

The Quarterly Review of Airline Profitability by Flight Segment; Latest Quarter (3Q 2024), and Four-Year Trends

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Overview of Model and Reports

- The model defines airline capacity, cost, and revenue on each US domestic flight, and provides summaries by airport, airline, airport, and equipment type
- Produced quarterly for each airline and airport
- Cost and revenue are bottom-line, all-in, and stage length adjusted
- Flights are distinct from one another and additive to airline and airport totals; and directly comparable on their profit margins
- The “Airline Report” analyzes and compares all flights at the target airline, to include competitors on each flight. The “Airport Report” analyzes and compares all flights at the target airport, to include surrounding airports

Analytical models, methods, and data

- Aircraft capacity, passenger traffic, and cargo are from the US DOT Form T100
- Fares are from the US DOT O&D Survey. The total itinerary fare is prorated across all legs of the itinerary such that a leg’s revenue as a percent of total itinerary revenue is the same as the leg’s cost as a percent of total itinerary cost (thereby equalizing profit margins across all legs the connect itinerary)
- Ancillary revenue is based on a detailed analysis of all DOT data accounts and on various industry analyses
- Flight cost is by equipment type and detailed account. Direct cost accounts [allocated to specific equipment type] are from the DOT Form P5. Indirect cost accounts are from the P1 and P6, and allocated to specific equipment based on tailored capacity drivers
- Mainlines report certain feeder airline costs and revenues on their own income statements. This model reallocates these accounts back to the feeder where

they are effectively incurred. To check and validate these reallocations, model results for the sum total of mainline and feeder cost and revenue accounts calibrate to DOT Reports for these totals

- Equipment type cost differentials can fluctuate widely for reasons not related to mission capability and revenue generating capacity. These fluctuations can exaggerate the importance of equipment type selection on a flight relative to the flight's true flight profitability. This model attempts to smooth such differentials where they are inconsistent with long-term, steady-stage differentials
- Model results for each airline's cost and revenue calibrate to airline totals as reported to the DOT

Summary background and experience performing economic analysis

- Ten years as an economist for the Air Line Pilots Association, performing critical review and due diligence analysis of airline financial plans and analytical methods [to support major airline financial restructurings]. Projects included Eastern, TWA, Pan Am, United, USAir (twice), Northwest (twice), America West, Fedex, and a majority of the regional feeders
- Fifteen years as an aviation consultant performing financial analysis of airlines and airports. Final position was Director of Aviation Economics for Intervistas Consulting. Airline projects included financial analyses of British Airways, American, Northwest, Swissair, Sabena, British Midland, Spirit, Emery Express, Kingfisher, Vueling, JAT Serbian, Rwandair, and Air Botswana. Airport projects included marketing and air service development for Los Angeles World Airports, IAH, MSP, IAG, BQK, SYS, CSG, LAN, SFB, BDL, PSP, and PNS. Capital and investment projects included JFK terminals 2, 3, and 4; World Bank/International Finance Corporation projects included countries of Peru, Jamaica, Argentina, Indonesia and Serbia
- For the last ten years I have been President of Flight Financials developing industry flight P&L models, and consulting to a wide variety of clients