

# Industry Perspectives

T.J. Schulz  
President, ACC

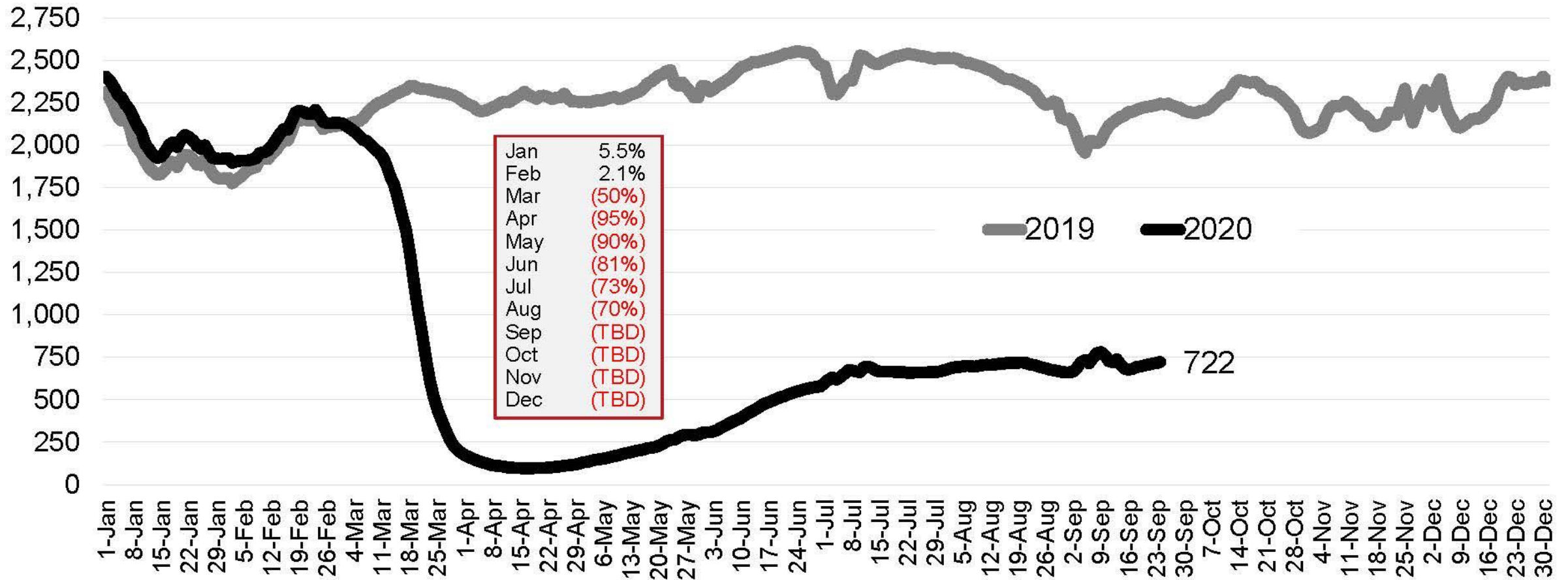
[www.acconline.org](http://www.acconline.org)



