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## A4A Testimony Highlights

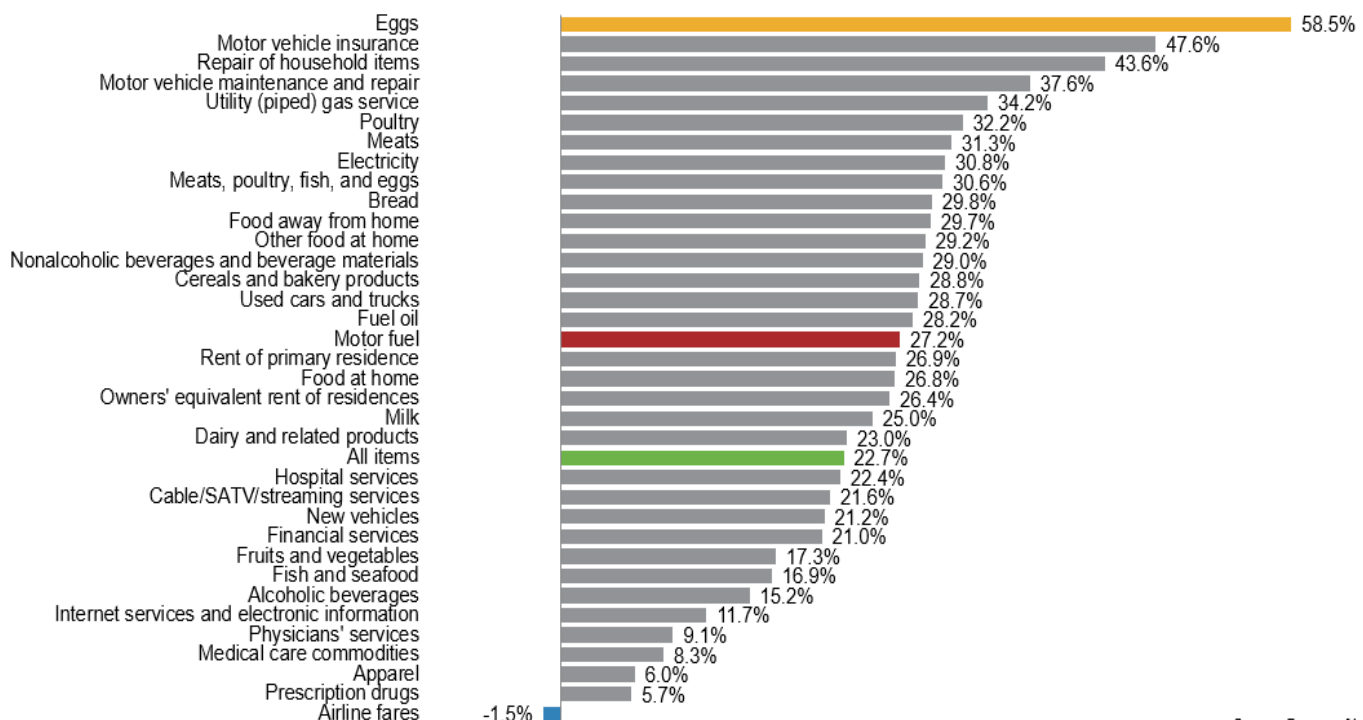
Today consumers are benefitting from fierce competition between airlines through lower fares, more choice and innovation.

Commercial aviation drives 5% of U.S. GDP and helps support more than 10 million U.S. jobs. We operate the safest mode of transportation with an average of 27,000 flights, carrying 2.7 million passengers and 61,000 tons of cargo every day.

- The bipartisan Airline Deregulation Act democratized air travel.
- Deregulation spawned a diversity of business models that provide consumers choice.
  - Today, nearly 90% of Americans have flown commercially in their lifetime.
  - Since airline industry deregulation in 1978, domestic fares have dropped nearly 50 percent (adjusted for inflation, including fees).
  - Passengers have more choices than ever (more airline business models, fare types, loyalty programs).
  - Low-cost carriers have gained market share demonstrating robust competition.
- Given unprecedented affordability, especially relative to so many other consumer goods and services, it is simply no wonder that more people are flying than every before.
- Data from the Bureau of Labor Statistics shows that from 2019 to 2024, overall consumer prices, as measured by the U.S. **Consumer Price Index**, rose **23%**; in striking contrast, the **CPI's airline fares component fell 1.5%**.
- **The biggest threat to a healthy, competitive airline industry is an outdated ATC system. We commend Secretary Duffy and Congress for the \$12.5 billion downpayment for a brand-new air traffic control system and urge a coordinated approach to ensure FAA delivers safety and efficiency benefits from that investment to the traveling and shipping public.**

## From 2019-2024, While Overall Consumer Prices Rose ~23%, Airline Fares *Fell* 1.5%

### Change in Selected U.S. Consumer Price Index (CPI) Components — 2024 vs. 2019



Source: Bureau of Labor Statistics



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**EXAMINING COMPETITION IN AMERICA'S SKIES  
STATEMENT OF SHARON PINKERTON, SENIOR VICE PRESIDENT, LEGISLATIVE AND REGULATORY  
POLICY, AIRLINES FOR AMERICA  
BEFORE THE  
U.S. SENATE COMMITTEE ON THE JUDICIARY, SUBCOMMITTEE ON ANTITRUST, COMPETITION POLICY, AND  
CONSUMER RIGHTS**

**September 30, 2025**

Good afternoon, Chairman Lee, Ranking Member Booker and members of the Subcommittee. My name is Sharon Pinkerton, and I am the Senior Vice President of Legislative and Regulatory Policy at Airlines for America (A4A). Thank you for inviting me here today, and on behalf of all our A4A members, we appreciate the opportunity to participate in the Subcommittee's examination of the fiercely competitive U.S. aviation industry that the traveling and shipping public enjoy today.

Commercial aviation drives 5% of U.S. GDP and helps support more than 10 million U.S. jobs. We operate the safest mode of transportation with an average of 27,000 flights, carrying 2.7 million passengers and 61,000 tons of cargo every day across the globe.

**The Bipartisan Airline Deregulation Act Democratized Air Travel.**

The Airline Deregulation Act of 1978 (ADA), championed by consumer advocates and economists, spawned a flurry of new entry and diversification of business models that forced airlines to compete not only on product but also on price. Prior to its enactment, U.S. regulators, via the Civil Aeronautics Board (CAB), were the primary barrier to entry. Markets were simply not contestable, because even in the face of high prices and market inefficiencies, an incumbent serving a route knew that a competitor could not enter that route overnight. Rather, that aspiring competitor needed approval from the CAB to do so. This was good for aviation attorneys working on route cases, but not for consumers who could not afford to fly.

As observed by former Senate aide and Supreme Court Justice Stephen Breyer regarding hearings on the ADA held in 1976:

*The Civil Aeronautics Board had forbidden price competition. The result was service competition instead: empty seats, steak sandwiches, Aloha bars near the galley, and sky-high prices. A business traveler may be pleased to find an empty seat for his briefcase, an FTC official said at the time, but probably doesn't realize he is paying full fare for the briefcase... The hearings' objective was to determine if creating more competition—in fares and routes—would improve things. The answer seemed to be yes. In California and Texas, where fares were unregulated, they were much lower. The San Francisco-Los Angeles fare was about half that on the comparable, regulated Boston-Washington route. And an intra-Texas airline boasted that the farmers who used to drive across the state could fly for even less money—and it would carry any chicken coops for free... When an East Boston constituent asked Kennedy, "Senator, why are you holding hearings about airlines? I've never been able to fly," Kennedy replied: "That's why I'm holding the hearings." The hearings brought together a Democratic senator and a Republican President in Gerald Ford. They created alliances among consumer groups, pro-competition business groups, economists, and regulatory reformers.*

In August 2024, USA Today columnist Zach Wichter wrote:

*"Sure, flying used to be more luxurious, but that made it largely unaffordable. "Up until 1978, interstate and international airline routes and prices were controlled by the federal government via the Civil Aeronautics Board (CAB). Flights remained expensive even as technology made planes faster and more*



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*efficient. 'It was becoming increasingly obvious that the regulatory agency, the CAB, was falling behind in the regulation. It would take years to approve new routes and fare structures,' [Smithsonian curator of air transportation Bob] van der Linden said. Overall, flying today is a much better deal in terms of dollars and cents than at almost any other time in history.... 'Today you could, if you do some good shopping, you could fly transcontinental, say New York to San Francisco, for \$300,' van der Linden said, noting that in actual dollar terms, it's the same price as in 1930. 'The price hasn't changed, but the value of the dollar has, dramatically. In 1930, \$300 could buy you an automobile.'"*

### Deregulation spawned a diversity of business models that provide consumers choice.

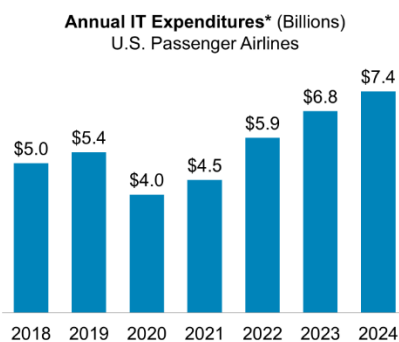
Fast forward to today, and travelers flying within the United States or abroad are blessed with a diverse set of business models spanning full-service global network carriers (e.g., American, Delta, United), low-cost network carriers (e.g., Alaska/Hawaiian), low-cost carriers (e.g., Breeze, JetBlue, Southwest) and ultra-low-cost carriers (e.g., Allegiant, Avelo, Frontier, Spirit, Sun Country). These business models differ primarily by 1) network scope and product and 2) operational complexity. In general, as network scope (i.e., breadth of destinations served, fleet diversity required to serve those destinations) and product differentiation grow—along with the benefits that consumers derive from those attributes—so too do the complexity and associated costs of providing air service.

### Airlines are Driving Innovation Through Technology Investments, Increasing Customer Satisfaction.

Airlines compete fiercely for customers not only through pricing, but also through differing cabin offerings, routes, airport amenities (including lounges), mobile apps, distribution channels, loyalty programs and in-flight services. This would not be possible if the government still controlled fares and service or if decision-making powers were not in the hands of customers, as they are now.

Airlines know that customers value convenience and believe that technology can improve every stage of the travel process from planning, booking and payment all the way through the end of the journey. In addition, carriers also know that at the airport, customers want to reach their boarding gate quickly with minimum friction. That is why most carrier branded credit cards offer to pay for enrolling in TSA PreCheck and/or Global Entry and many carriers have invested in biometrics for bag drop and the boarding process. And carriers are responsibly utilizing Artificial Intelligence (AI) to buttress safety and efficiency to improve the customer experience.

