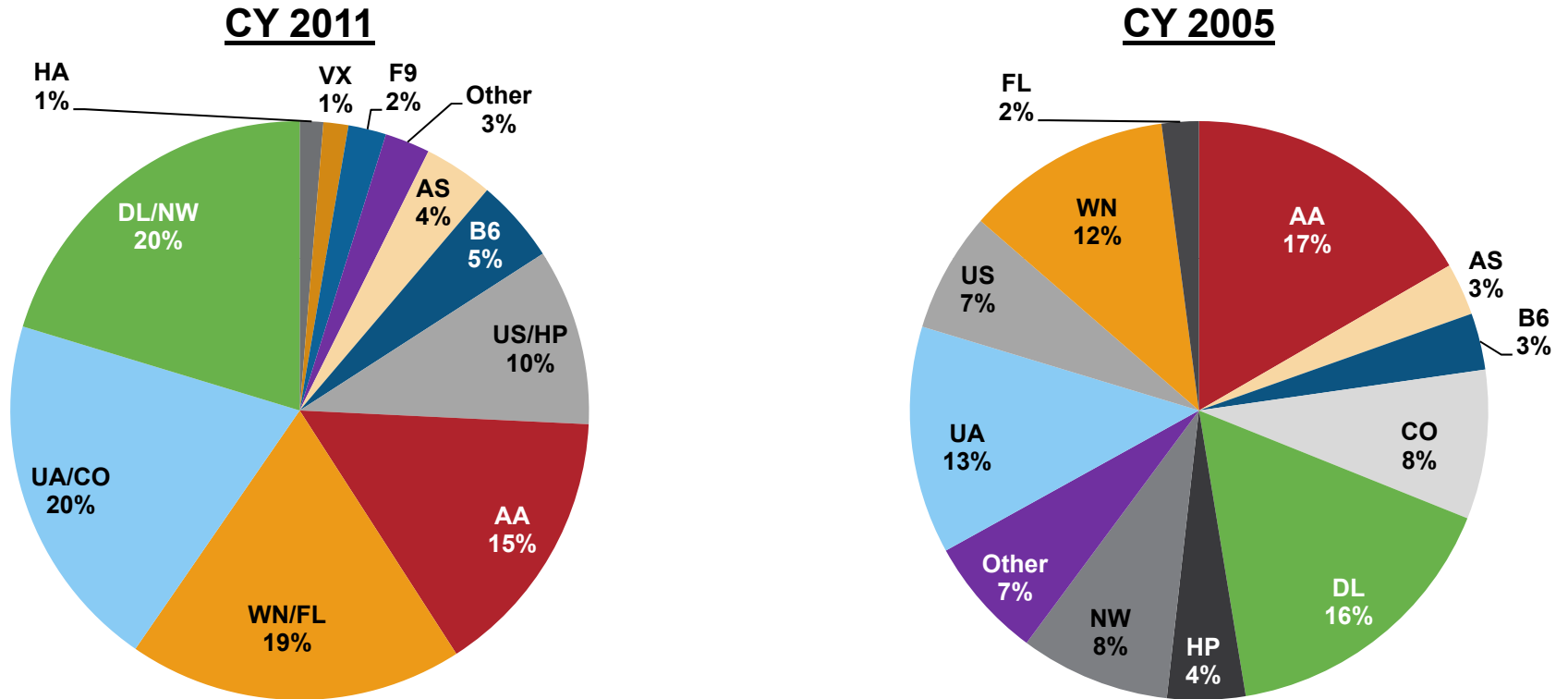
Airline CEOs and Equity Analysts

- » Maxim Group (April 12, 2012): “At the same time the U.S. industry is probably in its strongest position that it has been since deregulation due to three key factors which include industry consolidation, cost/capacity discipline, and the development of ancillary revenues from add-on fees. Consolidation continues to benefit the industry as duplicate capacity and marginal hubs are downsized or eliminated, saving on costs and helping to raise ticket prices.”
 - » Doug Parker: “US Airways CEO Talks Merits of Consolidation” – *WSJ* (April 4, 2012): “Consolidation was necessary, and it was a strategic imperative to get the industry well. As I look back over the past five, six years, consolidation has helped us have a more viable industry.”
 - » Richard Anderson: “Delta Sees More Airline Consolidation as AMR’s Bankruptcy Helps Cut Seats” (Bloomberg, Dec. 14, 2011): “Capacity cuts such as those brought about by the Chapter 11 filing of AMR Corp. may help bring about further consolidation within the airline industry, which would help airlines control rates and cut costs.”
 - » Gary Kelly, *Orlando Sentinel* (March 7, 2010) “[T]he airline industry is a mess, and it has been a mess for decades. And it does beg for some kind of rationalization and perhaps consolidation. There are just a lot of barriers to combining airlines — different fleet types, different brands, different operating styles, different labor unions, that all have to be negotiated and integrated. So it’s quite complex. ... But if the economics are there and we believe we can make the cultures fit, then we would be open to an acquisition.”
-