# TSA Checkpoint Traveler Throughput\* Down 68% Year Over Year

Daily Average Bottomed Out at 95K in April 11-17

## TSA Traveler Throughput: 7-Day Moving Average (in Thousands)

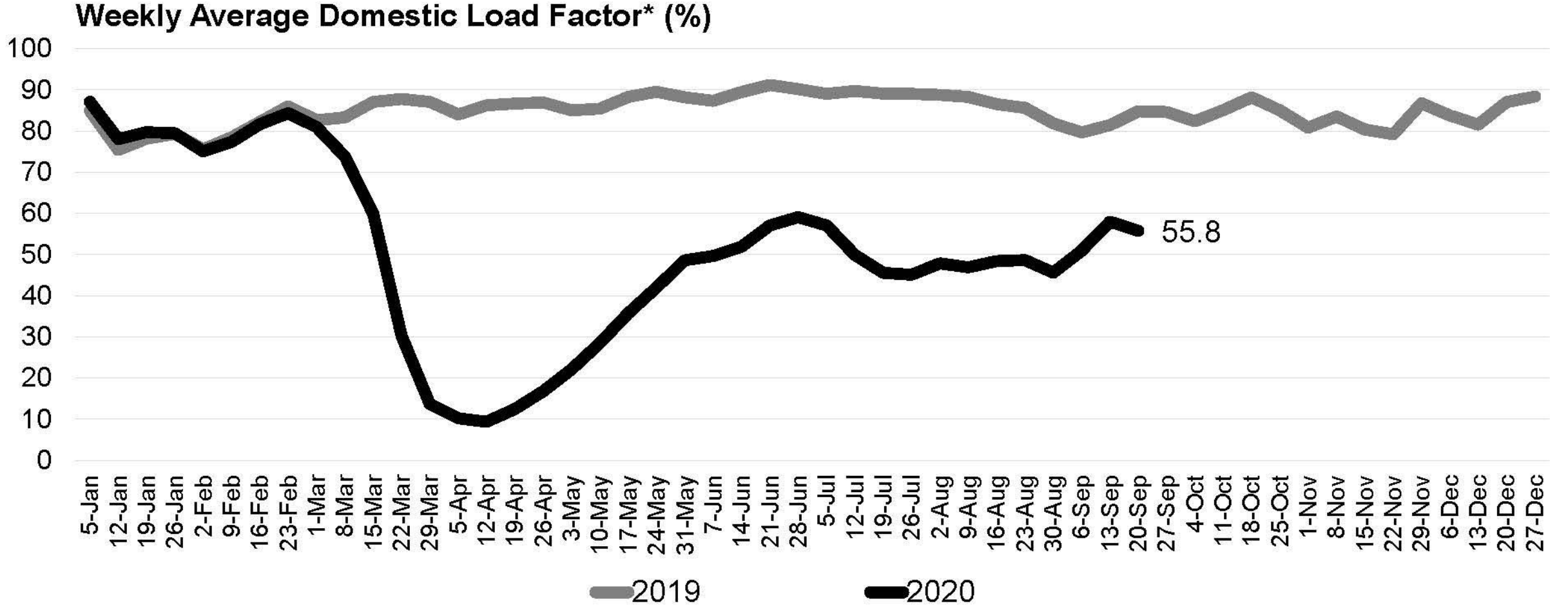


Source: Transportation Security Administration

\* U.S. and foreign carrier customers traversing TSA checkpoints; 2019 is year-ago same weekday

