



## **AIRLINE BANKRUPTCY** *Service Cut Impacts of a Major Carrier at U.S. Airports*

*Presented by:*

**Christina Cassotis**  
*Vice President, SH&E*

**Leader - Airport Services Practice**



The Education Committee of the  
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**ADVANCED SEMINAR**  
on  
**BANKRUPTCY AND WORKOUTS**

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**Passion. Expertise. Results.**

# The Ability of the Airport to Replace Service Depends on Market Integrity and Location

- ◆ **Size and Strength of the Local O&D Market**
- ◆ **Ratio of O&D Passengers to Connecting Passengers**
- ◆ **Percent of Airport Service Dominated by a Hubbing Carrier**

# The Most Vulnerable Hub Airports Have the Smallest Local O&D Markets and a High Reliance on Connecting Traffic

## Top 70 US Domestic Air Travel Markets YE 1Q 2009

O&D Rank	Airport	O&D Psgrs	Average Fare	Percent Local
1	Las Vegas	29,668,740	\$135	77.9%
2	Los Angeles	29,200,230	\$176	72.7%
3	Orlando	27,240,050	\$127	88.2%
4	<b>Chicago O'Hare</b>	<b>25,877,450</b>	<b>\$162</b>	<b>47.1%</b>
5	<b>Atlanta</b>	<b>24,657,880</b>	<b>\$155</b>	<b>32.0%</b>
6	<b>Denver</b>	<b>22,954,590</b>	<b>\$144</b>	<b>50.1%</b>
7	<b>Phoenix</b>	<b>21,061,390</b>	<b>\$143</b>	<b>58.5%</b>
8	Seattle/Tacoma	20,358,110	\$159	71.7%
9	San Francisco	19,936,850	\$182	71.5%
10	<b>Dallas/Fort Worth</b>	<b>19,571,920</b>	<b>\$182</b>	<b>40.2%</b>
11	Boston	18,781,860	\$178	87.4%
12	New York La Guardia	18,717,050	\$158	88.2%
13	New York J F Kennedy	17,434,930	\$178	70.5%
14	<b>New York Newark</b>	<b>17,036,520</b>	<b>\$187</b>	<b>72.6%</b>
15	Fort Lauderdale/Hollywood	16,581,950	\$126	91.2%
16	<b>Philadelphia</b>	<b>16,211,130</b>	<b>\$155</b>	<b>60.1%</b>
17	San Diego	15,483,580	\$151	89.8%
18	Baltimore	15,339,900	\$135	78.4%
19	Tampa	14,772,140	\$131	87.9%
20	<b>Detroit</b>	<b>14,113,260</b>	<b>\$152</b>	<b>48.3%</b>
21	<b>Minneapolis</b>	<b>13,837,550</b>	<b>\$194</b>	<b>47.0%</b>
22	Washington National	12,565,910	\$189	74.1%
23	<b>Houston Intercontinental</b>	<b>12,557,650</b>	<b>\$183</b>	<b>40.1%</b>
24	Chicago Midway	10,944,270	\$124	70.3%
25	Portland	10,591,240	\$155	81.4%
26	Honolulu	10,567,980	\$187	75.7%
27	St. Louis	9,869,280	\$147	76.8%
28	<b>Salt Lake City</b>	<b>9,805,040</b>	<b>\$150</b>	<b>52.5%</b>
29	Oakland	9,522,510	\$120	94.6%
30	<b>Washington Dulles</b>	<b>9,347,130</b>	<b>\$194</b>	<b>56.3%</b>
31	Kansas City	8,898,030	\$142	87.1%
32	Sacramento	8,750,540	\$138	93.4%
33	San Jose	8,407,780	\$135	93.9%
34	<b>Miami</b>	<b>8,391,960</b>	<b>\$162</b>	<b>50.7%</b>
35	Orange County	8,223,580	\$147	95.8%

