

Mississippi Airport Association Airline Industry Update: September 2025



STATE OF THE U.S. AIRLINE INDUSTRY



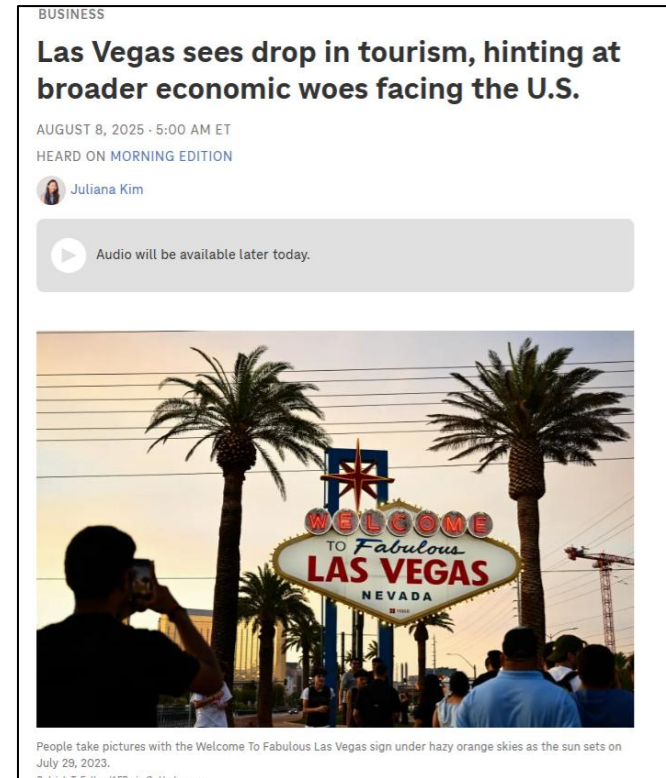
U.S. Domestic Airline in Bullet Points

- Travel pattern shifts.
- Economic uncertainty.
- AA/DL/UA dominate the industry.
- Southwest shifting its product.
- ULCCs mostly struggling.
- A bankruptcy, twice in nine months.
- A merger.
- Pilot shortage abating, for now.
- Airline cost challenges.

U.S. DOMESTIC AIRLINE BUSINESS MODELS		
Model	Description	Examples
Network/Legacy Carriers	Global operations with domestic and international service; International alliances; Regional partners; Hub and spoke system	United, Delta, American Southwest ?
Ultra Low Cost Carriers (ULCCs)	Point to point service; Very low fares with ancillary pricing optionality; Often less-than-daily or low frequency service	Allegiant, Frontier, Spirit, Breeze, Avelo, Sun Country
Value Carriers	Network sized scale with simplified service product; Value pricing; More domestic than international service	Southwest , JetBlue, Alaska, Hawaiian
Large Regional Carriers	Typically operating 50-76 seat regional aircraft; Some independent and others owned by network carriers; Operate under network carrier contract which is generally transparent to the public	SkyWest, Mesa, Republic, Envoy, Endeavor
Independent Regional Carriers	Small regional carriers operating smaller aircraft; Essential Air Service operators; Minimal brand identity generally interested in subsidized flying	Contour, Boutqie Air, Cape Air, Denver Air Connection, Southern Airways