#### From 2022-2024, U.S. Passenger Airlines Spent ~\$20 Billion on Information Technology Goal: Boost Operational Resiliency/Redundancy/Security and Customer Self-Service Functionality



Making it easier for travelers to:

- Shop for tickets
- Modify itineraries
- Check in for their journeys
- Navigate airports
- Check and/or track bags
- Stay apprised of flight status
- Redeem vouchers/loyalty points

Sources: Alaska/Hawaiian, Allegiant, American, Avelo, Breeze, Delta Frontier, JetBlue, Southwest, Spirit, Sun Country, United

\* IT operating expenses plus capital expenditures, net of depreciation (where available)





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Carriers have also invested in product distribution so that more customers can easily view and choose from among all the travel options that meet their financial and service needs. Carriers have every incentive to be transparent, and the choices they make about who distributes their product through contractual relationships is critical to protecting consumers and ensuring the product is advertised in a way that meets the carriers' standards.

### **Preoccupation with nationwide market share is the single largest source of confusion and misunderstanding of airline competition.**

Before elaborating further on the different business models, it is important to recognize that it is well understood that competition is best measured on an origin-and-destination ("O&D") basis between metropolitan areas (i.e., "city pairs"). A useful threshold—long recognized by the U.S. Government Accountability Office (GAO) (see GAO-08-845, GAO-10-778T, GAO-08-845, GAO-14-515) and Department of Transportation (DOT) (see DOT-OST-2015-0070 Order 2016-11-2)—for defining a competitor on a city pair is one that carries at least 5% of O&D passengers. When aggregating at the national level, it is appropriate to consider the passenger-weighted average number of competitors between city pairs, as this most accurately captures the level of competition experienced by the typical passenger.

- As Dorothy Robyn (special assistant to the president for economic policy, 1993-2001) stated in her December 15, 2023, piece entitled "US Airline Consolidation Has Not Harmed Competition or Consumers": "The fact that the 'Big Four' carriers have a 75-percent market share nationwide says little about the state of competition in the airline industry because airlines compete on individual routes. (The preoccupation with nationwide market share is the single biggest source of confusion and misunderstanding of airline competition.) Thus, to understand the effect of recent mergers, one has to look at data at the individual route level—or what the Department of Transportation (DOT) refers to as city-pair markets."
- Similarly, in testimony before the Senate Commerce Committee on March 23, 2023, Jeffrey Shane (Under Secretary for Policy at the Department of Transportation, 2003-2008) posited: "What do the numbers actually tell us? You don't make competition policy based simply on the number of airlines in the market, or on the aggregate market share enjoyed by the 'big three' or 'big four'; instead, you carefully examine the quality of the choices available to actual passengers in actual city pairs and you look objectively at actual pricing trends."

Note that in the case of mobile wireless services, just three providers—Verizon, T-Mobile and AT&T—account for 92% of U.S. postpaid phone/voice subscribers. But the nationwide share is dramatically less relevant than whether consumers can choose from any of these three providers, or from Comcast, Charter or others, no matter where they live or work.

### **Since 2000, lower cost carriers have been an engine of growth in the industry and taken a significant share of passengers away from the global network carriers (GNCs).**

In 2000, GNCs carried 73% of O&D passengers. By 2024, that share had fallen to 52%, meaning that lower-cost carriers now carry nearly half of all domestic passengers. Moreover, the share of domestic U.S. passengers with access to lower-cost carriers has soared from 62% in 2000 to 90% in 2024. In fact, more than 50% of domestic O&D passengers now have access to ultra-low-cost carriers (ULCCs), up from 26% just a decade ago, and have benefited from the arrival of two lower-cost startups—Avelo Airlines and Breeze Airways—in spring 2021. As lower-cost carriers grew rapidly, the consolidation of complementary GNC airline networks facilitated their ability to offer competitive connecting service on more O&D city pairs, expand nonstop service into new markets and restore growth. The combination of these developments resulted in more competition and choice than ever for flyers, with the average number of competitors on domestic city pairs rising from 3.33 in 2000 to 3.39 in 2010 and to 3.49 in 2024.

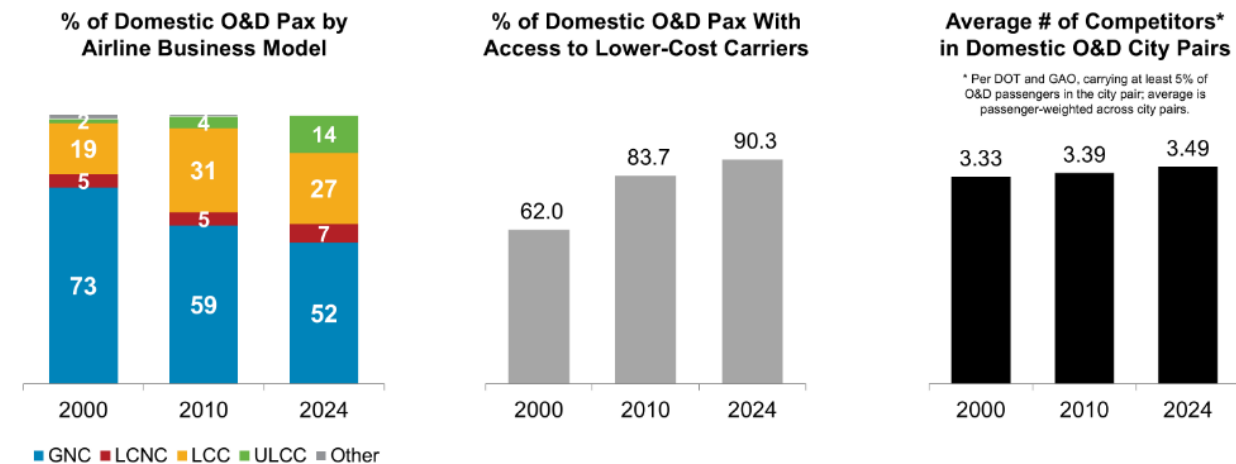


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**From 2000-2024, the Number of Competitors per Domestic Air Trip Rose From 3.33 to 3.49**  
**Global Network Carrier Share of Domestic Passengers Fell From 73% in 2000 to 52% in 2024**



Source: DOT Data Bank 1B and Eonic Partners. Global network carriers (GNCs) include AA/DL/UA and predecessor airlines (e.g., US Airways, America West, TWA, Northwest, Continental) and defunct legacy network carriers (e.g., Eastern, Braniff). Low-cost carriers includes Southwest, JetBlue, Breeze, Reno Air, Midway, Pro Air, Kiwi International, AirTran, Accessair, Independence, Eastwind, National, ValuJet, ATA, Skybus, People Express, Vanguard, Virgin America, Western Pacific, Air South, and Morris Air). Lower cost network carriers include Alaska, Hawaiian and Aloha. Ultra low-cost carriers (ULCCs) include Allegiant, Frontier, Spirit, Sun Country, and Avelo.



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While the statistics above speak to the average passenger, it is also worth noting that in 2024, 51% of U.S. domestic passengers traveled in city pairs with at least four effective competitors, 27% in markets with three competitors and 16% in markets with two competitors. Thus, only 5% of U.S. domestic market passengers were left with just one carrier.

U.S. passengers have also benefited from a proliferation of nonstop service in more markets over time, which improves passenger service quality by reducing transit time as well as the uncertainty associated with flight connections. Notably, in 2023 about 57% of U.S. domestic passengers traveled in markets with at least three nonstop competitors, compared with 41% of the market in 2004. In 2023, only about 13% of the U.S. passengers traveled in markets without a nonstop service option, compared with 21% of the U.S. passenger market in 2004. Net new nonstop domestic service (i.e., new routes minus discontinued routes) by major carriers began on 459 nonstop O&D airport pairs between 2004 and 2024. The following table contains examples of domestic and international market nonstop service introductions between 2004 and 2024, including explanatory factors:

New Route in 2024 vs. 2004	Nonstop Daily Seats Each Way	Explanatory Factors
AA CLT-JFK	1,237	AA/US → connecting CLT hub with JFK TATL hub/gateway
B6/DL/WN BNA-BOS	1,032	Growth of B6 and DL BOS hubs, WN BNA hub
AA AUS-CLT	892	Growth of US/AA CLT hub and AUS market
AS/DL AUS-SEA	833	Growth of AS and DL SEA hubs, AUS market
B6/UA FLL-SFO	669	Growth of B6 FLL hub, UA SFO hub
F9/UA/WN DEN-GRR	618	Growth of F9, UA, WN DEN hubs
UA SFO-SIN (Intl)	258	Growth of UA SFO hub, new technology (B787)



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DL ICN-MSP (Intl)	153	DL/KE JV alliance
AA BCN-MIA (Intl)	121	AA/IB JV alliance
UA MUC-SFO (Intl)	136	UA/LH JV alliance

Measuring market share at the city level (over all domestic destinations) is another competition metric to consider, since passengers in a metropolitan area or community may take multiple trips (over a period of months or years) to different destinations. To that end, the following table indicates total LCC shares of U.S. domestic O&D passengers at the three U.S. GNC's hubs in 2010 and 2024. LCC collective shares are significant (exceeding 30%) at every hub by 2024 except Charlotte (19%) and Detroit (28%). With this strong collective share, LCCs exert a substantial competitive influence on GNC fares and capacity.

AA Hub City	DL Hub City	UA Hub City
CHI: 32%→38%	ATL: 24%→33%	CHI: 32%→39%
CLT: 8%→19%	BOS: 40%→44%	DEN: 51%→51%
DAL: 27%→40%	DTW: 22%→28%	HOU: 35%→44%
LAX: 48%→52%	LAX: 48%→51%	LAX: 48%→51%
MIA: 42%→48%		
NYC: 27%→30%	MSP: 20%→32%	NYC: 27%→30%
PHL: 25%→33%		
PHX: 50%→56%	NYC: 27%→30%	SFO: 50%→48%
WAS: 39%→43%	SEA: 63%→65%	WAS: 39%→43%
	SLC: 31%→32%	

### Did Deregulation Leave Customers Without Any Protections?

Policymakers explicitly and broadly ensured that DOT maintained its ability to protect consumers from unfair and deceptive practices. Recently, however, some academics and Members of Congress have made proposals that attack the spirit of deregulation by re-regulating airlines and attempting to make them a homogenized set of public utilities. A number of states have also attempted to re-regulate the airlines. A key principle underlying the ADA is that airlines are businesses and should be treated as such. Congress and the Administration intended for government to step aside and let competition and innovation flourish—and it most certainly has. Accordingly, the ADA prohibits any regulation of airline rates, routes, or services which are the key areas of fierce competition for airlines today.