O&D Rank	Airport	O&D Psgrs	Average Fare	Percent Local
36	<b>Charlotte</b>	<b>8,149,100</b>	<b>\$174</b>	<b>25.4%</b>
37	Raleigh/Durham	8,024,100	\$140	88.5%
38	Austin	7,428,520	\$150	89.4%
39	Nashville	7,372,330	\$144	82.4%
40	Pittsburgh	7,161,280	\$143	87.1%
41	San Antonio	7,062,840	\$151	91.1%
42	Indianapolis	7,000,640	\$144	88.6%
43	New Orleans	6,991,860	\$145	89.9%
44	Fort Myers	6,909,090	\$134	95.6%
45	<b>Cleveland</b>	<b>6,896,460</b>	<b>\$157</b>	<b>68.7%</b>
46	Houston	6,345,840	\$131	77.3%
47	West Palm Beach	5,881,870	\$138	96.2%
48	San Juan	5,785,930	\$167	78.4%
49	Columbus	5,768,000	\$146	90.9%
50	Dallas Love Field	5,730,020	\$109	72.7%
51	Milwaukee	5,456,910	\$148	75.2%
52	Hartford	5,417,310	\$169	94.8%
53	Jacksonville	5,353,760	\$141	92.9%
54	Ontario	5,302,020	\$141	98.1%
55	Albuquerque	5,194,160	\$146	85.4%
56	Buffalo	5,012,020	\$129	92.7%
57	Burbank	4,970,480	\$122	98.9%
58	Providence	4,422,670	\$145	96.8%
59	Kahului	4,130,680	\$187	85.6%
60	Omaha	3,872,440	\$154	91.5%
61	Reno	3,604,320	\$139	90.2%
62	Tucson	3,563,730	\$158	92.4%
63	Manchester	3,484,950	\$141	98.2%
64	<b>Cincinnati</b>	<b>3,480,590</b>	<b>\$221</b>	<b>29.5%</b>
65	Anchorage	3,464,040	\$231	76.6%
66	<b>Memphis</b>	<b>3,432,070</b>	<b>\$197</b>	<b>34.2%</b>
67	Louisville	3,212,280	\$156	90.8%
68	Oklahoma City	3,190,580	\$166	90.6%
69	Norfolk	3,148,030	\$170	90.4%
70	Richmond	3,040,540	\$157	90.1%

Note: Hub Markets Shown in Bold

Source: U.S. DOT, O&D Database, Database Products Inc.

# Major O&D Markets Can Sustain a Major Carrier Loss

Share of Weekly Seats by Dominant Carrier (s) at Top Domestic Non-Hub Airport  
August 2009