# Domestic U.S. Load Factor\* Averaged 56% in Most Recent Week, Versus 85% a Year Earlier

## Shift in Timing of Labor Day a Factor

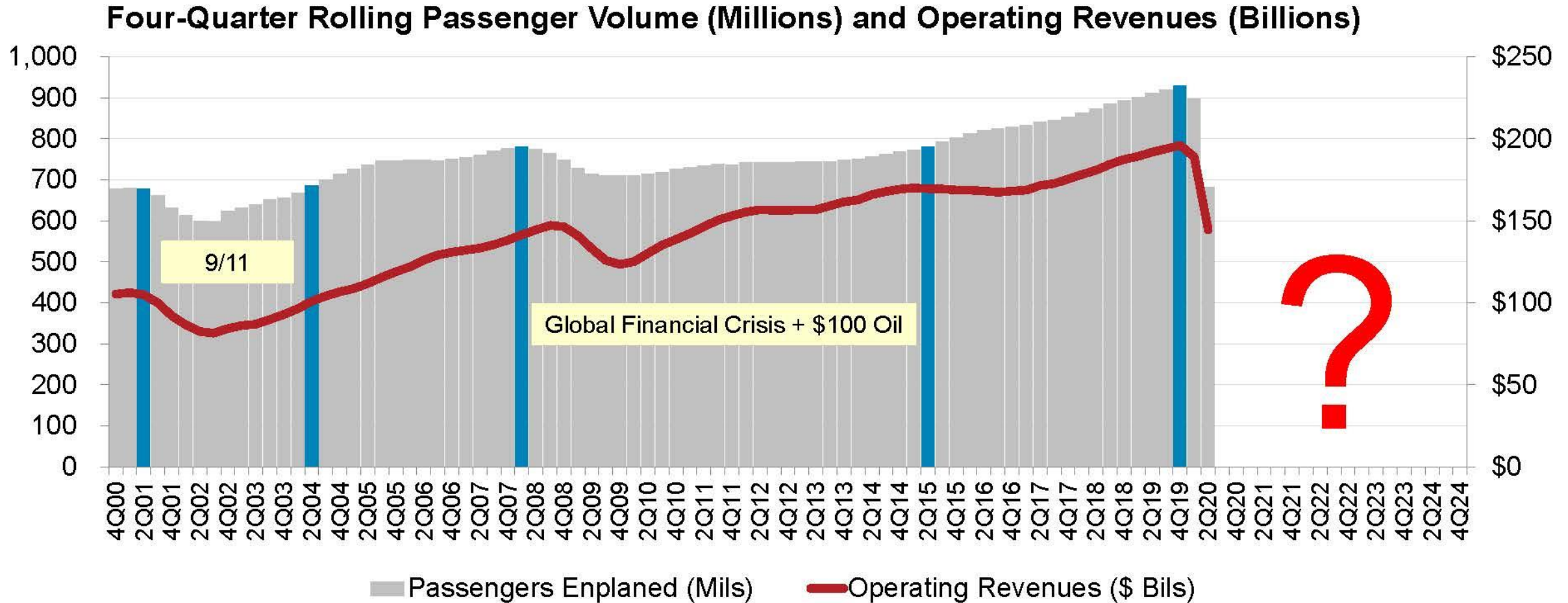


Source: A4A member passenger airlines as reported to A4A on a consolidated company basis (including branded code share partners)

\* Revenue passenger miles divided by available seat miles

# After 9/11 and the Global Financial Crisis, It Took Years for Air-Travel Demand to Recover

## Passenger Volumes Took More Than Seven Years to Recover From the Financial Crisis/Oil Spike



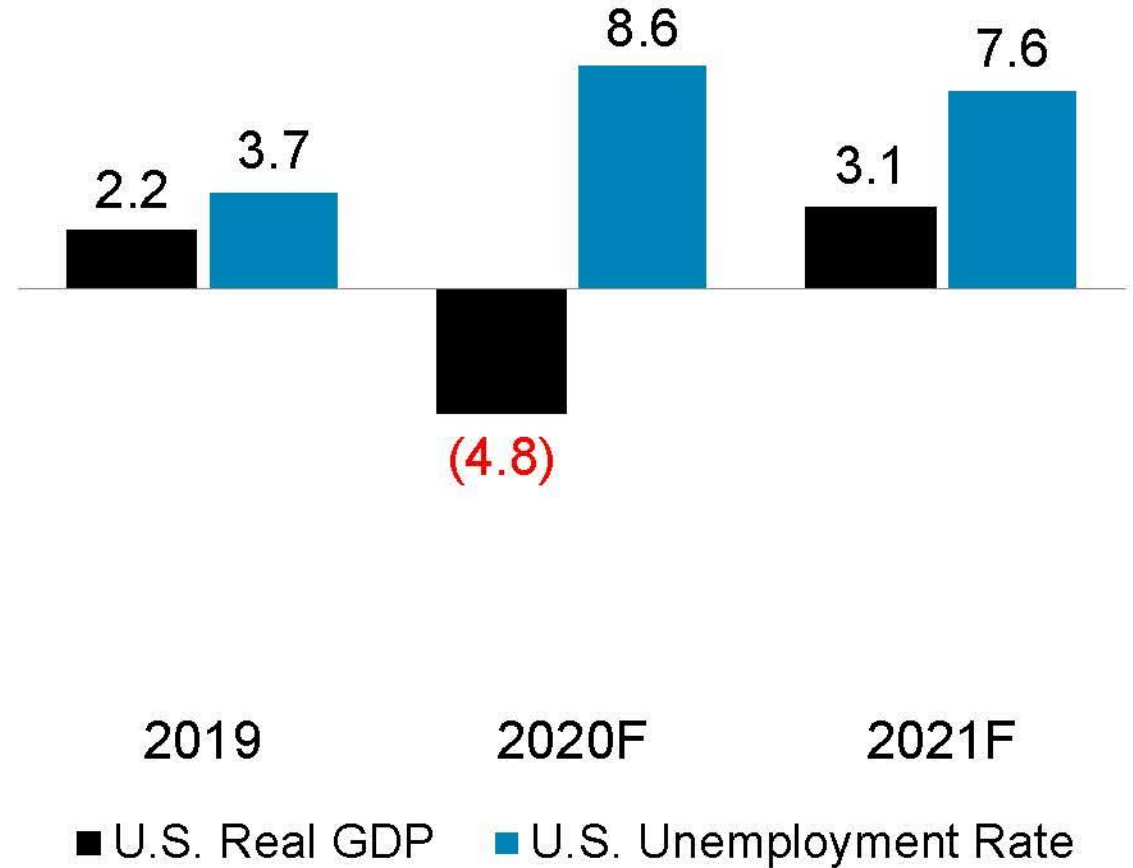
Source: A4A Passenger Airline Cost Index and Bureau of Transportation Statistics (Form 41 Schedule T1)