Domestic Consolidation Has Finally Materialized

U.S. Domestic Capacity (Available Seat Mile) Share by Marketing Airline



Source: Innovata

Slide 5

dsl1

CY 11: Top 5 mkt share = 84%

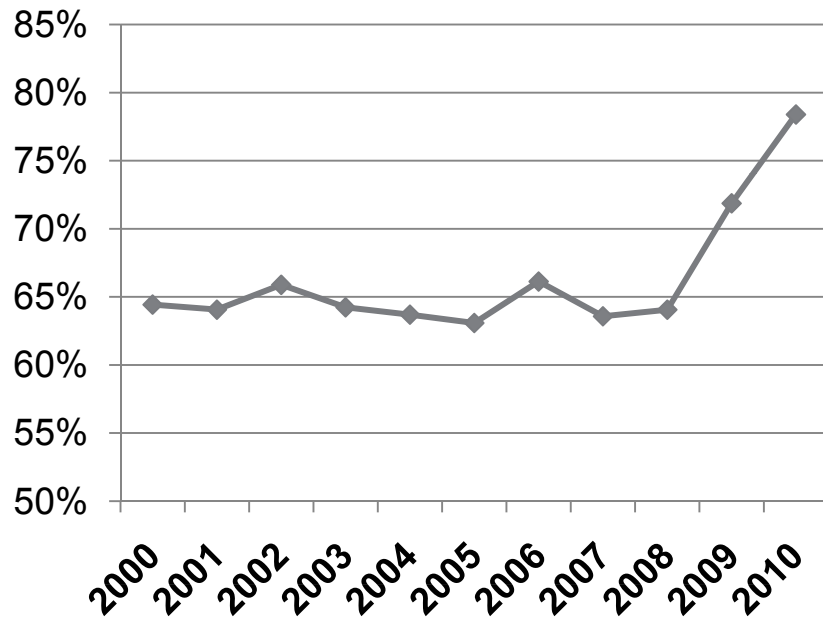
CY05: Top 5 mkt share = 66%

dsl, 16/04/12

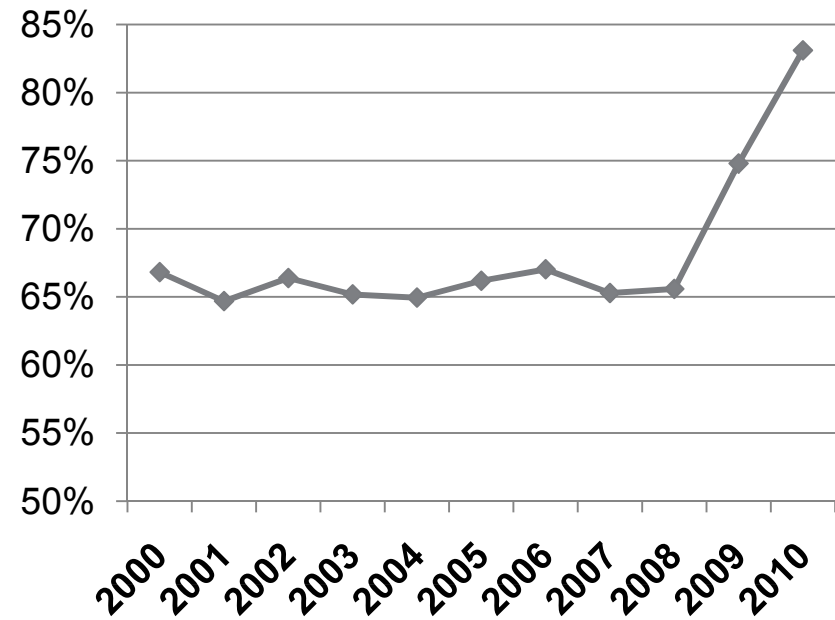
Domestic Consolidation Has Finally Materialized

U.S. Domestic Origin-Destination Passenger and Revenue Share: Top 5 Carriers

Top 5 U.S. Carriers Domestic O&D Passenger Share



Top 5 U.S. Carriers Domestic O&D Revenue Share



Source: Database Products

Price of Air Travel Has Not Kept Pace with U.S. Inflation

Price of Many Common Goods and Services Has Outpaced CPI

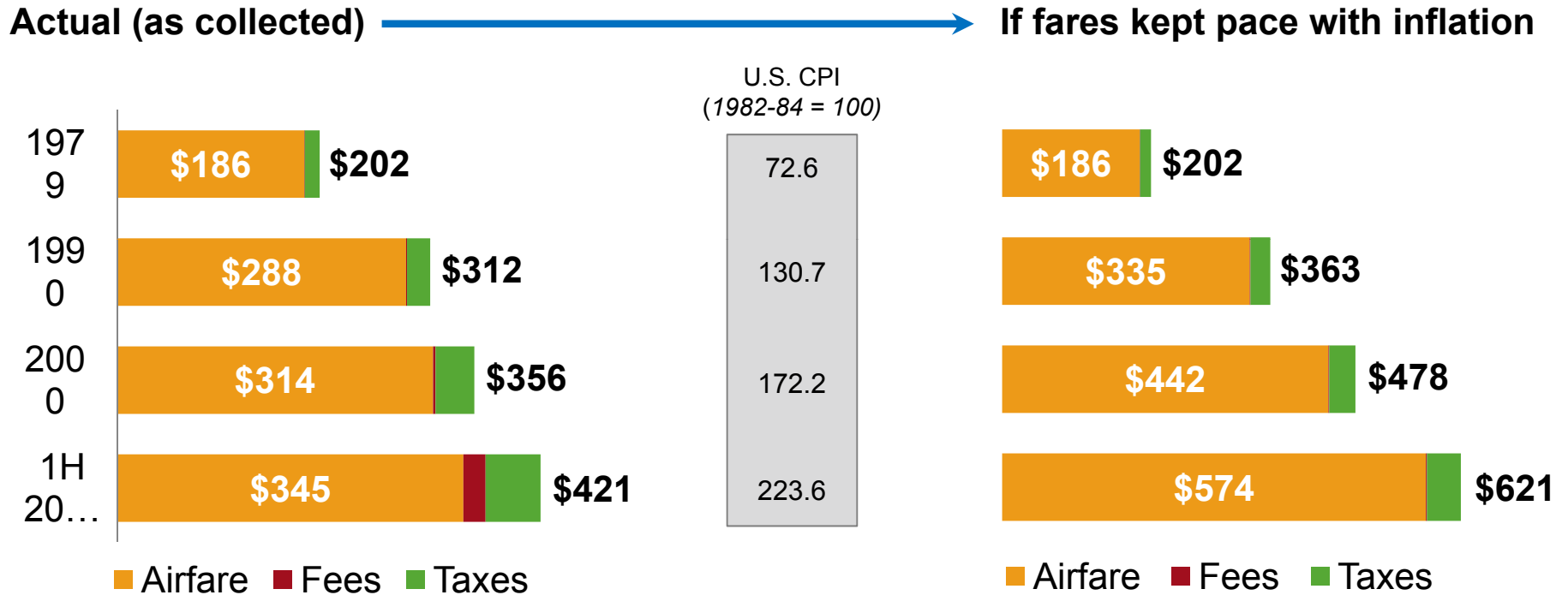
Product (Unit)	2000	2010	% Change
College Tuition: Public (Year)	\$3,508	\$7,605	116.8
Gasoline (Gallon, Unleaded)	\$1.51	\$2.79	84.6
Eggs (Dozen, Grade A, Large)	\$0.91	\$1.66	82.4
College Tuition: Private (Year)	\$16,072	\$27,293	69.8
Baseball Game (Nonpremium MLB Ticket)	\$16.22	\$26.74	64.9
Movie Ticket	\$5.39	\$7.89	46.4
Prescription Drugs (Index)	285.4	407.8	42.9
Single-Family Home (New)	\$169,000	\$222,600	31.7
U.S. CPI (All Urban Consumers)¹	172.2	218.1	26.6
Vehicle (New)	\$24,923	\$29,793	19.5
Air Travel (Round-Trip Domestic Fare + Fees)²	\$317	\$338	6.7
Air Travel (Round-Trip Domestic Fare Only)²	\$314	\$316	0.6
Apparel: Clothing/Footwear/Jewelry (Index)	129.6	119.5	(7.8)
Television (Index)	49.9	8.0	(84.0)

