Review of 2015

Despite slow economic growth at home and abroad, 2015 was a pretty good year for U.S. aviation. Stable demand, falling yields, and falling costs added up to a year of record profits for the U.S. airline industry. The shift in focus from market share to boosting returns on invested capital has resulted in something the industry has rarely seen – sustained profitability. The U.S. airline industry has become more nimble in adjusting capacity to seize opportunities or minimize losses. U.S. airlines continue to refine strategies for developing additional revenue streams such as charging fees for services that used to be included in airfare (e.g. meal service), as well as for charging for services that were not previously available (e.g. premium boarding and fare lock fees). The impact from these initiatives gives reason for optimism as the industry (passenger and cargo carriers combined) posted profits for the sixth consecutive year in 2015.

Demand for air travel in 2015 grew at the fastest pace since 2007 despite modest economic growth in the U.S. In 2015 system revenue passenger miles (RPMs) increased 3.8 percent as enplanements increased at the same rate. Domestic RPMs were up 4.8 percent while enplanements were up by 4.2 percent. International RPMs increased by just 2.2 percent as enplanements, negatively impacted by the slowdown in China, recession in Brazil and Russia, and exchange rate fluctuations, increased only 1.6 percent. The system-wide load factor fell 0.1 points to 83.3 percent.

Yields fell for the first time in five years. In domestic markets, falling oil prices and rapid expansion by ultra-low cost carriers such as Spirit and Allegiant led to a 1.6 percent decline. International yield fell 4.8 percent, impacted by weak demand and currency fluctuations. Despite falling yields U.S. airlines posted record profits in FY 2015 as falling energy prices more than offset revenue weakness from falling yields. Data for FY 2015 show that the reporting passenger carriers had a combined operating profit of \$24.1 billion (compared to a \$14.9 billion operating profit for FY 2014). The network carriers reported combined operating profits of \$17.3 billion while the low cost carriers reported combined operating profits of \$6.0 billion, with all carriers posting profits.

The general aviation market showed continuing improvements in single engine piston and business jet segments, while declines in turboprop and multi-engine piston segments translated into a downturn in shipments. Overall deliveries were down by 3.1 percent in calendar year (CY) 2015; even though U.S. billings increased 2.4 percent to \$12.0 billion. General aviation activity at FAA and contract tower airports recorded a 0.3 percent decline in 2015 as itinerant activity fell 0.7 percent, more than offsetting a 0.1 percent increase in local operations.

Total operations at FAA and contract towers rose in 2015 by 0.2 percent, the first increase in activity since 2007. Air carrier activity increased by 5.7 percent, more than offsetting declines in the air taxi, general aviation, and military categories. Activity at large hubs rose by 0.7 percent, while medium hub activity increased by 0.6 percent. Small/non-hub airport activity was flat in 2015 compared to the prior year.