As noted, DOT has broad authority to intervene to prevent unfair and deceptive practices and unfair methods of competition and enforce Congress's requirement for adequate interstate air transportation. In November 2020, the Trump Administration finalized a rule to codify the meaning of "unfair and deceptive practices." Under this rule, a practice is defined as unfair, "if it causes or is likely to cause substantial injury, which is not reasonably avoidable, and the harm is not outweighed by benefits to consumers or competition." A practice is defined as deceptive to consumers "if it is likely to mislead a consumer, acting reasonably under the circumstances, with respect to a material matter."

### Air Cargo Deregulation Led to Expanded Service, Lower Shipping Costs and Product Innovation

In the 20 years preceding the deregulation of Air Cargo in 1977, the CAB refused to certify the entry of any new cargo carriers or the expansion of existing ones into new routes and limited the size of aircraft used to transport goods. Under this regime carriers such as FedEx, which was classified as an express (rather than cargo) service, could only use small planes even when larger ones were the more efficient choice. Soon after deregulation, express air services spread across the country, allowing rapid increases in the amount and variety of products shipped.



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Under CAB regulation, if a parcel needed extremely rapid transport, it could be shipped “belly hold” over routes for which an airline had passenger authority, thus limiting overnighting to point-to-point routes available under passenger air flight regulations. The 1977 deregulation of air cargo allowed carriers such as FedEx to use larger aircraft for overnight shipping over any route, with prices determined by the market, making it possible for a lobsterman in Maine to ship crates of fresh lobster from Bangor to Bismarck or nearly anywhere else. Free from operational restrictions imposed by the CAB and the Interstate Commerce Commission (ICC), shippers increased reliability and provided a multitude of delivery speed, time, and method combinations. Nearly simultaneous deregulation of trucking and railroads allowed parcel carriers to become multimodal and offer intermodal services.

Initially, the revolution of air cargo services unleashed by deregulation led to expansion of lean manufacturing and lean retailing processes, which rely heavily on just-in-time delivery services offered by carriers such as UPS and FedEx. Stocking every possible personal computer (PC) configuration, for example, would require maintaining massive, costly inventories. Instead, many PC makers wait until a customer’s order is received and then install the needed components, shipping the finished product to the customer rapidly via delivery systems made possible by a parcel carrier utilizing combinations of air and surface transportation. Another economic development made possible by deregulation of air cargo was rapid repairs. For example, in 2000 SonicAir built a logistics center at the end of the runway at UPS’s Louisville hub that made it possible for customers of tech companies with which SonicAir had a contract to ship their printers and scanners for repairs. These repairs were then completed overnight at the airport and returned in working order to the customer in the morning, reducing parts inventory for the manufacturer and improving customer service.

In recent decades, we have seen the proliferation of cargo-deregulation-enabled e-commerce, as typified by online retail giant Amazon.com and online auction house eBay.com, along with countless individual retailers and middlemen. The interaction between online retailers and air cargo deregulation is important: the rise of parcel shippers able to support the complex supply chains makes possible the rapid 1-2-day shipping of goods and tracking of shipments characteristic of modern e-commerce. When ordering online, consumers can often choose between slower shipping times or 24-48-hour shipping options—a choice not widely available before deregulation. For instance, the 1975 Sears Catalog (the pre-Internet equivalent of Amazon) lists only surface transport rates; 1-2-day shipping was not an option. Although it is impossible to guess what would have happened had air cargo not been deregulated, it is difficult to imagine e-retailing being anywhere near as successful in a world without parcel shippers such as FedEx and UPS.

In short, deregulation of air cargo was a key element in the emergence of modern, secure supply chain management and allowed wider access to goods supplied by domestic and international sources. It also facilitated American trade to foreign markets. Efficiencies in widespread use of hub-and-spoke models for air cargo, by reducing total costs, enable more American products to reach foreign markets.

### **Competition Has Spurred Diverse Business Models and Greater Consumer Choice**

The growth in the competitiveness of the airline industry since the ADA speaks for itself. Post-deregulation, the U.S. has experienced a plethora of differing business models from global network carriers and lower cost network carriers to low-cost carriers and even ultra-low-cost carriers. The invention of the hub-and-spoke system is what allowed some carriers to serve more communities with about the same number of planes. Other carriers have pursued a point-to-point approach. And in a post-pandemic world, demand is still evolving. One ULCC recently decided to offer first class. The government should not micromanage or otherwise interfere with the competitive marketplace; rather it should allow the marketplace to respond to evolving consumer preferences.

As shown below, lower-cost carriers serve more U.S. airports than ever. Among these are two new airlines that entered the market in spring 2021. Unlike some failed entrants of the past, these airlines were well capitalized and founded by seasoned executives with well thought-out business plans. Breeze Airways is focused on linking secondary markets with new A220 aircraft using a point-to-point model. Avelo Airlines operates 737s from bases across the country, catering to business and leisure customers on shorter routes.



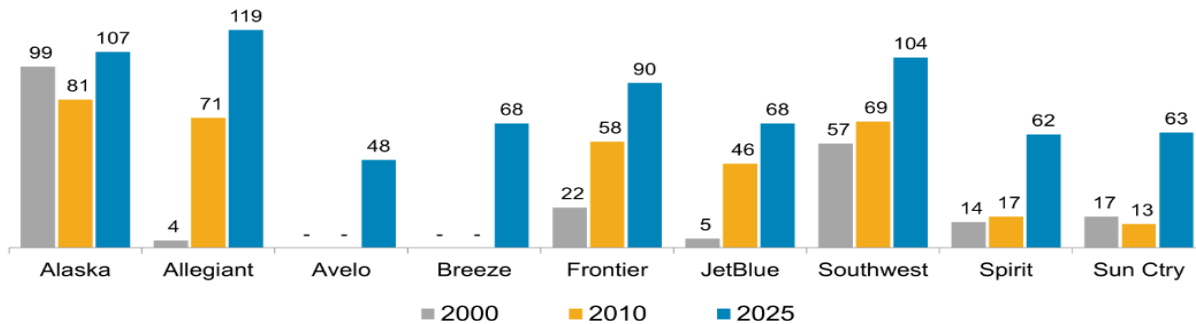
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### Lower-Cost U.S. Carriers Have Significantly Expanded Their U.S. Footprint They Have Established a Nationwide Competitive Presence

#### Number of U.S. Airports Served in July



Source: Cirium published schedules (May 16, 2025) for selected marketing airlines

Note: Alaska number for 2025 includes points operated by Hawaiian Airlines.

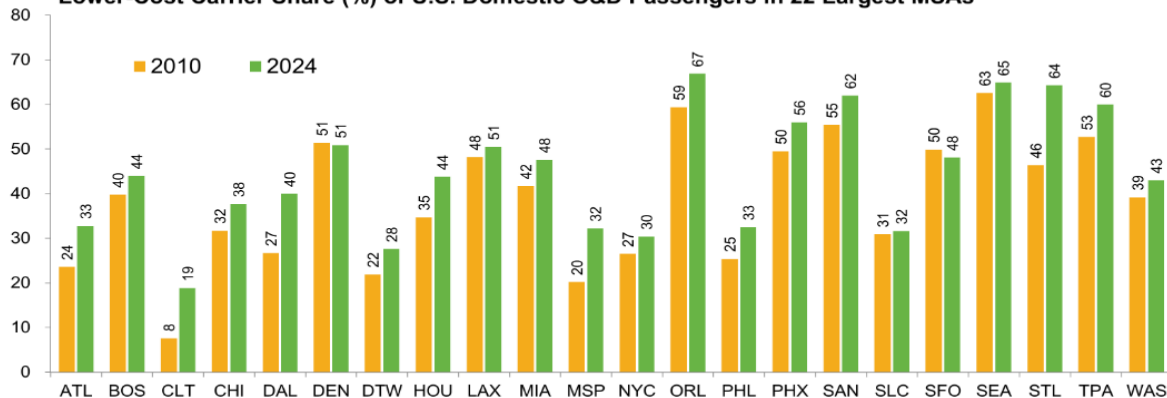


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### Lower-Cost Airlines Now Carry a Significant Share of Domestic Passengers in Largest Cities In Several Metropolitan Statistical Areas (MSAs), They Command More Than Half of the Market

#### Lower-Cost Carrier Share (%) of U.S. Domestic O&D Passengers in 22 Largest MSAs\*



Source: Compass Lexicon analysis of DOT Data Bank 1B

\*AirTran/Alaska/Allegiant/Avelo/Breeze/Frontier/Hawaiian/JetBlue/Southwest/Spirit/Sun Country/Virgin America; metro areas may contain multiple airports



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### International Aviation Deregulation Has Also Yielded Consumer and Economic Benefits

The success of domestic airline deregulation is precisely what led industry and the U.S. government to pursue deregulation of international markets through its "Open Skies" template for bilateral air services agreements. As former President Bill Clinton said in an October 1995 speech to the White House Conference on Travel and Tourism "The second thing we've worked to do is to sign open-skies agreements with more countries to facilitate air travel here. Earlier this year I signed an open-skies agreement with Canada, deregulating the world's largest aviation market: more flights, lower fares. Last month we concluded an open-skies pact with nine European countries. We've expanded air service around the world to Great Britain, Brazil, Ukraine, the Philippines." He added, "We've worked hard to give you a healthy airline industry. They were in deep trouble when I came into office. Every airline in America but one was losing money. Three were in bankruptcy. From 1988 to 1992, the industry lost \$12 billion, more money lost in 4 years than it had made in its entire history. I appointed a special commission headed by the former Governor of Virginia, Gerry Baliles, to revive the industry.



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Secretary Pena has now carried out the vast majority of its recommendations. Today the airlines are healthy, the fares are down, the passengers are up, and they are turning a profit. We are moving in the right direction.”

Indeed, beyond Open Skies, airlines have pursued different types of international cooperative agreements to provide even more robust travel choices for their passengers, and numerous studies, including by DOT, outline the benefits from integrating complementary networks. In 1998, DOJ’s antitrust division chief Joel Klein remarked, “[B]y linking largely end-to-end route networks, international code-share agreements can inject additional competition into city-pair markets currently served by competitors’ on-line connecting flights. If neither of the code-share partners currently serves that city-pair, the new combined code-share service might be an effective competitive alternative to other carriers’ existing on-line services, and constrain prices in that market... Potential public interest benefits occur when an airline extends the reach of its route network by code-sharing on flights operated by an airline that operates a route network in another geographic region -- i.e., an end-to-end network combination.”