\* Passengers enplaned systemwide on U.S. airlines in scheduled and nonscheduled services

# Economic Headwinds Abound

“On 8 June, the... National Bureau of Economic Research made official what we already knew: **February marked the end of the longest...US economic expansion on record...**” (June)

“[W]e assume a vaccine becomes available by mid-2021, allowing the economy to accelerate then. We project growth of 3.1% in 2021 and 4.1% in 2022. **GDP surpasses its previous peak in the spring of 2022**, and **the economy regains full employment late in 2023...**” (August)

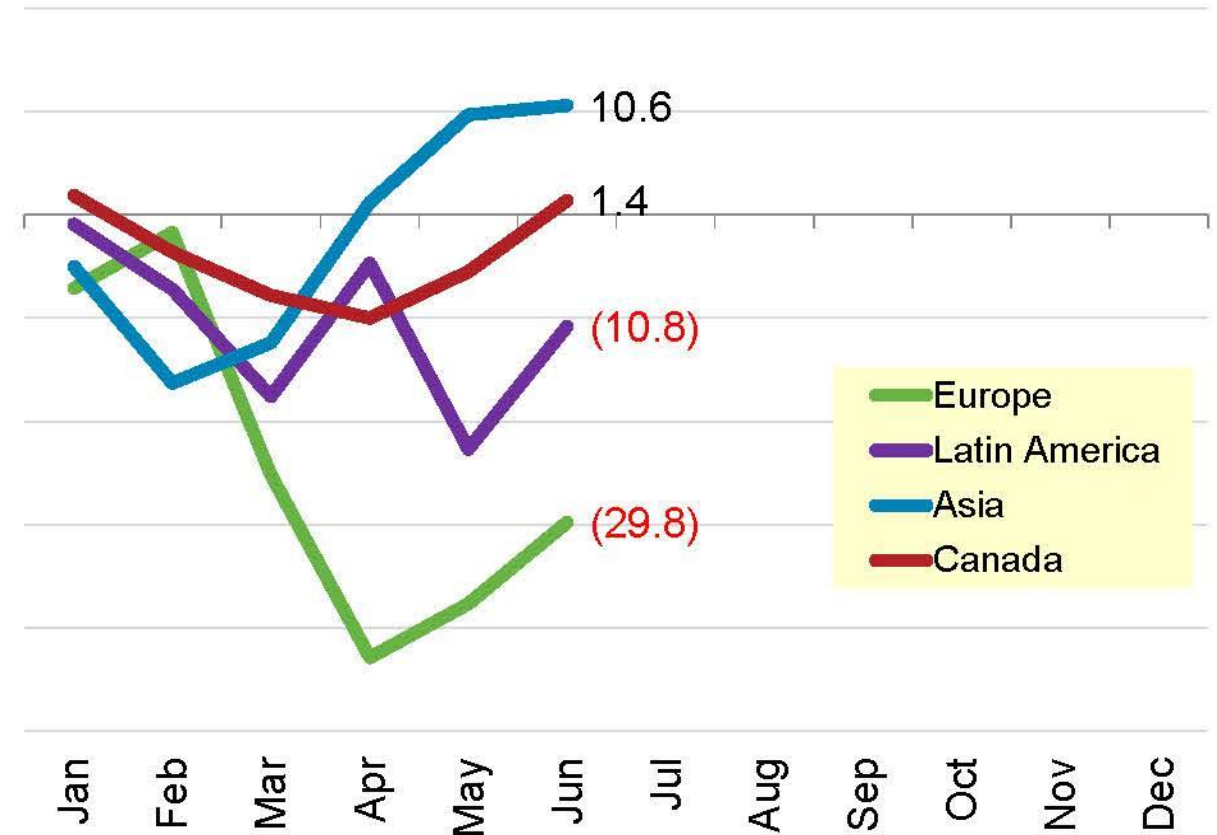
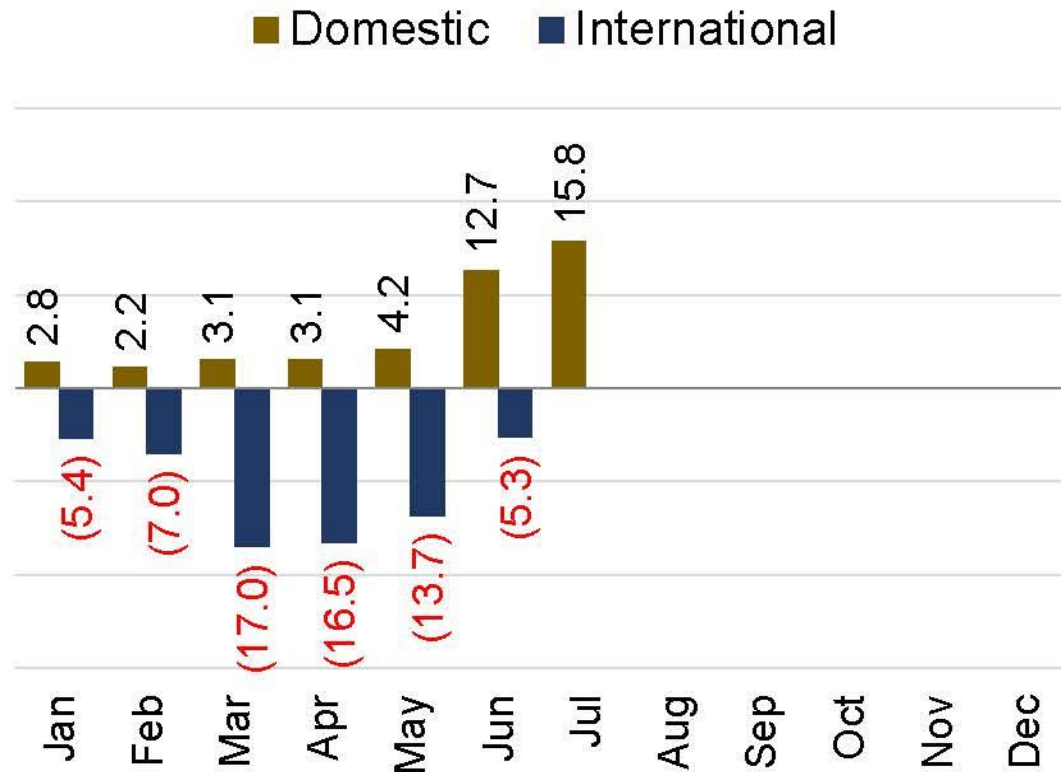