1. Bureau of Labor Statistics “measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.”

2. A4A analysis of data collected by the Bureau of Transportation Statistics – excludes taxes; “fees” include reservation change fees and baggage fees

U.S. Inflation Continues to Outpace the Price of Air Travel on U.S. Airlines

Average Domestic Revenue* and Taxes Collected per Round-Trip Passenger



* Airline revenue includes airfare, baggage fees and reservation change/cancellation fees as collected and reported per domestic round-trip origin-destination passenger
 Sources: DOT O&D Survey (Data Bank 1A) and Bureau of Labor Statistics for the Consumer Price Index (CPI)

U.S. Airline Industry Continues to Post ~80 Percent On-Time Arrival Performance

Also, 2011 Was Best Year Ever Recorded for Denied Boardings and Mishandled Bags

	2007	2008	2009	2010	2011
Flight Cancellations (as % of scheduled domestic departures)	2.16	1.96	1.39	1.76	1.91
On-Time Arrival Rate (% of domestic flights within 00:15)	73.4	76.0	79.5	79.8	79.6
Involuntary Denied Boardings (per 10,000 passengers)	1.12	1.11	1.19	1.09	0.81
Mishandled Bags (per 1,000 domestic passengers)	7.05	5.26	3.91	3.57	3.39
Customer Complaints (per 100,000 systemwide passengers)	1.38	1.13	0.97	1.20	1.18