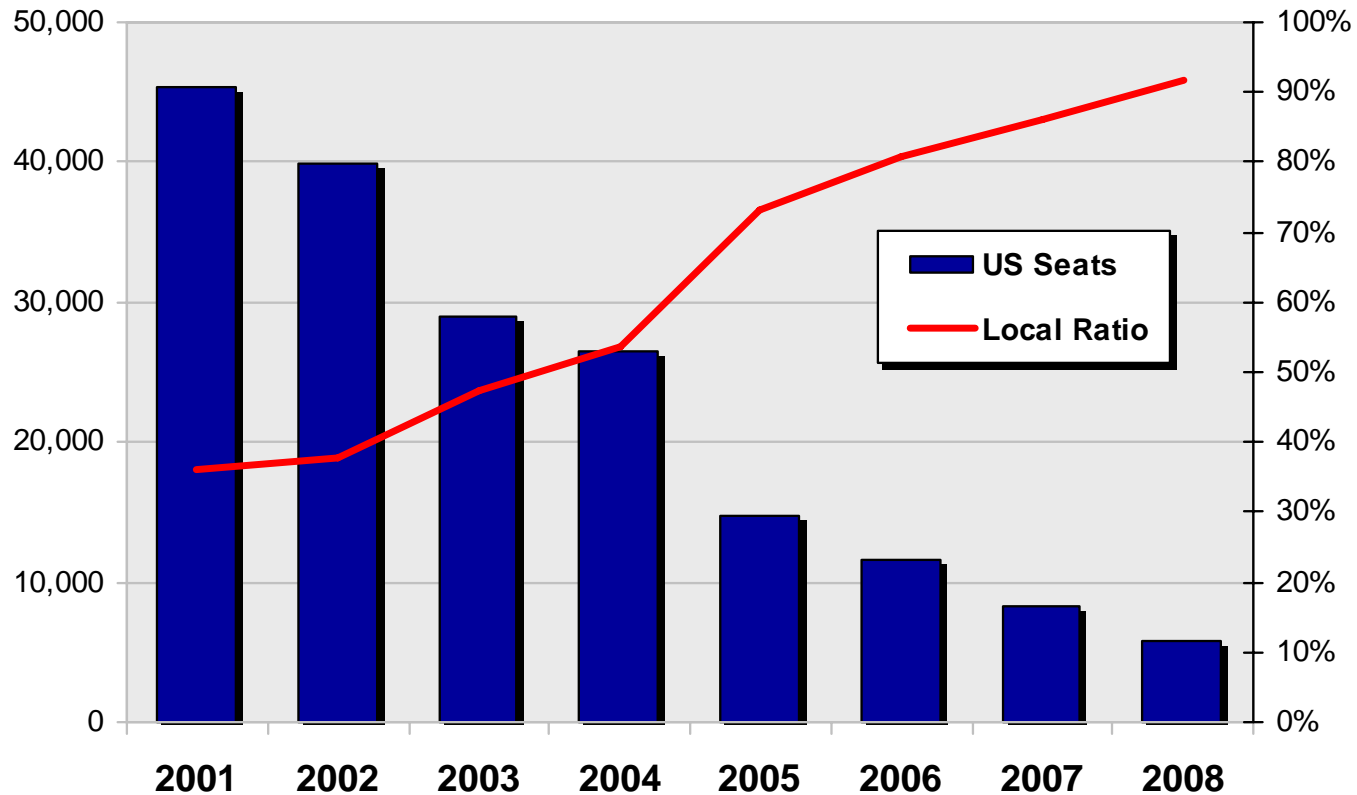
Hub Airport	Dominant Carrier 1		Dominant Carrier 2		Dominant Carrier 3		Dominant Carrier 4	
	Car	Share	Car	Share	Car	Share	Car	Share
Las Vegas	WN	46.9%	US	12.4%				
Los Angeles	UA	18.4%	WN	14.4%	AA	14.4%		
Orlando	WN	25.1%	FL	12.5%	B6	12.0%	DL	10.1%
Seattle/Tacoma	AS	47.7%						
San Francisco	UA	40.4%						
Boston	US	16.1%	AA	15.2%	B6	14.7%	DL	13.2%
New York La Guardia	US	22.9%	DL	20.0%	AA	19.5%		
New York J F Kennedy	B6	26.4%	DL	24.3%	AA	13.1%		
Fort Lauderdale/Hollywood	NK	22.8%	WN	18.7%	B6	14.5%	DL	11.0%
San Diego	WN	40.2%	UA	11.2%	AA	10.0%		

Note: Top Domestic O&D Markets That Are Not Hubs Shown;  
All Carriers With Over 10% Share of Total Weekly Seats Shown

Source: OAG Schedules

# Since 2001, U.S. Airways Reduced Operations at Pittsburgh Dramatically and the Ratio of Local to Connecting Passengers Increased Tremendously