Source: IHS Markit, “Executive Summary: US Economic Outlook” (August 2020)

# Domestic U.S. Air Cargo Demand Continues to Outperform U.S.-International

## Asia Up on Non-China Volumes

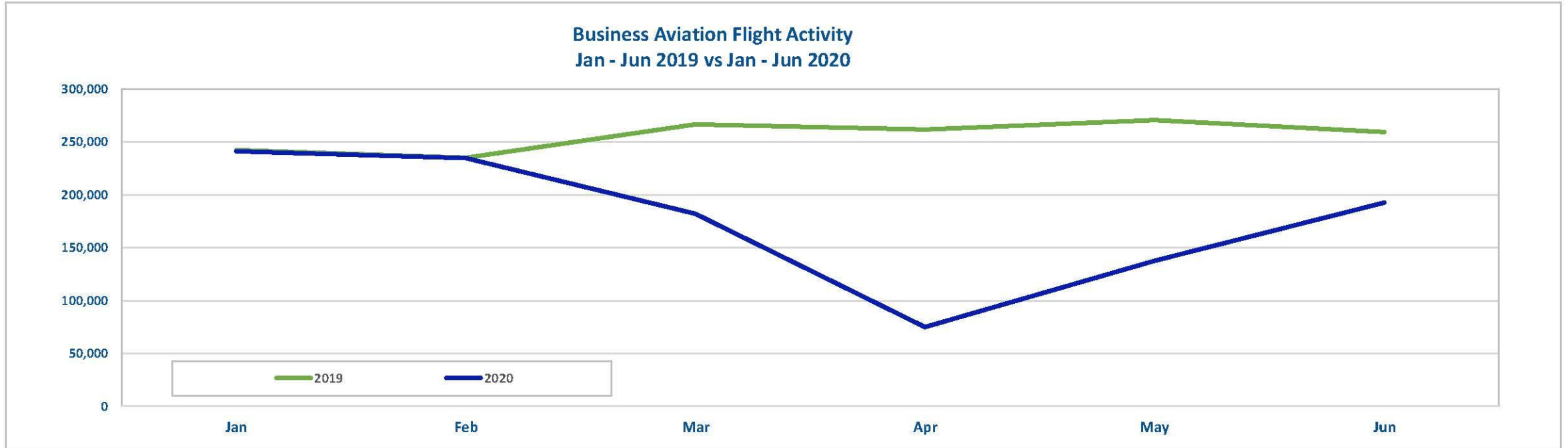
% Change YOY in Air Cargo\* Between the United States and World Areas – U.S. and Foreign Airlines