Today, U.S. airlines employ more than one million people across the globe and offer passenger service to and from 80 countries and cargo service to and from more than 220 countries. Dedicated freighter service is complemented by plentiful belly cargo capacity offered by passenger carriers, keeping rates lower for shippers. Thanks to deregulation of most international markets, route entry is unlimited, and U.S. airlines compete vigorously with foreign-flag carriers. This vigorous competition among airlines has in turn fueled demand for the most cost-efficient, range-capable, customer-friendly (and often cargo-capable) aircraft to connect not only the largest hubs but also secondary U.S. and foreign markets with nonstop service.

### **DOJ-Approved Airline Consolidation Has Strengthened Competition and Benefited Consumers, Employees and Communities**

DOJ-approved mergers recognized that complementary route networks and other assets can strengthen competition, at times by ensuring that carriers avoided further financial turmoil. If not for these mergers and the associated financial stability they fostered in the marketplace, it is likely that consolidation would have transpired through additional bankruptcies, which would have been a far more disruptive means of reorganization for employees, airports and others. The likely result would have been less choice than what travelers enjoy today. And as 2021 proved, new entry has continued.

For the mergers cited in the following table, DOJ observed that they combined complementary networks, allowing the resultant entities to create truly ubiquitous service both domestically and globally, offering service from “anywhere to everywhere.”

Airlines/Date	POTUS	Excerpt from DOJ Statement
America West/US <a href="#">23-Jun-2005</a>	Bush	“The [Antitrust] Division has found that integration of airlines with complementary, end-to-end networks, like those of the merging firms, can achieve efficiencies that benefit consumers. The consolidation of America West and US Airways...will enable the merged airline to offer U.S. consumers more and better service to more destinations throughout the country.”
Delta/Northwest <a href="#">29-Oct-2008</a>	Bush	“[T]he proposed merger...is likely to produce substantial and credible efficiencies that will benefit U.S. consumers and is not likely to substantially lessen competition... In addition, the merger likely will result in efficiencies such as cost savings in airport operations, information technology, supply chain economics, and fleet optimization that will benefit consumers. Consumers are also likely to benefit from improved service made possible by combining under single ownership the complementary aspects of the airlines’ networks.”



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<a href="#">UAL/Continental 27-Aug-2010</a>	Obama	"The proposed merger would combine the airlines' largely complementary networks... The transfer of slots and other assets at Newark to Southwest... resolves the department's principal competition concerns and will likely significantly benefit consumers..."
<a href="#">Southwest/AirTran 26-Apr-2011</a>	Obama	"The merged firm will be able to offer new service on routes that neither serves today, including new connecting service through Atlanta... [T]he division did not challenge the acquisition after considering the consumer benefits from the new service..."
<a href="#">American/US 12-Nov-2013</a>	Obama	"This agreement has the potential to shift the landscape of the airline industry. By guaranteeing a bigger foothold for low-cost carriers at key U.S. airports, this settlement ensures airline passengers will see more competition on nonstop and connecting routes throughout the country... This is vital to millions of consumers who will benefit from both more competitive prices and enhanced travel options."
<a href="#">ALK/Virgin America 6-Dec-2016</a>	Obama	"[B]ecause the codeshare between Alaska and American may benefit consumers in some circumstances by enabling Alaska and American to offer their customers service that neither airline would provide on its own, the proposed Final Judgment does not categorically prohibit all codesharing. Instead, the proposed Final Judgment focuses on reducing codesharing where it is likely to blunt Alaska's incentives to compete with American after the merger."

### Today -- Consumers Have More Choices for both Domestic and International Travel Than Ever Before

Choices have broadly expanded for consumers during the period since consolidation began (and new entry continued), the airlines created significant new service products, including basic economy and premium economy while upgrading business class. And despite the pandemic setback, airline capacity has increased. Further, the fact (outside the COVID-19 pandemic) that the airlines are not routinely facing a risk of bankruptcy has given the confidence and financial wherewithal to invest in the long term (especially new planes, ground equipment, airport amenities, mobile apps). In fact, the past 13 years (Nov. 2011-Nov. 2024) represent the longest stretch in memory without a GNC or LCC bankruptcy filing, albeit the recent Spirit Airlines filings. As evidenced by the American Customer Satisfaction Index (ACSI) and other independently conducted surveys, airline industry customer satisfaction ratings are at record levels. Unbundling has given consumers a greater choice, including very-low-fare basic economy. And including ancillary fees, real fares have continued to decline, due in large part to the low barriers to market and route entry.

The increasing role of ancillary pricing has benefited consumers by allowing carriers 1) to offer lower prices to price-sensitive passengers and 2) to tailor products to consumer demand. Contrary to common misperception, however, it was not brought about by consolidation. Unbundling is a global phenomenon that commenced in earnest in 2008 amid the Great Recession. It was pioneered by lower-cost carriers such as People Express in the 1980s and Ryanair, Easyjet, Frontier, Spirit, WestJet and others. For example, Canada has seen little recent consolidation, but ancillaries are just as critical to service offerings by network carriers and LCCs relative to their U.S. counterparts.

With respect to service offerings, the mergers created network connectivity benefits, such as unique-to-unique itineraries and increased schedule options throughout the day in city pairs already served by both merging carriers.

- Unique-to-unique example: In the AA/US merger only US (of the two airlines) served Roanoke (ROA) pre-merger and only AA (of the two) served Tokyo Narita (NRT). Post-merger American could (and did) offer online service between Roanoke and Tokyo Narita, an airline/market choice not previously available to travelers.
- Increased schedule options example: In the UA/CO merger, pre-merger each carrier offered limited one-stop connectivity between Pittsburgh and El Paso: United offered connections via DEN and Continental connections



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via IAH (July 2009 OAG). Post-merger United offered connecting options via both hubs and ultimately added nonstop service to its ORD hub, resulting in UA PIT-ELP connectivity via three hubs (July 2024 OAG).

Mergers also enabled the following:

- New network growth opportunities. For example, the DL/NW merger brought significant DL expansion into Northwest/KLM's hub at AMS and NW expansion into Delta/Air France's CDG hub. The merger also enabled the creation of DL's SEA hub (NW's focus on Asia combined with DL's western U.S. relevance) and LGA hub (DL/NW slot portfolios in DCA/LGA allowed slot trade to facilitate LGA expansion).
- Geographic scope expansion. More consumer options/diversification of route portfolio contributes to financial stability (e.g., Asia strength (NW focus) may offset EU weakness (DL focus); southern U.S. strength (DL focus) may offset central U.S. weakness (NW focus)).
- Economies of scale. Merging carriers achieved scale economies that would not have been possible otherwise. Examples include:
  - Utilization efficiency, where mergers resulted in improved station staff/gate/real estate efficiency at spoke airports. For example, before the AA/US merger, AA offered 11.6 flights/day and US offered 4.0 flights/day at Little Rock AR. Because the four US flights were spread across the day, they likely required two sets of full-time staff and resulted in empty check-in space between the four flight departure windows. Today, AA offers 15.9 flights/day at LIT with about 15% more seats than the pre-merger AA/US total. Post-merger, AA introduced nonstop service from LIT to Miami and New York LGA, both of which were less likely to have occurred if not for the merger. Similarly, in Grand Junction CO, pre-merger AA offered 2.4 flights/day and US 3.0 flights/day, each likely inefficient. Today, AA operates 5.6 flights/day at GJT with 40% more seats.
  - Fleet complementarity gave the merged airline the ability to match aircraft types with selected routes in an economically optimal manner. For example, pre-merger Delta 777s permitted the combined Delta to serve DTW-PEK and DTW-PVG nonstop, whereas pre-merger Northwest operated 747-400s that were too big for these markets at the time and Northwest's smaller A330-200/300s lacked the necessary range.
  - Reduction of duplicative management/overhead functions and corporate real estate.

### **The Footprint of Small Community Services Changes Based on Demand and Other Factors, But the Number of Communities Served Has Not Changed Significantly**

Scheduled commercial air service to small and rural airports has not been impacted by consolidation per se, but rather by the economics of flying. Skilled workers, particularly regional airline pilots, have seen direct compensation increase at historic rates to maximize the retention of a workforce necessary to fulfill contractual obligations to a mainline carrier. Airlines' ability to optimize service to small airports has also been limited by scope clauses contained in mainline pilot contract collective bargaining agreements. These clauses typically limit the number of small regional jets (RJs) that can be deployed by regional-airline partners as well as the size and number of large (typically exceeding 65 seats) RJs that they can operate using the mainline carrier's marketing code. As such, rising operating costs and skilled workforce shortages have resulted in frequencies being reduced, and in some cases a competing service might vacate one small and rural market to maintain service at another similar market. But the paramount issue for the small community is whether it maintains service to a major carrier's hub.

The amount of flying by turboprops and small RJs has been declining at all U.S. airports, irrespective of their exposure to merger activity, due to long-acting circumstances that have accelerated in recent years affecting small-aircraft economics and putting intense pressure on airlines to increase gauge. Those factors include the following: higher-than-built-for labor and fuel costs; small aircraft platforms aging out without a viable, new-production alternative; a licensed mechanic scarcity; declines in small and rural community population and economic activity in selected markets, rendering it difficult to serve them profitably and therefore to invest in updated fleets of small aircraft; and the increased prevalence of lower-cost



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carriers at alternative (often larger) airports within a reasonable driving distance of the smaller airport (with attractive price points and departure timings to high-demand destinations).

The number of small communities receiving service has not significantly changed since the mergers, and the biggest impacts have been losses of Essential Air Service (EAS) service due to pilot issues and 50 seat costs. On the contrary, shortages have worked to create a zero-sum game for many operators. The EAS service that had been under contract required a continuation of the flying when other more profitable opportunities might have been available at non-EAS-designated airports.

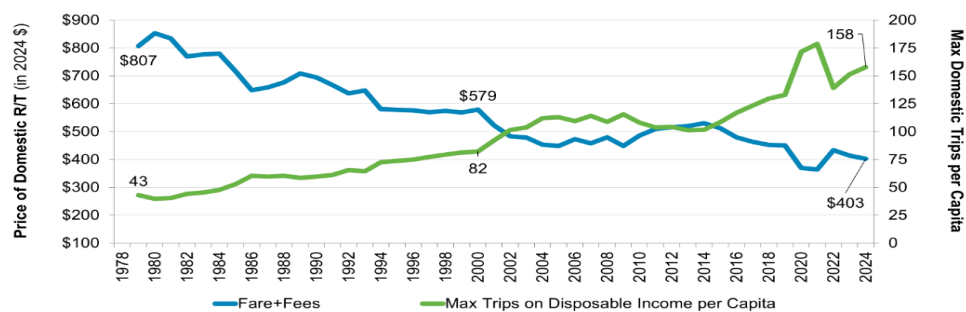
The changing economics of 50-seat (or smaller) aircraft have led to some frequency reductions to/from major hubs as fleet upgauging occurred, but these passengers are still connected to the full network. Preceding the COVID-19 pandemic, the economics of schedule density (i.e., daily frequencies to a connecting hub) was the more important determinant of passengers choosing to use the local airport versus seeking service from an alternative airport. Today, seats (rather than frequencies) are proving to be more important to a local airport retaining traffic. The new economics of using larger aircraft, despite fewer frequencies, is proving to be successful in retaining connectivity.