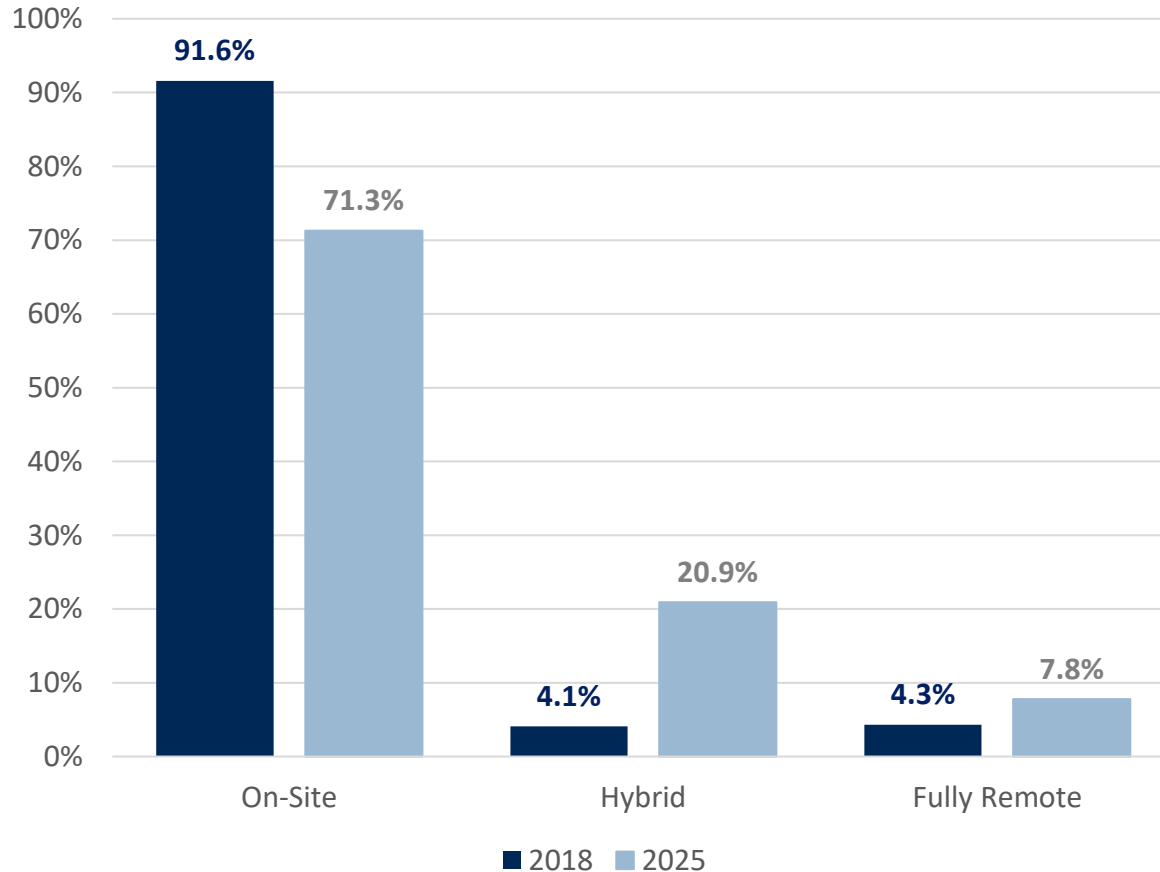
Economic Uncertainty Affecting Travel Demand

- Large Federal government layoffs and resignations, business uncertainty.
- Large Federal spending cuts impacting private sector that has Federal contracts.
- Will Federal spending cuts impact airport entitlements or EAS funding?
- Broad concerns about global trade situation.
- An economic soft landing (4% unemployment & 2.5% inflation) may not be;
 - Unemployment creeping up, inflation up and consumer confidence down.
- Canadian cross-border bookings down significantly.
- International visitor counts down measurably.
- U.S. carriers are cautious about guidance on traffic, revenue and results.



Work Has Fundamentally Changed

29% of Employees Work remotely or in Hybrid Mode



- 5.8 million full-remote jobs posted in 2024 – down 21% from 2023, continuing multi-year decline and reflecting increasing push to at least partial return to office (RTO).
- 29% of U.S. workdays are performed from home.
- Office vacancy in the U.S. hit 19.9% in March 2025 – tech hubs like Austin exceed 25%.
- Nearly 50% of the U.S. workforce uses video conferencing on a regular basis.
- All of this impacts demand for air travel.