Source: Bureau of Transportation Statistics, T1 (U.S. carriers) and T-100 International Market (U.S. and foreign flag carriers)

\* Pounds of freight and mail enplaned in scheduled and nonscheduled services

**Flight activity for the first half of 2020 was down 30.8% compared to the same period in 2019. Flight hours were down 29.8% during the same period.**



# Business Aviation Flight Activity

January – June 2020

# What Airports Will Come Back First?

- Hubs
- Short Haul
- Leisure (depends on location)
- Business
- Long Haul / International





# What Types of Airport Projects?

## Short Term Viable Projects –

- Contactless traveler projects
- Cleaning (restrooms, HVAC)
- FAA Funded
  - Airside projects/general engineering – some major work coming up (DEN, LAX, Charlotte, etc)
  - Safety
  - Rehabilitation/Standards
- Landside projects – parking, new revenue options
- Cargo
- Asset management
- On-call projects
- Resiliency projects
- State system plans
- Small NEPA reviews (get projects ready for stimulus?)
- DOD work



# What Types of Airport Projects?

## “Challenged” Projects/Services

- Airline projects
- Terminal projects
- Architectural
- Program Management / Construction Management
- Planning
- Longer term, large NEPA reviews



# Congress

- ✓ CARES Act - \$10b for airports
- ✓ FY2020 AIP
  - 100% Federal Share



## Any Idea??

CARES Act 2.0  
FY 2021 Appropriations / CR  
Infrastructure Bill

November Election  
AIP Apportionments  
AATF Status



# Company Impacts - General

- Generally, companies ok into next year
  - Many had big wins in Dec/Jan that will keep them busy
  - Some companies busier than ever with COVID response
  - Firms are tightening up; “be more fit”
  - Cutting costs, some salary reductions
  
- Late Q1 next year may get challenging as the new project pipeline contracts
  - More competition for fewer projects
  
- Larger companies are packaging services/products from other sectors to bring to airports (healthcare, etc.)



# Company Impacts – Virtual Relationships

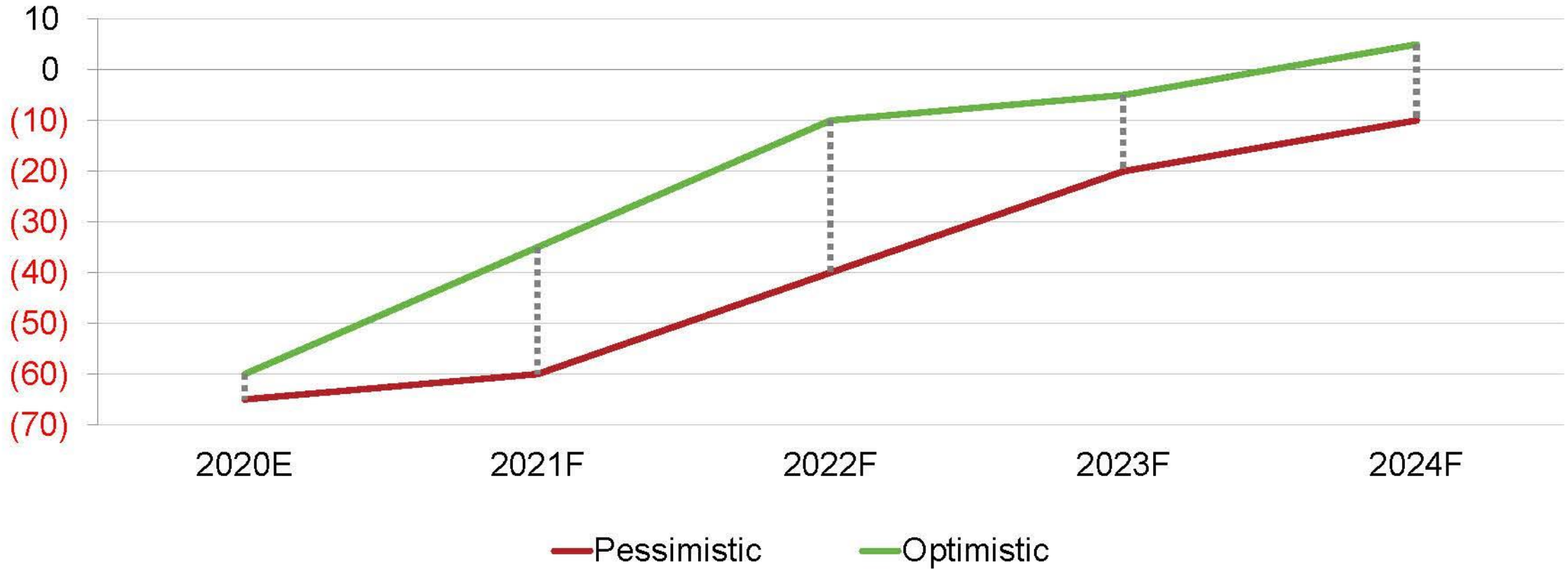
- Virtual Relationships - clients
  - Trying to maintain existing relationships virtually
  - Hyper-local connections – airport owners close to offices or staff
  - Developing new relationships/clients will be very difficult without personal connection/face-to-face
  - Companies need to have messages delivered succinctly and directly in virtual world
  