While some small airports (not necessarily small communities, since many airports can reside within driving distance of a community) have lost some air service, most remain connected to a major hub, and few lost a competitor that merged. Most network carrier hubs survived consolidation. The few that did not (MEM/CVG/CLE) constituted a small share of the total service loss to smaller airports. Several of the hubs that were “de-hubbed” by a network carrier have attracted other carriers and added service focused on the local market, with destinations sought by the greater metropolitan and outlying populations. One prominent example is the transformation of Pittsburgh International Airport, with increased nonstops to large PIT local O&D destinations such as Atlanta, Boston, Chicago, Dallas, Denver, Fort Lauderdale, Las Vegas, New York and Tampa. In fact, 42 of the top-50 O&D airport pairs to/from PIT are linked via nonstop service. These flights enhance the economic stimulation benefits of the airport to the local community, compared to hub connecting traffic that rarely spends money outside the airport. A portion of the nonstop service from cities that were “de-hubbed” after mergers has been backfilled by lower-cost carriers, allowing traffic levels to remain stable or grow notwithstanding the overall reduction in flights.

**Airfares (including ancillaries) are at historic lows in real terms, a welcome relief at a time of runaway inflation for basic goods and services.**

Because deregulation enabled airlines to compete aggressively on pricing instead of having the government dictate the price, inflation-adjusted **airfares (including ancillaries) are at an all-time low** (excluding the pandemic-stricken years 2020-2021).

**Government Data Show the Continued Trend of Declining Inflation-Adjusted Airfares**  
On Same Share of Income, Americans Can Take 3.7x More Trips Than in 1979, 1.9x More Than in 2000



Sources: Bureau of Economic Analysis, Bureau of Labor Statistics and Bureau of Transportation Statistics (Data Bank 1B)





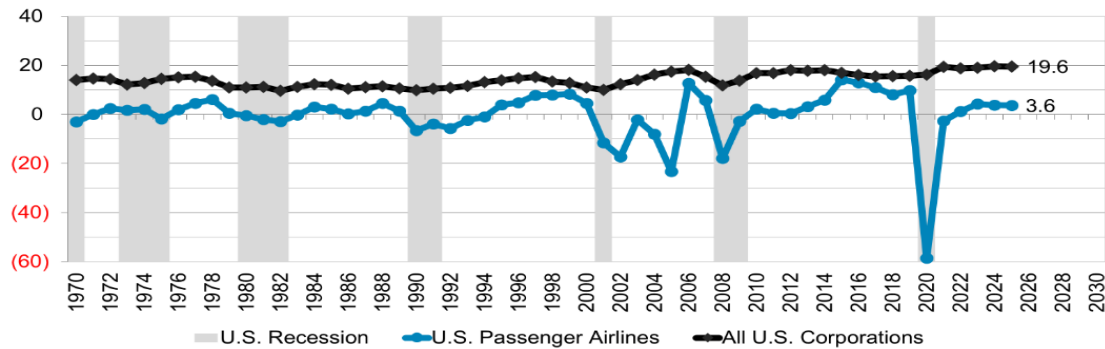
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The never-ending competition and pressure to provide low-fare options—even amid rising costs and reinvestment—keep downward pressure on airline profit margins even in the best of times.

### Even in Best Years, Airline Profitability Lags the U.S. Corporate Average Pre-Tax Profit Margin (%) Gap Was Narrowest in 2015



Source: ATA Annual Reports (1970-1976), A4A Passenger Airline Cost Index (1977-present); Bureau of Economic Analysis

Note: Years with at least two months in recession highlighted in gray



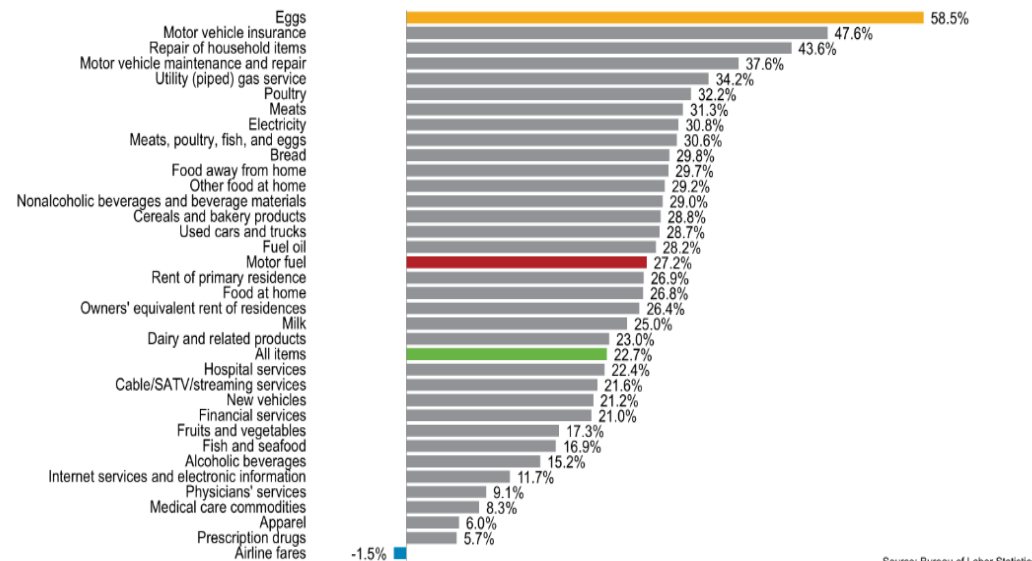
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Data from the Bureau of Labor Statistics shows that from 2019 to 2024, overall consumer prices, as measured by the U.S. Consumer Price Index, rose 23%; in striking contrast, the CPI's airline fares component fell 1.5%.

### From 2019-2024, While Overall Consumer Prices Rose ~23%, Airline Fares Fell 1.5%

#### Change in Selected U.S. Consumer Price Index (CPI) Components — 2024 vs. 2019



Source: Bureau of Labor Statistics



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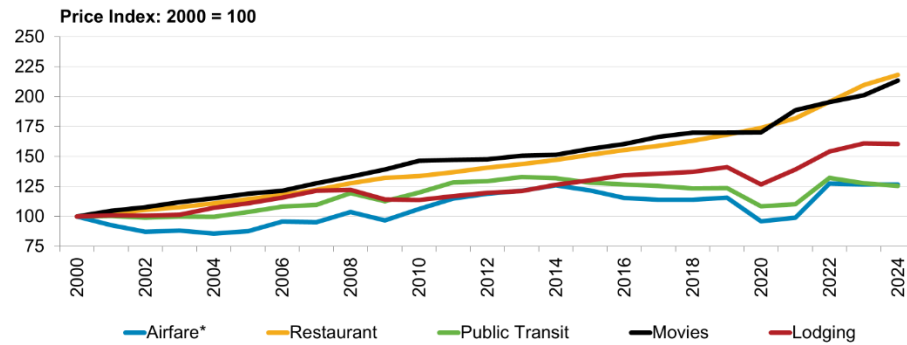


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**Since 2000, the Average Price to Purchase Food, Take Public Transit, Stay at a Hotel or Go to the Movies Has Significantly Outpaced the Price of Taking a Trip by Air**



Source: AIA, BTS, FRB St. Louis, National Association of Theatre Owners, Team Marketing Report

\* Domestic round-trip average, including bag and change fees



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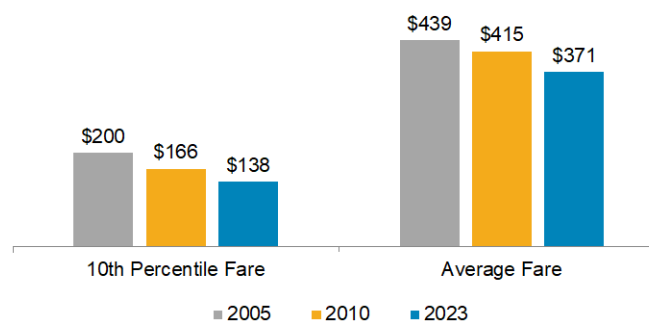
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**Given unprecedented affordability, especially relative to so many other consumer goods and services, it is simply no wonder that more people are flying than every before.**

In addition to declines in average fares, the most price-sensitive customers have enjoyed real declines in the low-end fares, as measured by changes in the 10<sup>th</sup> percentile fare in popular markets. For example, the chart below illustrates that the 10<sup>th</sup> percentile O&D fare from New York (EWR/JFK/LGA) to San Francisco (OAK/SFO) fell (in constant 2023 dollars) from \$200 in 2005 to \$166 in 2010 to \$138 in 2023.

**Many City Pairs (ex. NYC-SFO) Have Enjoyed Inflation-Adjusted Declines in Not Only the Average Fare but Also the Lower-End Fares Prized by the Most Price-Sensitive Customers**

Average Airfare (in Constant 2023 \$) Between New York and San Francisco\*



Source: Compass Lexipon analysis of DOT Data Bank 1B

\* NYC = EWR/JFK/LGA; SFO = OAK/SFO



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**More customers are flying than ever before and customer satisfaction is at all-time highs**

Thanks to the broad decline in the price of air travel stemming from deregulation decades ago, as well as the competitive forces and service innovation it unleashed, it is no surprise that a greater share of Americans are taking to the skies than



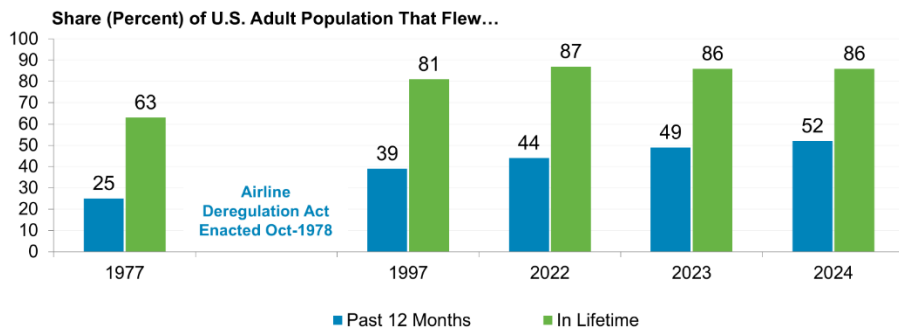
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ever before, with more than half of all adults reported taking at least one airline trip in 2024, double the fraction that flew in 1977.