Pilot Shortage has Abated . . . Temporarily

- **Significant surge in young people committing to the pilot career and training infrastructure dramatically expanded.**
- **Near-term outlook:**
 - **ULCCs hiring reduced or stopped.**
 - **Network carrier hiring slowed.**
 - **Furloughs at FedEx and Spirit. (Spirit C11)**
 - **RJ operators managing much lower attrition rates.**
- **Longer-term outlook:**
 - **Retirement curve is still steep for the next decade.**
 - **Aircraft delivery delays (Airbus neo and 737 MAX) will eventually catch-up, increasing demand for pilots.**



Industry Faces Other Work Force Challenges

IN 2023, FAA WAS 3,000 CONTROLLERS SHORT

- Hired 1,512 (exceeded 1,500 goal)
- Lost 1,000+ to retirements & training drops
- 350 failed training (on average 65% pass)
 - Netted about 160 new controllers



LOOMING SHORTAGE OF MAINTENANCE TECHS

- Industry needs to fill 12,000 positions/year to keep pace with retirements and fleet growth.
- Current MX training pipeline falling 30% short.
- Airlines and MROs partnering with training shops, community colleges and tech schools.

Network Carriers have Adapted to ULCCs

- AA/DL/UA have mastered cabin segmentation;
 - They now offer basic economy
 - No carryon, no miles, seat assigned; board last.....but in the same cabin as full economy
 - Basic economy priced comparable to ULCC on same route
 - A 150-seat A320/737 then has first, economy plus, economy and basic economy onboard
 - Same flight between two cities could have seat to seat \$600+ fare differential
 - This allows AA/DL/UA to allocate cheap seats as needed head-to-head with ULCCs
 - Without devaluing economy, economy plus or first-class pricing.
- As a result, network carriers can now efficiently deal with ULCC services in their major cities.
- This is a key reason Spirit went C11 twice and a key reason Frontier is struggling.

Changes at Southwest

- **A corporate raider has pressured Southwest into a shift in its product & operating model.**
- **Southwest has financially under performed the industry for some years now;**
 - 20 years ago, “the low fare carrier”, a well executed one class product.
 - Today “low fare” means ULCC.
 - Growth took Southwest into major airline cities and head-to-head with network carriers.
 - AA/DL/UA product is now well executed, segmented and driven by loyalty program.
 - Southwest caught in the middle between well run network carriers and bare bones ULCC products.
- **A corporate raider has driven Southwest to a product pivot;**
 - Bag fees in May, assigned seating in 2026 and roomier seat option.
 - Layoffs, domicile closures and measurable shifts in some focus city capacity (example Atlanta).
 - Various financial exercises, aircraft sale leaseback etc.
 - A shift in the frequent flyer program award and status mechanisms.
- **It appears the Southwest product is moving in the direction of AA, DL, UA.**
- **The success of this large undertaking, or the degree of success achieved, is a question mark?**

All Airline Work Groups Are Making More



Southwest Airlines pilot pay would increase 50% under new labor contract

The New York Times

American Airlines Pilots Ratify Contract Offering Big Raises

Bloomberg

Alaska Air Flight Attendants Are Set for 32% Increase in Pay

★ **StarTribune**

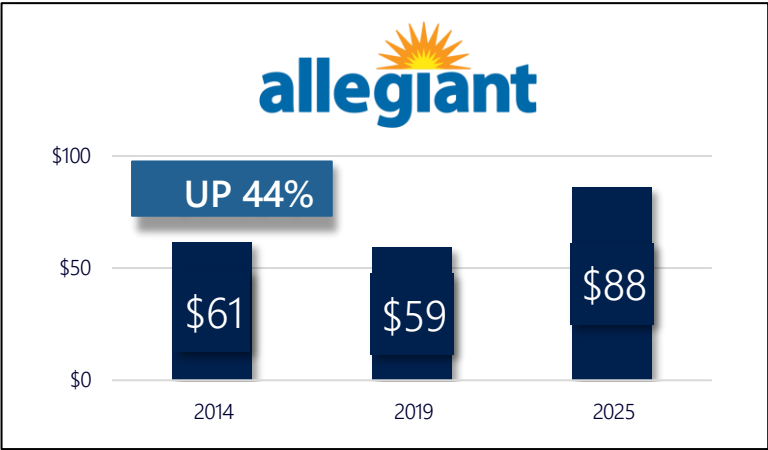
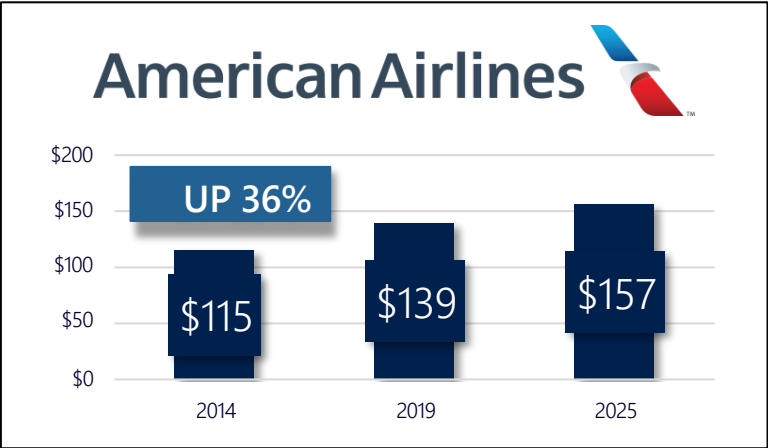
Delta raises ground worker, flight attendant base pay 5%, affecting more than 5,000 in Minnesota