- Virtual Relationships – other companies
  - Finding teaming partners may be more difficult
  - Subs having harder time in getting project intel and status



# We Are Unlikely to See a Return to 2019 Passenger Volumes Before 2023-2024

2021-2022 Clouded by Uncertainty re: State of Pandemic, Vaccination/Therapeutics, Economy

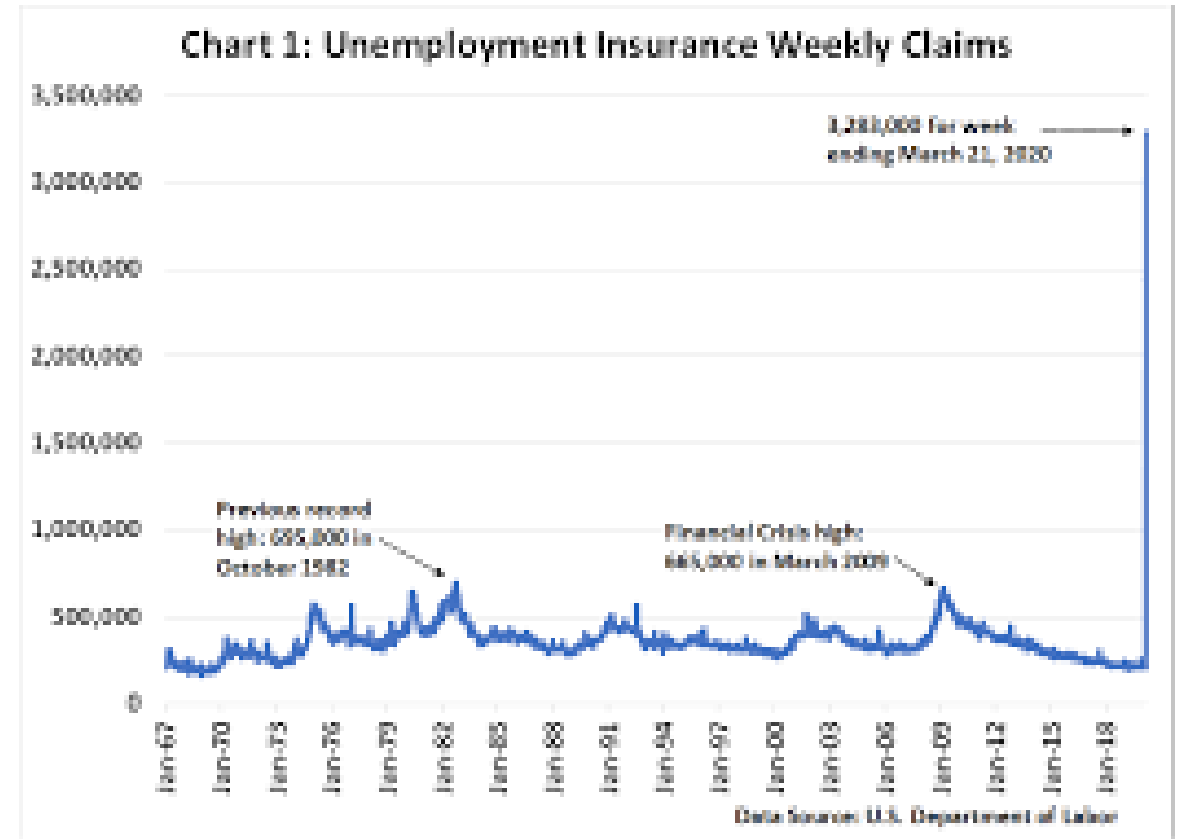
### Estimated U.S. Airline Industry Passenger Traffic Change (%) vs. 2019 Levels