### As Air Travel Has Become Safer and More Affordable, More Americans Have Taken to the Skies Almost Nine in Ten Americans Have Flown Commercially; Over Half the Population Flew in 2024



Sources: Historical AAA air travel surveys conducted by Gallup (1971 through 1997) and Ipsos

Note: "Past 5 Years" category was not presented as a possible response preceding 2020.



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With most airlines now on firmer financial footing, they have invested extensively in products and people, including record capital expenditures in aircraft, ground equipment, facilities and technology, which would be even larger if not for significant delays in the delivery of new aircraft and engines.

### U.S. Airlines Are Investing Heavily in Aircraft, Ground Equipment, Facilities and Technology Financial Recovery Has Enabled Record Rates of Reinvestment, Averaging \$21B Annually



\* Includes payments made for aircraft and other flight equipment, ground and other property and equipment (e.g., baggage carts, lavatory trucks, deicing vehicles), airport and other facility construction and technology  
Sources: CapEx from SEC filings of Alaska/Hawaiian, Allegiant, American, Delta, Frontier, Hawaiian, JetBlue, Southwest, Spirit, Sun Country, United and predecessors



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Thanks to these ongoing investments, newfound financial stability and customer-service innovations, a January 2025 survey conducted by Ipsos (and commissioned by A4A) found that 69% of American adult flyers reported being "very" or "somewhat" satisfied with their overall all-travel experience in 2024. Only 2% reported being "very dissatisfied."



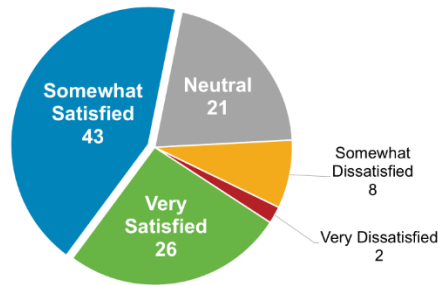
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**69% of Flyers Reported Being Satisfied With Their Overall Air-Travel Experience in 2024**  
**21% Were Neutral; Only 2% Reported Being "Very Dissatisfied"**

Thinking about your **overall experience** with air travel, how **satisfied or dissatisfied** are you?



Source: AAA Air Travel Survey conducted by Ipsos (January 2025)

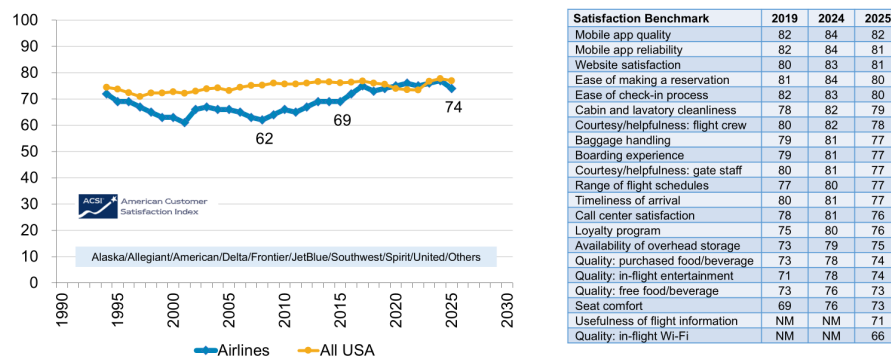


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Meanwhile, independent surveys show that airline customer satisfaction has risen steadily since 2008. One notable study is the American Customer Satisfaction Index (ACSI), whose airline satisfaction study reflects interviews with 16,771 customers, chosen at random and contacted via email over the course of 12 months. From 2003 to 2008, the ACSI score for airlines fell from 67 (out of 100) to 62. From that point forward, however, airlines made steady gains, rising to 72 (for the first time since inception in 1994) in 2016 and 74 in 2025, just below the national average for all industries. Notably, airlines scored 80 or higher on five of the 21 benchmarks (captured in the following chart) and 75 to 79 on 10 others. As noted in its 2024 press release, "Carriers have bounced back strongly, showing that innovations and service improvements implemented during the last two years have resonated with customers."

**ACSI Airline Customer Satisfaction Index Now at 74, Up From 62 in 2008 and 69 in 2015**  
**Airlines Scored 80+ on Five of the 21 Benchmarks and 75-79 on 10 Others**



Source: The American Customer Satisfaction Index (ACSI®), the only national cross-industry measure of customer satisfaction, measures the satisfaction of U.S. household consumers with the quality of products and services offered by firms with significant share in U.S. markets. The ACSI Travel Study 2025 is based on 16,771 completed surveys. Customers were chosen at random and contacted via email between April 2024 and March 2025.



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## In Multiple Respects, Airline Employees Have Reaped the Benefits of Deregulation.

The number and compensation of employees and their compensation have increased dramatically post-deregulation. According to data from the Bureau of Transportation Statistics, U.S. passenger airlines now employ the most workers since 2001, while average wages and benefits rose 91% from 2010 to 2024, more than double the increase in the U.S. Consumer Price Index. Combined, these two factors have resulted in wages and benefits rising from 26% of operating revenues in 2005 to 33% in 2024, meaning an additional \$8 billion annually for employees.

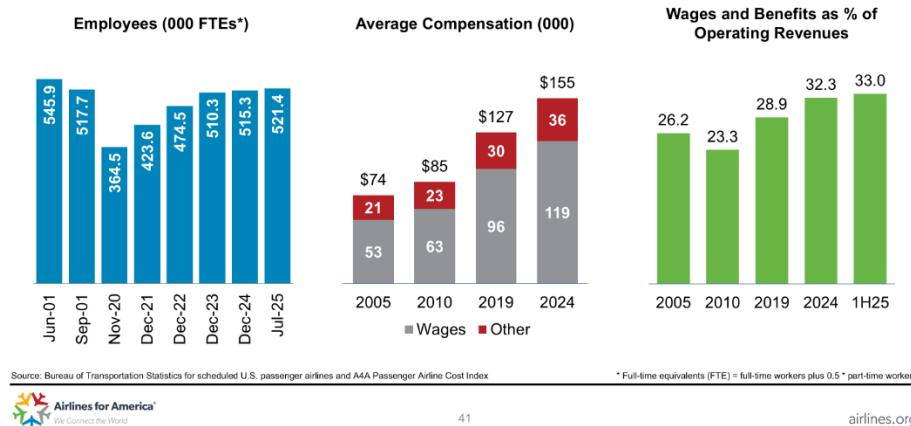


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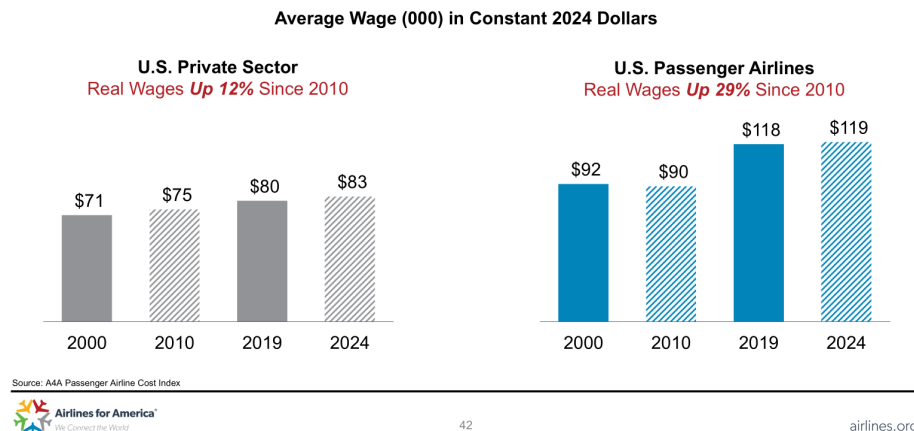
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### Firmer Financial Footing Has Enabled Airlines to Reinvest in Employees, Whose Average Wage Rose 91% from 2010-2024 (vs. 44% U.S. CPI) and Who Now Garner a Third of Airline Revenues



In real terms, the average airline wage rose 29% from 2010 to 2024, more than twice as fast as the average U.S. private sector wage, which rose 12% during the period.

### Real (Inflation-Adjusted) Airline Wages Grew 33% From 2010 to 2024 The Average Private Sector Wage Grew Just 12% in Real Terms Over That Period



The greater financial stability achieved through consolidation has translated to employment stability. Remarkably, the industry did not see a single large-airline bankruptcy filing during the 13-year stretch from November 2011 (American Airlines) to November 2024 (Spirit Airlines). This more than triples the previous post-deregulation record of fewer than four years between bankruptcies of a large U.S. mainline carrier (which includes carriers operating at least 20 mainline passenger aircraft in scheduled transportation). It should be noted that if not for the CARES Act grants and other financial relief afforded the airlines in 2020-2021, there likely would have been bankruptcies during the pandemic. However, previous bankruptcies (except for the tragic events following 9/11) were due to economic and industry forces, and post-consolidation these forces have not led to any bankruptcies.

Airlines have also used revenues to invest in training and to give their employees the tools and technology needed to help them accomplish their jobs more safely and efficiently. This is a virtuous circle: Financially stable airlines can ensure well compensated and trained employees who provide better customer service, driving customer satisfaction higher. Airlines'



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increasing ability to hire, train and retain high-quality talent and reinvest in their product is translating directly into palpable benefits for customers.

### **Airline Loyalty Programs are Very Popular with Consumers**

In an industry where airlines compete fiercely for customers, frequent flyer programs are yet another dimension of service that carriers focus on to attract customers and reward them for their loyalty. For customers, this translates to more benefits, more ways to earn and redeem awards, and more choice for consumers. In 2023, 39 new million frequent flyer accounts were created, bringing the total to nearly 520 million frequent flyer accounts across all U.S. passenger airlines. The global number of airline frequent flyer accounts is estimated at 1.9 billion, demonstrating the overall popularity of these programs.<sup>1</sup> It's no surprise that even critics, including government policymakers, concede the importance and value of airline frequent reward benefits. Key features of airline loyalty programs include:

- They are free and easy to join. Airline reward miles generally never expire, or like many other reward programs requires only minimal activity.
- It is easy to accumulate miles to earn points. Customers can earn points by flying, using an airline-branded credit card or purchasing goods or services from a broad network of non-airline partners like hotels, rental cars and ride service companies, restaurants, and vendors.
- The more points accumulated, the more rewards earned such as free checked baggage, lounge access, early boarding, flight upgrades, fee waivers, complimentary food and beverage, expedited security access, dedicated customer service assistance and more.
- There are numerous ways customers can use and redeem awards. For example, they can choose from free flights, premium seating, airport benefits (e.g., club access, TSA PreCheck membership), vacation packages, hotels, rental cars, merchandise, experiences and events (spas, tours, culinary experience, theatre tickets, concerts, sporting events, etc.), magazine and newspaper subscriptions, gift cards and much more. Additionally, members can buy, transfer or pool miles, and donate miles to a charitable cause.
- Customers can use reward miles or a combination of miles and cash when booking or redeeming flights or services if they prefer to do so.
- Award levels are dynamic and displayed clearly to allow customers to make the most informed decision.