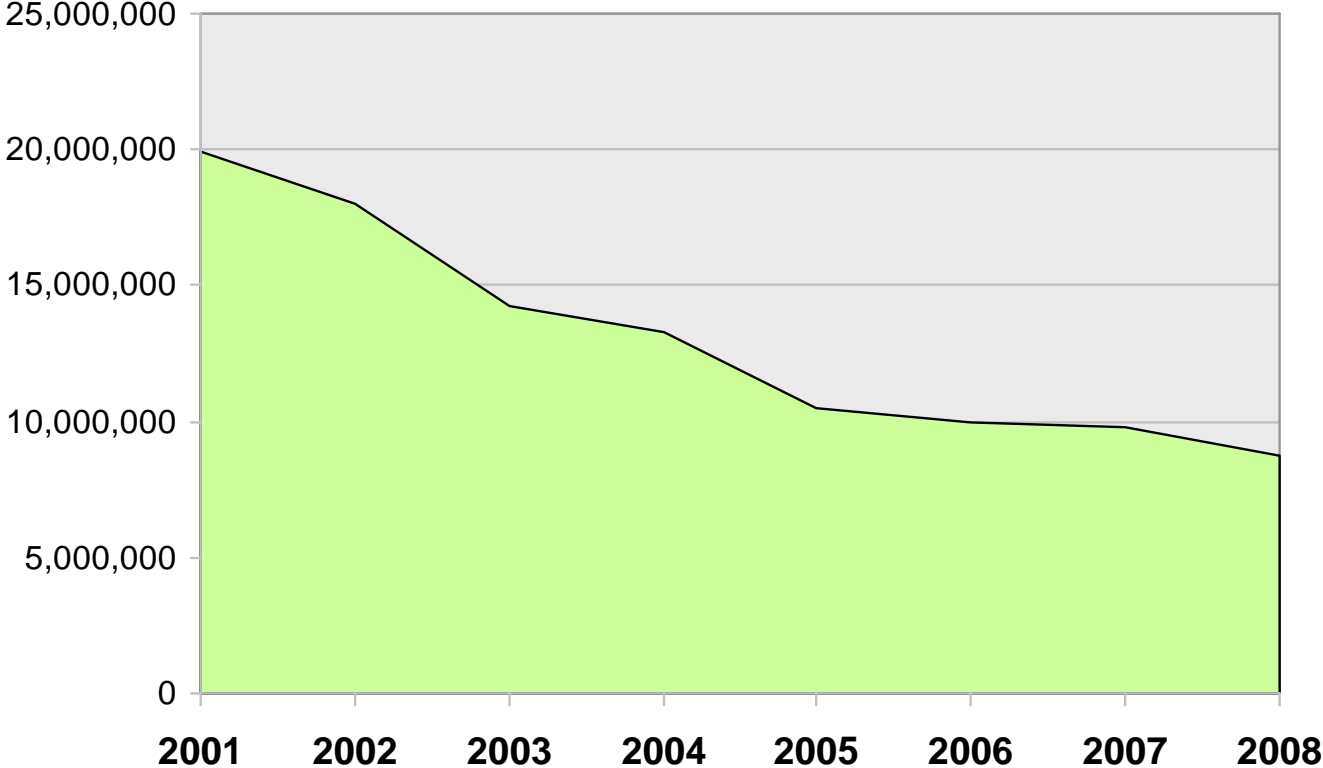
Weekly Seats by U.S. Airways at Pittsburgh vs. Local/Connect Ratio at Pittsburgh  
2001 – 2008



Note: Service Levels Shown are for August of Each Year  
Source: OAG Schedules and US DOT, O&D/T100 Databases