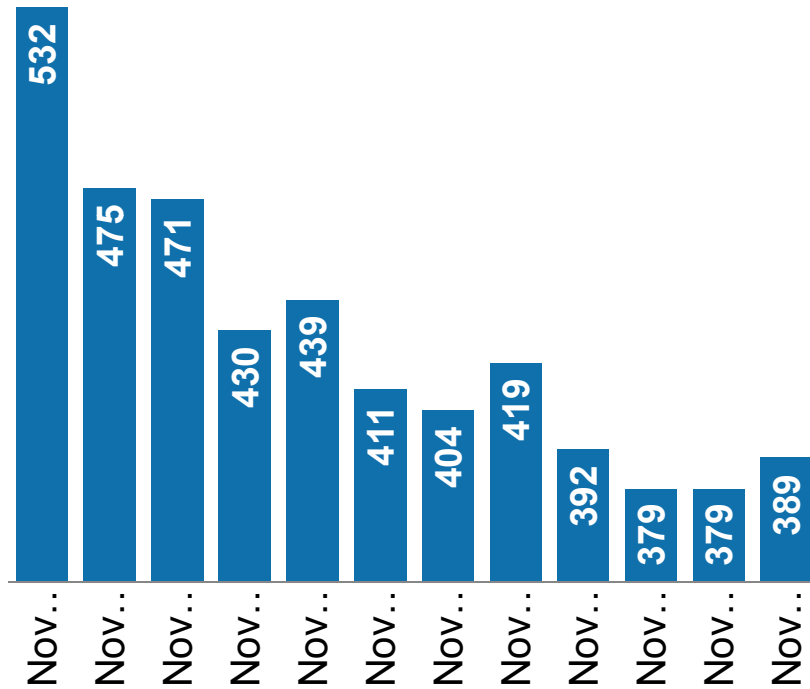
Sources: Bureau of Transportation Statistics and DOT *Air Travel Consumer Report* (<http://airconsumer.dot.gov/reports/index.htm>)

Improved Balance Sheets Allow Airlines to Preserve/Grow Jobs, Acquire New Aircraft

U.S. Passenger Airlines Beginning to Hire Workers and Purchase Planes

Airline Payrolls Stabilizing

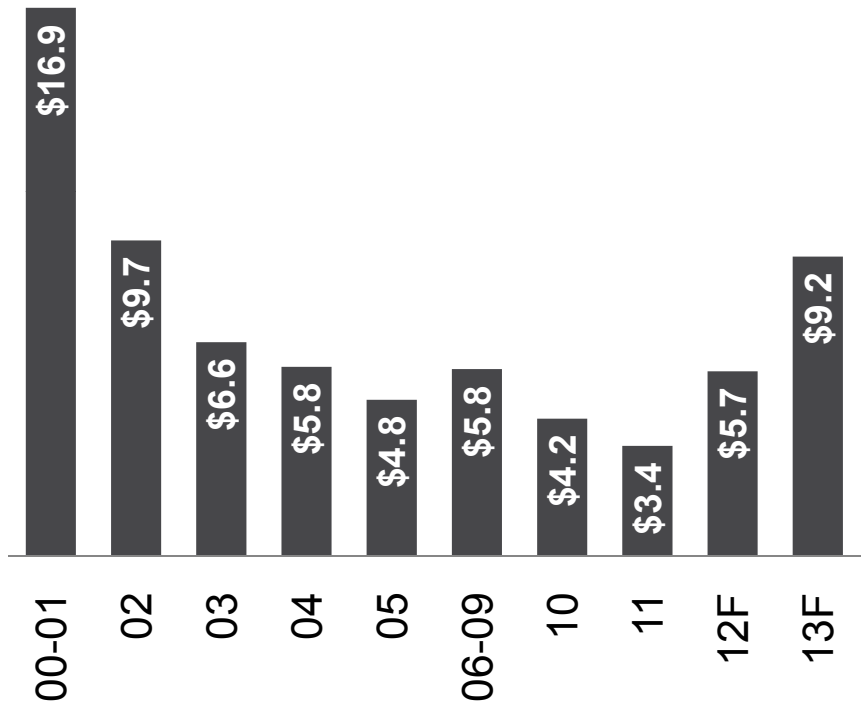
Full-Time Equivalent Employees (Thousands)