### **Credit Card Partnerships Enable Customers to Earn Rewards and Benefits Faster**

Airline credit cards, while not the only way to earn miles, are the most popular way to do so. At the end of 2023, there were over 31 million U.S. airline credit cardholders. Nearly one of every four U.S. households had an airline credit card that generated 57 percent of all frequent flyer miles issued for the year. According to a December 2023 poll by A4A<sup>2</sup>, 81 percent of people agreed that being able to earn bonus reward points for travel using their credit card was very important to them. 73 percent of people said they actively track the points earned on their travel reward credit or charge cards, and 77 percent said they redeem their points within one year of accruing them.

<sup>1</sup> IdeaWorksCompany 2024 Big Book of Airline Data (<https://ideaworkscpany.com/reports/>)

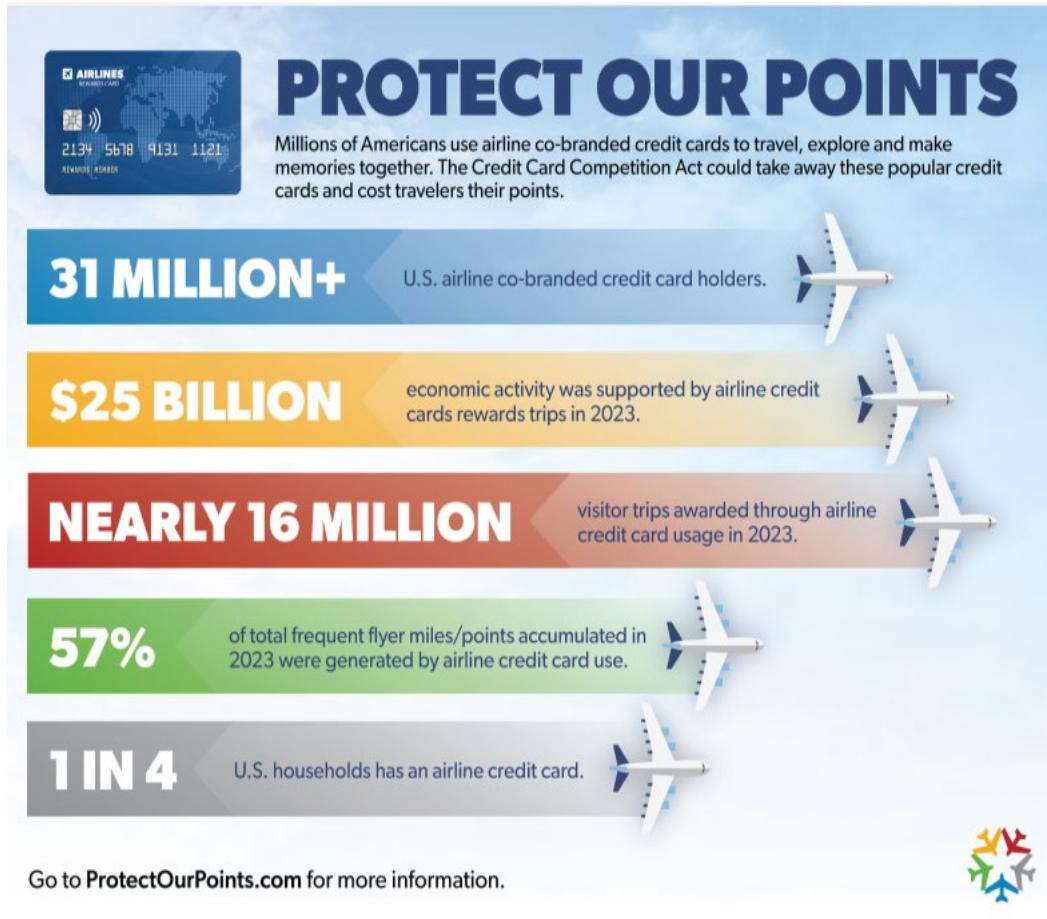
<sup>2</sup> <https://www.airlines.org/news-update/new-polling-shows-consumers-highly-value-airline-credit-card-points/>



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Consumers have choices across credit card companies and airlines to suit their needs. These include entry-level cards with no or low annual fees for the most price-sensitive consumers. Those cards still feature mileage bonuses toward free travel awards. At the premium end of the spectrum, airlines/banks offer higher-fee cards that generate more benefits and bonus mileage. Partnerships also continue to grow. For example, American Airlines and Citi just announced an agreement to extend and expand their co-branded card partnership that is expected to produce expanded loyalty and rewards offerings for members.

With nearly 16 million domestic visitor trips awarded through airline credit card usage in 2023 alone, supporting approximately \$25 billion in economic activity, these partnerships are great news for customers and the economy.

### Customer Satisfaction with Airline Loyalty Programs Reached Record High in 2024

In its most recent annual survey, published in April 2024, ACSI reported a score of 80 out of 100 for the “loyalty program” category, a five-percentage point increase since 2019 and a record high score. Airline loyalty programs also ranked highest among the five travel industries – airlines, lodging, car rentals, rideshare and online travel agencies.



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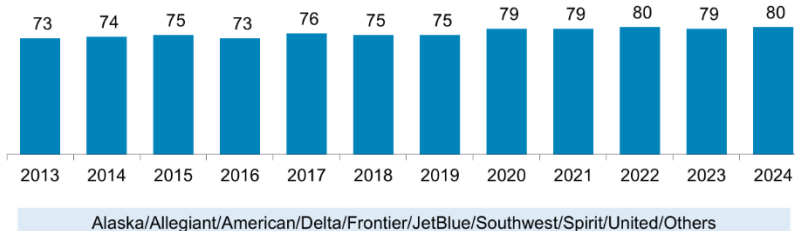
### **ACSI: Customer Satisfaction With Airline Loyalty Programs Continues to Rise**

**Satisfaction With Loyalty Programs Rose From 73 in 2013 to 80 in 2024**



**The National Cross-Industry  
Measure of Customer  
Satisfaction**

**ACSI Airline Customer Satisfaction Score (0 to 100) for “Loyalty Program”**



Source: The American Customer Satisfaction Index (ACSI®), the only national cross-industry measure of customer satisfaction, measures the satisfaction of U.S. household consumers with the quality of products and services offered by firms with significant share in U.S. markets. The ACSI Travel Study 2023-2024 reflects interviews with 16,352 customers, chosen at random and contacted via email between April 2023 and March 2024.



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Airlines are rightfully proud of their reward programs and actively advertise and promote their use. Websites are robust and transparent, providing clear information that explains program benefits, value, and other terms and conditions which are easy to find, understand and use. Loyalty programs also continue to evolve to reflect consumer demand. For example, Alaska Airlines has announced changes in 2025 that will add new milestones and perks to provide more benefits with less distance between award levels. As airlines vigorously compete for customers, they have nothing to hide but everything to gain – customer loyalty. By providing consumers with valuable benefits and free rewards, airlines retain and grow their customer base which is good for business.

In conclusion, when airlines are profitable, they can reinvest in products, services and people. As noted by Forrest Morgeson, Dir. of Research Emeritus, (April 23, 2024), “Carriers have bounced back strongly, showing that innovations and service improvements implemented during the last two years have resonated with customers.”

### **Federal Protections Ensure Airport Access**

The United States is comprised of a complex system of varied sized airports that serve as economic generators for both rural and urban communities across the nation, each with its own diverse transportation needs. This broad network includes more than three thousand (3,000) commercial service, general aviation and reliever airports allowing air carriers and business aviation operators with differing business models and purposes to serve markets of all sizes. Airport access has been particularly beneficial for low-cost and ultra-low-cost carriers, whose market share has grown the fastest since 2010 by focusing on large and medium hub airports to expand their footprints. In fact, today, consumers enjoy more airline competitors per domestic trip, greater access to lower-cost carriers, more nonstop domestic service and more seats than ever - all at inflation-adjusted airfares (including fees) that are approximately half of what they were at the outset of deregulation. It is no wonder that nearly 1.9 billion passengers arrived at and departed from U.S. airports in 2023 setting a record.

Since deregulation, airport policy has evolved into a strong array of federal laws and grant assurances to ensure airport access and promote competition. This is particularly true at large and medium hub airports which handled 88 percent of all commercial service passengers in 2024. By law, large and medium hub airports, where one or two air carriers control more than 50 percent of passenger boardings, are subject to competition plan requirements to receive Airport Improvement Program (AIP) grants or collect a Passenger Facility Charge (PFC). Notably, this competition plan requirement was recently extended through fiscal year 2028 in the FAA Reauthorization Act of 2024, ensuring it remains in place for the foreseeable future. Competition plan requirements are codified in Grant Assurance 39 (Competitive



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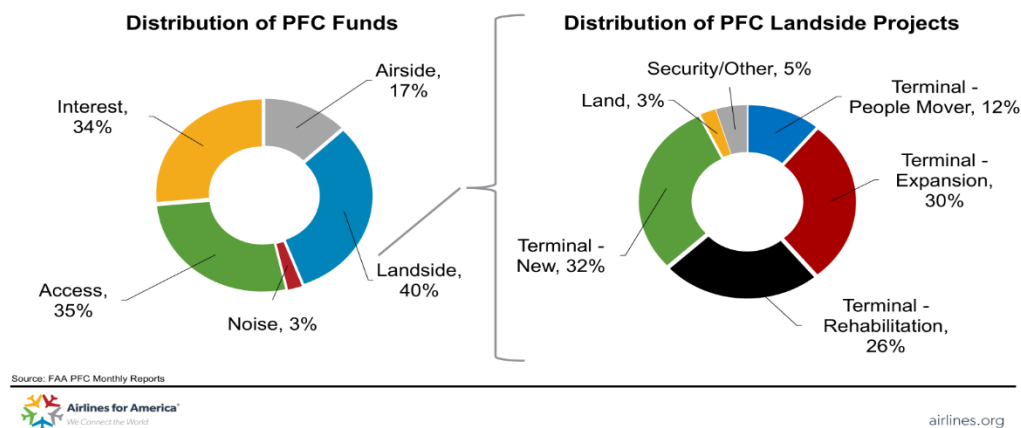
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Access) and a correlating provision is included in the PFC regulations. With all large and medium hub airports receiving federal grants and collecting a PFC, this requirement has broad applicability.

