

# Review of 2019

Solid economic activity in the U.S. more than compensated for broad slowdowns throughout the rest of the world, making 2019 yet another good year for U.S. commercial aviation. Airlines posted their eleventh consecutive year of profits in spite of lower revenue compared to a year earlier as expenses fell further. The U.S. airline industry contained expenses by continuing to shift its focus from gaining market share to seeking returns on invested capital as well as benefitting from lower fuel prices. U.S. airlines are continually updating their successful strategies for capturing additional revenue streams such as charging fees for services that used to be included in airfare (e.g. meal service), charging for services that were not previously available (e.g. premium boarding and fare lock fees), as well as for maximizing fare revenue with more sophisticated revenue management systems. At the same time, the U.S. airline industry has become nimbler in adjusting capacity to seize opportunities or minimize losses, helping to raise yields for the first time in four years. These efforts combined with relatively low fuel prices secured industry profitability in 2019 even as new labor contracts lifted labor costs higher.

Demand for air travel in 2019 slowed slightly after surging in 2018 as economic growth in the U.S. moderated. In 2019, system traffic as measured by revenue passenger miles (RPMs) increased 4.3 percent while system

enplanements grew 4.1 percent. Domestic RPMs were up 4.5 percent while enplanements were up by 4.2 percent. International RPMs increased 3.9 percent and enplanements grew by 3.8 percent. The system-wide load factor was 84.5 percent, up seven tenths of a percent from the 2018 level.

System nominal yields increased again in 2019. In domestic markets, expansion by ultra-low cost carriers such as Spirit and Allegiant, as well as by mainline carriers such as United, was partially offset by the MAX grounding, giving carriers some pricing power in the solid demand environment. International yield declined 0.8 percent as both the Atlantic and Pacific regions declined but the Latin region posted a small gain.

Despite rising labor costs and higher capacity, U.S. airlines remained solidly profitable in FY 2019. Data for FY 2019 show that the reporting passenger carriers had a combined operating profit of \$22.6 billion (compared to a \$21.0 billion operating profit for FY 2018). The network carriers<sup>1</sup> reported combined operating profits of \$9.9 billion while the low cost carriers<sup>2</sup> reported combined operating profits of \$4.6 billion as all carriers posted profits.

The general aviation industry recorded a modest increase of 1.4 percent in deliveries of U.S. manufactured aircraft in 2019, with pistons up by 6.5 percent and turbines, due

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<sup>1</sup> Network carriers are: Alaska Airlines, American Airlines, Delta Air Lines, and United Air Lines.

<sup>2</sup> Low cost carriers are: Allegiant Air, Frontier Airlines, JetBlue Airways, Southwest Airlines, Spirit Air Lines, Sun Country Airlines.

to a decline in turboprop segment, down by 3.2 percent. As the higher priced turbojet deliveries improved by 6.3 percent, U.S. billings increased by 20.5 percent to a record \$14.0 billion. General aviation activity at FAA and contract tower airports had a 3.3 percent increase in 2019 as local activity rose 6.1 percent and itinerant operations went up by 0.8 percent. In local GA activity, this was the highest increase recorded in more than 20 years.

Total operations in 2019 at the 520 FAA and

contract towers were up 2.9 percent compared to 2018. This marks the fifth consecutive years of positive growth starting 2015. Last time there were at least four consecutive years of growth was FY 1997-2000. Air carrier activity increased by 3.2 percent, while air taxi operations increased by 1.5 percent. General aviation rose 3.3 percent and military activity decreased 1.9 percent. Activity at large and medium hubs rose by 1.8 percent and 1.9 percent, while small hub airport activity was up 1.6 percent in 2019 compared to the prior year.