Source: BTS for U.S. scheduled passenger airlines

Aircraft Capital Spending on the Rise

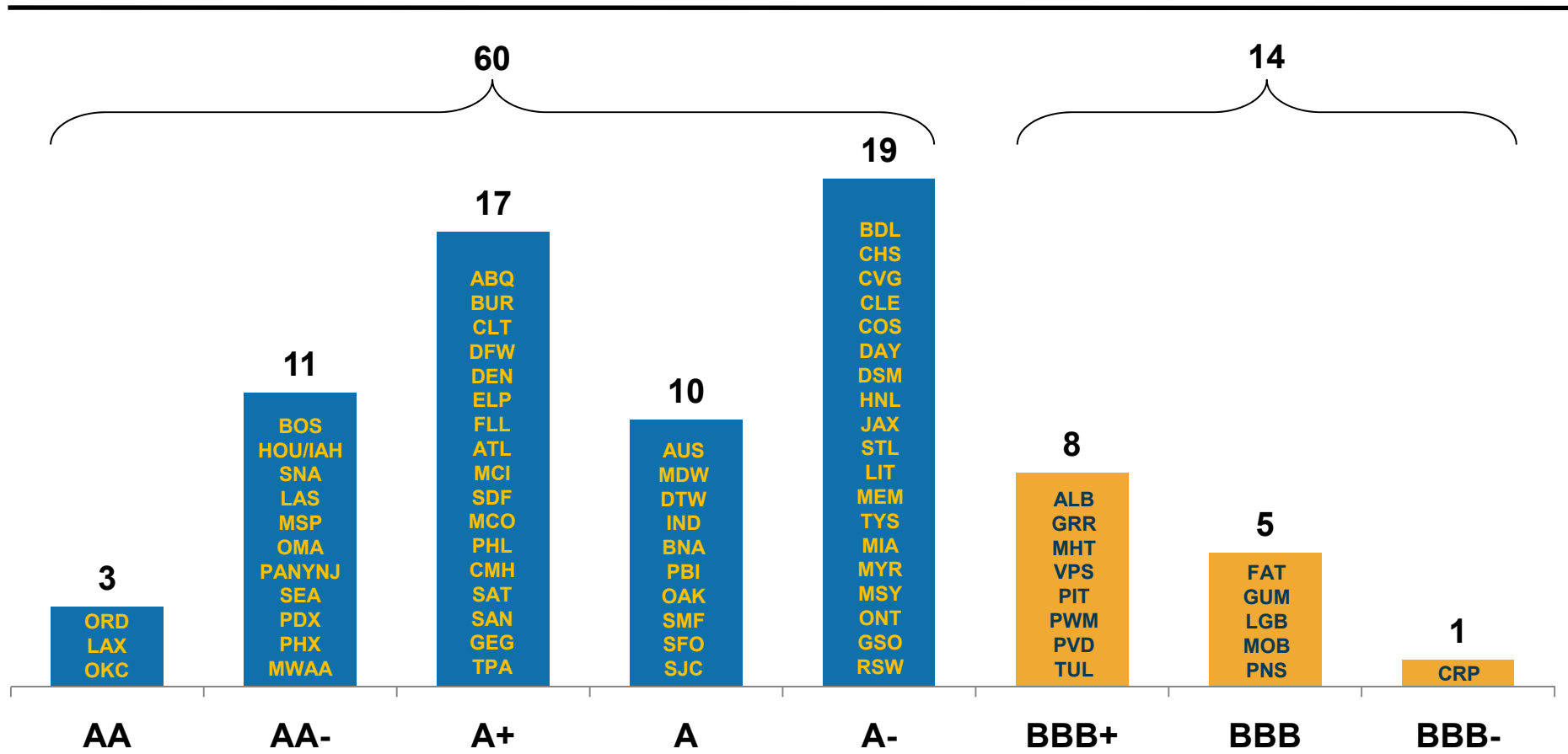
Average Annual Estimated Aircraft/Engine CapEx (Billions)



Source: Bank of America Merrill Lynch airline equity research (Jan. 5, 2012)

U.S. Airports Remain Financially Sound

All 74 S&P-Rated U.S. Airports Enjoy Investment-Grade Credit



Source: "Global Airports And Aviation Infrastructure Ratings and Outlooks: Current List," Standard and Poor's (Sept. 13, 2011)



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