Competition plans are also robust. For example, if an airport is unable to accommodate one or more requests by an air carrier for access to gates or other facilities to provide or expand service, they must transmit a report to the DOT Secretary that describes the requests, provides an explanation as to why the requests could not be accommodated, and provides a time frame within which, if any, the airport will be able to accommodate the requests. The contents of the report must include information on gate availability and related facilities, leasing and subleasing arrangements, gate-use requirements, gate-assignment policy, financial constraints, airport controls over air and ground side capacity, and whether the airport intends to build or acquire gates that would be used as common facilities.

In addition, all airport sponsors that receive federal grants must comply with thirty-nine (39) different grant assurances. For example, Grant Assurance 22 (Economic Nondiscrimination) requires airport sponsors to make the airport available for public use on reasonable terms and without unjust discrimination to all types, kinds and classes of aeronautical activities. This includes rates, fees and charges to air carriers using the airport, and the right to perform any services on its own aircraft with its own employees (such as maintenance, repair and fueling). The DOT Policy Regarding Airport Rates and Charges is also based on core principles that prohibit unjust discrimination, require fair and reasonable rates and charges and airports be as financially self-sustaining as possible. In addition, airports sponsors are generally not permitted to grant exclusive rights to provide airport services pursuant to Grant Assurance 23 (Exclusive Rights), and any project financed with a PFC may not be subject to an exclusive long-term lease or use agreement. This is especially important since most PFC revenues are used to fund terminal projects that promote competition.

#### Airlines Support PFC Funds for Projects That Promote Competition Most PFC Funds Are Used to Renovate, Expand and Build New Terminal Facilities



Takeoff and landing restrictions are extremely limited in the United States and administered by FAA through a formalized process pursuant to their statutory authority. Unlike Asia and Europe where significant slot constraints exist, FAA has designated only three U.S. airports as slot controlled – John F. Kennedy International Airport (JFK), LaGuardia Airport (LGA) and Reagan National Airport (DCA). The FAA has granted a limited slot waiver for those airports through October 25, 2025, due to a severe shortage of air traffic controllers in the New York Metropolitan area.

#### Airport Lease Agreements Provide Flexibility to Accommodate Carriers

Beyond federal protections, airports and airlines routinely negotiate lease agreements that define rights, responsibilities and business terms to fund the operating and capital costs of the airport. Lease terms have evolved from 30-year lease terms with exclusive gates and airline approval rights to shorter durations (typically 5-10 years), providing airports with more flexibility to manage their assets. Lease agreements also include various provisions to address access, such as gate



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accommodation, gate utilization, gate recapture, and gate reallocation provisions, as well as most favored nations provisions to ensure carriers are treated equally. Gates are also generally leased on either a preferential or common use basis, which allows other carriers to use a leased gate when not in use or to use a gate on a per turn basis. These arrangements allow airlines with limited activity to operate without absorbing the full rental cost of a gate. Airports and airlines are in the best position to determine the mix of gates that make sense at that airport based on its operational and financial needs and unique facility. Proposals by some policymakers to take a one-size fits all approach to airports and require minimum levels of common use gates is arbitrary and could hamper airport financial self-sustainability and airline service.

### **Airport Development is Booming**

Airports and airlines have a long history of working together on infrastructure development. Statements that airlines block projects that promote competition are simply untrue. Rather, lease agreements tend to include pre-approved capital projects with associated funding. Even in those rare cases with affirmative airline approval rights, like Chicago O'Hare International Airport, the airlines have supported extensive development including the O'Hare Modernization Program and the new O'Hare multi-billion-dollar capital improvement program. In the past decade, over \$148 billion of investment has occurred at the nation's airports with spending accelerated in the last five years largely aimed at terminal projects to build, expand, and/or modernize terminal facilities. These include, for example, Newark Liberty International Airport's new Terminal A, LaGuardia Airport's new Terminal B, Salt Lake City International Airport's new terminal, multi-terminal developments at Los Angeles International Airport and John F. Kennedy International Airport, San Francisco International Airport's new Terminal 1, Reagan National Airport's new North Concourse, and Denver International Airport's multi-concourse gate expansion program. Large and medium hub airports have already issued over \$17 billion of airport revenue bonds in 2025 with \$25 billion estimated by year end. Numerous airports are amid development with new or expanded terminals, for example, in Atlanta, Austin, Charlotte, Pittsburgh, San Diego, Sarasota and Spokane. Others announced plans to embark on massive capital plans, such as \$9 billion capital programs at Dallas-Fort Worth International Airport and Reagan National/Dulles International Airports.

### **Airport Funding is at Historic Levels**

Airport funding is now at historic levels. After infusing airports with \$20 billion of COVID relief grants, Congress provided another \$20 billion of Bipartisan Infrastructure Law (BIL) grants for airport infrastructure. To date, FAA has made available nearly \$13 billion of airport infrastructure and terminal development grants across the nation. In addition, the 2024 FAA Reauthorization Act increased the AIP authorized funding level from \$3.35 billion to \$4.0 billion annually. PFC revenues reached a record \$3.8 billion in 2024 and are estimated to reach \$4.0 billion in 2026. At the same time, airport operating revenues exceeded \$28 billion in 2023, and unrestricted cash soared to \$28 billion (over 550 days of liquidity), both record levels. Along with investment grade ratings and ease of access to capital markets at preferred interest rates, U.S. airports and airlines are well positioned to fund and deliver infrastructure improvements across the nation.

Consumers are reaping the benefits of competition as airport development booms to meet record demand and modernize the travel experience.



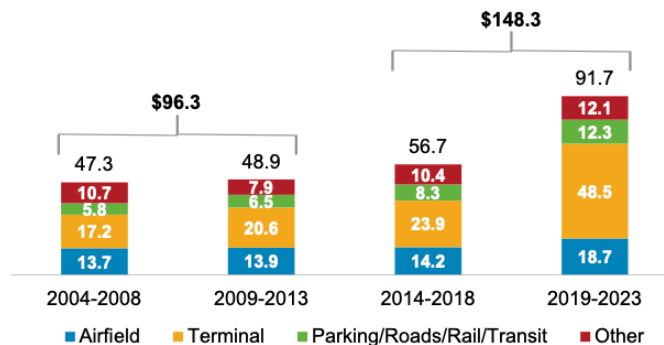
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**In the Past Decade, More Than \$148B in Investment Has Occurred at U.S. Airports**  
From 2004-2013 to 2014-2023, Airport Investment Rose 54% Overall, 92% for Terminal Projects

Capital Spending (\$ Billions) at U.S. Commercial-Service Airports



Source: FAA Form 127 reports via FAA Certification Activity Tracking System (CATS)



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airlines.org

### There Are Critical Actions Congress and DOT Should Take to Encourage More Robust Competition

#### The Controller Staffing Crisis Diminishes Competition and Consumers Are Harmed When Carriers Must Fly 10% Fewer Flights in the New York Metropolitan Area

One of the biggest detriments to competition and growth in the airline industry has been air traffic controller staffing shortage. Since October 2023, airlines are flying 10% fewer flights from the New York Metropolitan area. The system is shrinking and when the system shrinks, competition and smaller airlines suffer the most. To be clear, the slot waiver is critical to maintaining operational reliability at New York metropolitan airports for the direct benefit to consumers. But the other side of that coin is that staffing is a constraint on competition and capacity, reducing supply which hurts consumers.

As recently as November 2024, the Department of Transportation, Inspector General (DOT IG) put out its DOT Top Management Challenges report. That report states –

- “...FAA has not ensured adequate controller staffing at its most critical facilities. For example, we (IG) found that 20 of 26 critical facilities were staffed below the Agency’s threshold of 85 percent.”
- “FAA’s implementation of pauses in air traffic controller training during the COVID-19 pandemic contributed to controller staffing challenges by resulting in an increase in certification times for controllers. FAA needs improved resiliency in staffing and contingency planning for disruptions, and our audit work shows that FAA’s lack of a plan to address these staffing challenges limits the capacity of the NAS.”

#### Our Antiquated ATC System Significantly Limits Capacity and Competition

The U.S. air traffic control system is very safe, but it is not known as the “gold standard,” for efficiency around the world. Unnecessary travel delays cost the U.S. economy/passengers approximately \$25 billion annually. These delays are the direct result of system-wide air traffic control (ATC) inefficiencies resulting from the use of outdated, WWII-era radar technology. Our controllers are still using paper strips to control traffic instead of electronic strips. And some computer system updates are done with floppy disks! It shouldn’t be a surprise that flights between Washington, D.C. and New York used to take 55 minutes, but to account for air traffic delays and inefficiencies, these flights are now scheduled to take 80



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minutes or longer. As a vital part of U.S. economic infrastructure, our airspace and the technology that supports it is the equivalent of driving a horse and buggy on a gravel road. **This lack of efficiency and the resulting reduced capacity directly and negatively impacts carriers' ability to grow and compete** and robs consumers and the economy of growth, jobs and related benefits.

## **Conclusion**

We are thankful for the opportunity to testify, and we believe the facts and data clearly show that passengers greatly benefit from vigorous airline competition, which creates greater choice and service options. Congress recognized the benefits to consumers when they acted on a bipartisan, bicameral basis to deregulate the airline industry in 1978. The federal government already has broad authority to prevent unfair, deceptive, predatory or anticompetitive practices and routinely uses it. With those protections in place, we should be placing a maximum reliance on competitive market forces to maintain an air transportation system that relies on healthy competition to provide efficiency, innovation and low prices, and to determine the variety, quality, and price of air transportation services. Deregulation has clearly been a success for consumers and policymakers should not succumb to efforts to micromanage this fiercely competitive market.

Instead, we believe policymakers should acutely focus on challenges directly within the federal purview with a focused intent on addressing the air traffic controller shortage and modernizing our air traffic system, both of which will have tangible and material benefits to every single consumer in the flying and shipping public.

A4A is not alone with these recommendations, as we are part of a broad aviation community coalition established earlier this year, "The Modern Skies Coalition". The coalition wholeheartedly endorses Secretary of Transportation Duffy's plans to "supercharge" air traffic controller hiring at the Federal Aviation Administration (FAA) and modernize the air traffic control system. The Coalition strongly supported Congress's \$12.5 billion downpayment toward air traffic control modernization and we continue to advocate in support of Secretary Duffy's acknowledgment that additional funding of at least \$19 billion will be needed to completely build a new air traffic control system.