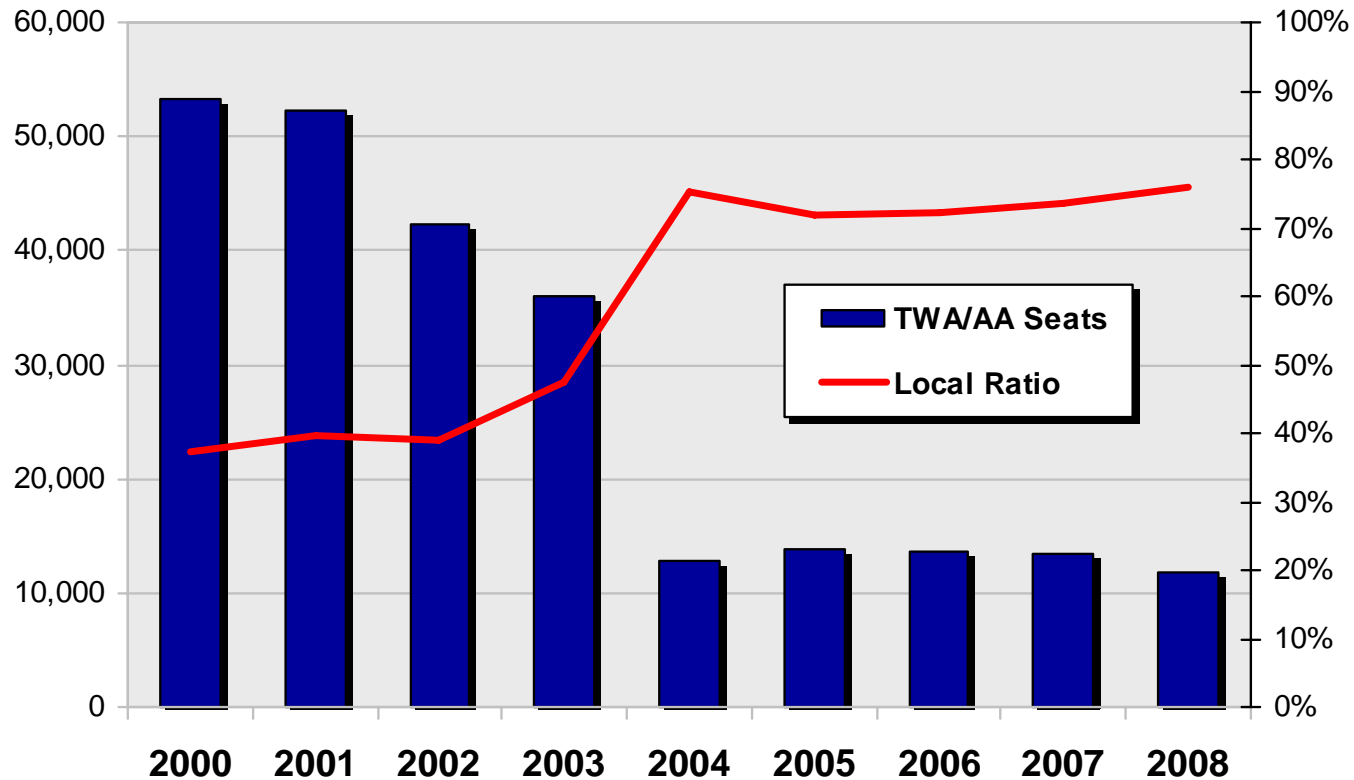
# Pittsburgh Airport Traffic In this Same Period Declined by Over 55%

Total Pittsburgh Airport Passengers  
2001 – 2008



# The Reduction of American Airlines Service Had the Same Effect on St. Louis, Where Local Passengers Are Now Over 75% of Airport Passengers

