Review of 2017

An improving economy both at home and abroad translated into a good year for U.S. aviation in 2017. Although costs increased due to higher energy prices and implementation of new labor contracts, the U.S. airline industry remained solidly profitable as growth in domestic traffic pushed revenues higher. The shift in the U.S. airline industry emphasis on market share to boosting returns on invested capital has resulted in sustained profitability. U.S. airlines are continually updating strategies for capturing 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). At the same time, the U.S. airline industry has become nimbler in adjusting capacity to seize opportunities or minimize losses. The impact from these initiatives is evident as the industry (passenger and cargo carriers combined) posted profits for the eighth consecutive year in 2017, despite flat yields and higher costs.

Demand for air travel in 2017 cooled from 2016’s pace despite faster economic growth in the U.S. In 2017, system traffic as measured by revenue passenger miles (RPMs) increased 2.9 percent while system enplanements grew 2.6 percent. Domestic RPMs were up 3.0 percent while enplanements were up by 2.4 percent. International RPMs increased 2.6 percent despite enplanements growing by 4.1 percent. The system-wide load factor was 83.5 percent, unchanged from the 2016 level.

Yields increased for the first time since 2014. In domestic markets, continued expansion by ultra-low cost carriers such as Spirit and Allegiant helped to keep a lid on fare increases despite rising energy and labor costs as yield rose just 0.1 percent. International yield rose a mere 0.4 percent as strong gains in the Latin region offset modest declines in the Atlantic and Pacific regions. Despite flat yields and rising energy and labor costs, U.S. airlines remained solidly profitable in FY 2017. Data for FY 2017 show that the reporting passenger carriers had a combined operating profit of $21.6 billion (compared to a $26.6 billion operating profit for FY 2016). The network carriers reported combined operating profits of $15.3 billion while the low cost carriers reported combined operating profits of $5.7 billion as all carriers posted profits.

The general aviation industry recorded an increase of 4.2 percent in deliveries in 2017, with pistons up by 9.5 percent and turbines about the same as the previous year. Since the majority of increase was in the lower priced piston segment and the more expensive business jet deliveries were down by 0.2 percent, U.S. billings decreased 8.5 percent to $10.6 billion. General aviation activity at FAA and contract tower airports recorded a 0.1 percent increase in 2017 as local activity rose 0.9 percent, more than offsetting a 0.5 percent decline in itinerant operations.

Total operations in 2017 at the 517 FAA and contract towers were up 0.7 percent compared to 2016. This marks the first time since FY 1998-2000 that operations at FAA and funded towers have increased for three consecutive years. Air carrier activity increased by 4.4 percent, more than offsetting a decline in air taxi operations, while general aviation
and military activity rose slightly. Activity at large hubs rose by 0.1 percent, while medium hub activity increased by 1.3 percent and small/non-hub airport activity was up 0.8 percent in 2017 compared to the prior year.