

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

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Summary

The model defines airline capacity, cost, and revenue on each US domestic flight, and it provides summaries by airport, airline, airport, and equipment type

Reports are produced quarterly for each airline and airport (contact Mark for samples and full Reports)

Cost and revenue are bottom-line, all-in; cost is stage length adjusted, and revenue is prorated across legs on connect flights

Flights are distinct from one another and additive to airline and airport totals; and are rightly comparable on their profit margins

Comparisons are made across all flights at each airline, including competitors on each flight; and across all flights at each airport, including flights at surrounding airports

Analytical models, methods, and data

- Capacity and traffic are from the US DOT Form T100
- Flight cost is by equipment type and stage length adjusted. Direct cost by equipment type is from the DOT Form P5. Indirect costs are from the P1 and P6, and allocated to specific equipment based on tailored capacity drivers
- Fares are from the US DOT O&D Survey and are prorated across legs of connect flights; the model analyzes each itinerary in the Survey (nearly 20 million records from three separate datasets each quarter)

- Model results for each airline's capacity, cost, and revenue, calibrates to airline domestic totals as reported to the DOT
- Critical reallocations are made between mainlines and their feeders to correct for reporting opacities where mainlines file substantial feeder costs and [associated revenues] on their own income statements which distorts and feeder volumes and financial performance. Costs and revenues are reallocated back to the feeder where they are materially incurred. Feeder cost by equipment type is defined by a wide variety of industry data (including mainline SEC Reports), benchmarks, and extensive experience. Feeder cost by equipment type is based on mainline SEC Reports, personal experience analyzing source data from feeder airlines, and historical benchmarks. As a macro check to these reallocations, model results for the total of all mainline and feeders calibrates to DOT Reports for this total

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, Northwest, 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. Projects included: financial analysis of British Airways, American, Northwest, Swissair, Sabena, British Midland, Spirit, Emery Express, Kingfisher, Vueling, JAT Serbian, Rwandair, and Air Botswana. Airport marketing and air service development for Los Angeles World Airports, IAH, MSP, IAG, BQK, SYS, CSG, LAN, and PNS. Airport capital planning and investment for JFK and other airports

Ten years as President of Flight Financials developing industry flight P&L models, and consulting to a wide variety of clients