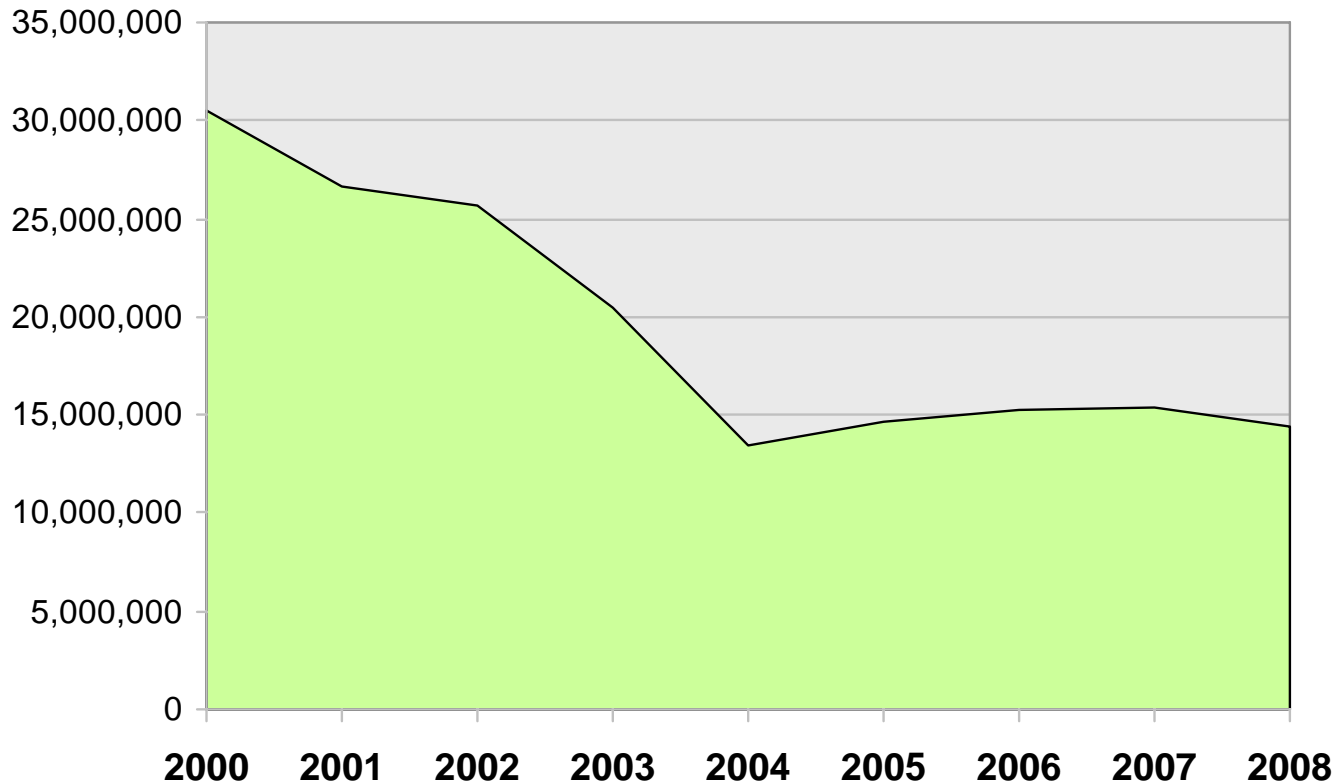
Weekly Seats by TWA/AA at St. Louis vs. Local/Connect Ratio at St. Louis  
2000 – 2008



Note: Service Levels Shown are for August of Each Year  
Source: OAG Schedules and US DOT, O&D/T100 Databases

# St. Louis Airport Traffic Since 2000 Declined by Over 50% with the Biggest Reduction Occurring from 2003 to 2004 When the Airport Lost Nearly 35% of Its Passengers

Total St. Louis Passengers  
2000 – 2008



# Since 2005, Delta Has Reduced or Eliminated Service in Many Major Markets from Its Cincinnati Hub

## Delta's Top 20 Markets by Seat Reduction at CVG August 2005 vs. August 2009

Rank	Market	Daily Departures			Daily Seats		
		2005	2009	Change	2005	2009	Change
1	Atlanta	10	6	(4)	1,807	860	(947)
2	Salt Lake City	8	4	(4)	1,368	600	(768)
3	Detroit	17	6	(11)	977	320	(657)
4	Las Vegas	5	2	(3)	882	300	(582)
5	Akron/Canton	8	0	(8)	500	0	(500)
6	Portland	3	0	(3)	483	0	(483)
7	Albuquerque	3	0	(3)	450	0	(450)
8	Los Angeles	5	3	(2)	951	503	(448)
9	Minneapolis	13	7	(6)	798	370	(428)
10	Phoenix	4	1	(3)	592	170	(422)
11	Raleigh/Durham	8	4	(4)	612	200	(412)
12	Toledo	8	0	(8)	400	0	(400)
13	Manchester	4	0	(4)	384	0	(384)
14	Denver	5	2	(3)	695	320	(375)
15	Columbus	7	5	(2)	592	250	(342)
16	New York La Guardia	7	6	(1)	895	560	(335)
17	San Francisco	4	2	(2)	633	300	(333)
18	Austin	4	0	(4)	332	0	(332)
19	New Orleans	4	2	(2)	462	140	(322)
20	Cleveland	8	3	(5)	470	150	(320)
	Total	626	259	(367)	46,324	18,143	(28,181)