Source: A4A and various airline equity analysts

# What Will Drive Recovery in Aviation?

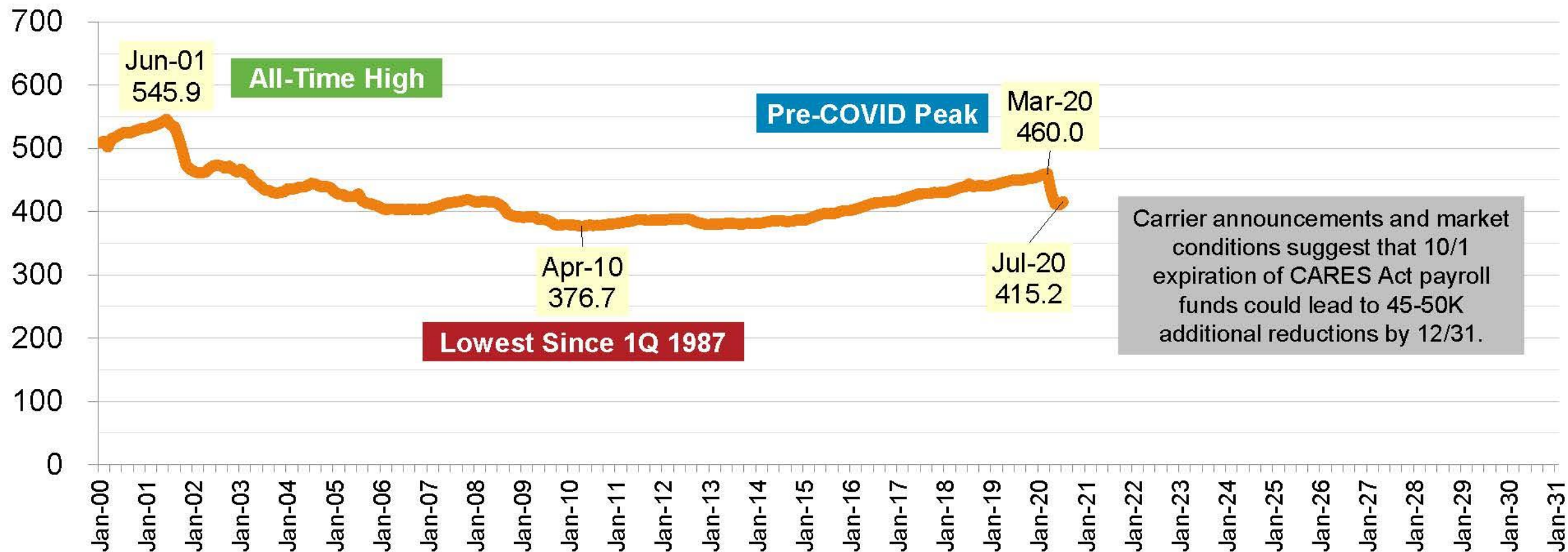
- Passenger Confidence
- Economic Recovery
  - Unemployment
  - Disposable Income



# Over the Past Two Decades, Job Gains/Losses Have Mirrored the Industry's Financial Health

## From March to July, U.S. Passenger Airline Employment Fell by ~45,000 FTEs

### U.S. Scheduled Passenger Airline Full-Time Equivalent Employees (000s)



Source: Bureau of Transportation Statistics for scheduled U.S. passenger airlines (i.e., all that report scheduled passenger revenue)



### **3. Assess ways to determine the role and prospective impacts of Work at Home trends—which already exceeded transit share in 2017**

- WAH HAS HIT ALL COMMUTE MODES HARD – AUTO & TRANSIT
- MODIFIED THE HOME-WORK NEXUS OF TRIPS - DAY CARE, COFFEE, DRY CLEANERS, GYMS, RESTAURANTS- DIRECTION AND TIME
- MOST LIKELY A FUTURE PARTIAL 2-3 DAYS PER WEEK MODEL
- LESS CONGESTION, FUEL USE, POLLUTION, LESS TIME/\$ SPENT
- WAH SUPPORTS FURTHER SUBURBANIZATION AND EXURBANIZATION

# What Else?

- Washington/Election
- Future of Airport Finance
- NPIAS/Airport Categories
- Future of Planning/Forecasting
- Recovery Thresholds