Note: Delta Announced Its Initial Service Reduction in September 2005

Source: OAG Schedules Tapes

# Delta's Cincinnati Hub is Currently the 16th Largest in the U.S., Down from #9 in the Summer of 2005

## Top U.S. Airline Connecting Hubs *August 2009*

Seat Rank	Hub	Carrier	Market Served	Daily Depts	Daily Seats	Seats Per Dept	Dept Per Market
1	Atlanta	Delta/Northwest	212	1,078	115,914	108	5
2	Dallas/Fort Worth	American	157	759	84,665	112	5
3	Houston Intercontinental	Continental	158	688	62,075	90	4
4	Chicago O'Hare	United	129	586	58,064	99	5
5	Charlotte	US Airways	119	574	53,853	94	5
6	Minneapolis	Delta/Northwest	137	503	51,870	103	4
7	Detroit	Delta/Northwest	138	521	47,359	91	4
8	New York Newark	Continental	134	421	45,545	108	3
9	Denver	United	109	432	42,510	98	4
10	Chicago O'Hare	American	99	433	41,441	96	4
11	Miami	American	98	256	39,140	153	3
12	Philadelphia	US Airways	109	447	38,079	85	4
13	Phoenix	US Airways	79	271	31,111	115	3
14	Salt Lake City	Delta/Northwest	98	355	30,437	86	4
15	Washington Dulles	United	96	300	27,430	91	3
<b>16</b>	<b>Cincinnati</b>	<b>Delta/Northwest</b>	<b>82</b>	<b>259</b>	<b>18,143</b>	<b>70</b>	<b>3</b>
17	Memphis	Delta/Northwest	89	238	17,325	73	3
18	Cleveland	Continental	63	207	13,731	66	3

Note: Delta Announced Its Initial Service Reduction in September 2005

Source: OAG Schedules Tapes

# Delta's Cincinnati Hub Has the Second Largest Connecting Ratio Among U.S. Airline Hubs

## Connecting Ratio at Major Hubs YE 1Q 2009

Cnx Rank	Airport	Connect Ratio
1	Charlotte	74.6%
2	<b>Cincinnati</b>	<b>70.5%</b>
3	Atlanta	68.0%
4	Memphis	65.8%
5	Houston Intercontinental	59.9%
6	Dallas/Fort Worth	59.8%
7	Minneapolis	53.0%
8	Chicago O'Hare	52.9%
9	Detroit	51.7%
10	Denver	49.9%
11	Miami	49.3%
12	Salt Lake City	47.5%
13	Washington Dulles	43.7%
14	Phoenix	41.5%
15	Philadelphia	39.9%
16	Cleveland	31.3%
17	New York Newark	27.4%

Note: Ratio for Domestic Services Only

Source: U.S. DOT, O&D and T100 Databases

# Despite Frontier's Bankruptcy, Denver Has Seen Growth in Service and Passenger Traffic

## Daily Service from Denver August 2007 vs. August 2009

Carrier	Market Served			Daily Departures			Daily Seats		
	2007	2009	Change	2007	2009	Change	2007	2009	Change
United	106	109	3	448	432	(16)	46,145	42,510	(3,635)
Frontier	54	53	(1)	174	170	(4)	20,570	19,784	(786)
Southwest	11	34	23	42	117	75	5,754	15,909	10,155
All Other	57	50	(7)	200	165	(35)	17,672	15,466	(2,206)
Total	234	250	16	864	884	20	90,141	93,669	3,528

Note: Frontier Filed for Bankruptcy in April 2008

Source: OAG Schedules

# The Loss of a Hub Carrier Has Direct and Immediate Impacts on Facilities and Revenues

- ◆ **Gates**
- ◆ **Terminals**
- ◆ **Concession Revenue**
- ◆ **Cost Per Enplaned Passenger**