 **REUTERS®**

United Air expects new pilot offer to add over \$8 billion in costs

Escalating Costs Pushing Up “Floor” For Air Service

AIRLINE COST PER SEAT, EXCLUDING FUEL
CALENDAR YEAR 2014 VS. CALENDAR YEAR 2019 VS. FIRST QUARTER 2025



Airline Industry 2Q 2025 Financial Results

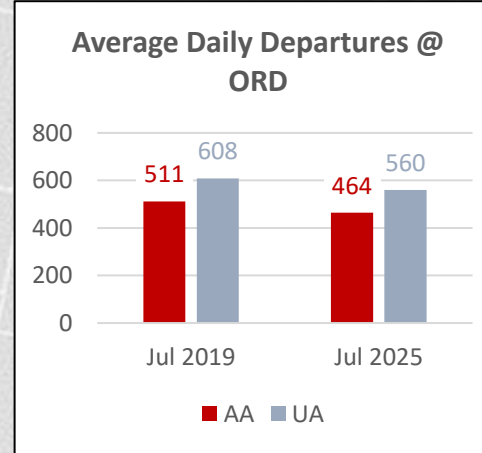
SUMMARY OF US CARRIER EARNINGS: 2Q 2025 RANKED BY OPERATING MARGIN

Carrier	2Q 2025 Revenue	2Q Operating Margin		
		2025	2024	25 v '24
Delta	\$15.5 b	13.2%	14.7%	(1.5 pts)
United	\$15.24 b	11.6%	13.1%	(1.5 pts)
Alaska	\$3.7 b	9.0%	11.8%	(2.8 pts)
Allegiant	\$668.8 m	8.6%	10.3%	(1.7 pts)
American	\$14.9 b	8.2%	9.7%	(1.5 pts)
Sun Country	\$236 m	7.6%	4.9%	2.7 pts
Southwest	\$7.24 b	3.4%	5.5%	(2.1 pts)
jetBlue	\$2.36 b	1.3%	2.4%	(1.1 pts)
Frontier	\$929 m	-8.1%	2.6%	(10.7 pts)
Spirit	\$1.02 b	-18.1%	11.9%	(6.2 pts)

- Almost across the board 2Q 2025 profits are down from 2Q 2024.
- DL and UA continue to perform well.
- Alaska (merger), Allegiant and American in the “OK” category.
- Southwest results weak, JetBlue poor.
- ULLC’s Frontier and Spirit lost money.
- Avelo and Breeze privately-held. No data.

American

- Strong network but significantly trails profitability of AA & DL.
- Rebuilding sales department and trying to repair relationships with major business travelers.
- Battling United and City of Chicago for gates at O'Hare.
- DCA schedules now designed for hub connections.
- Heavy debt load hurt's ability to invest in fleet renewal and product improvements.
- Unions are jointly calling for an “innovative shift in strategy.”



LAX

PHX

DFW

ORD

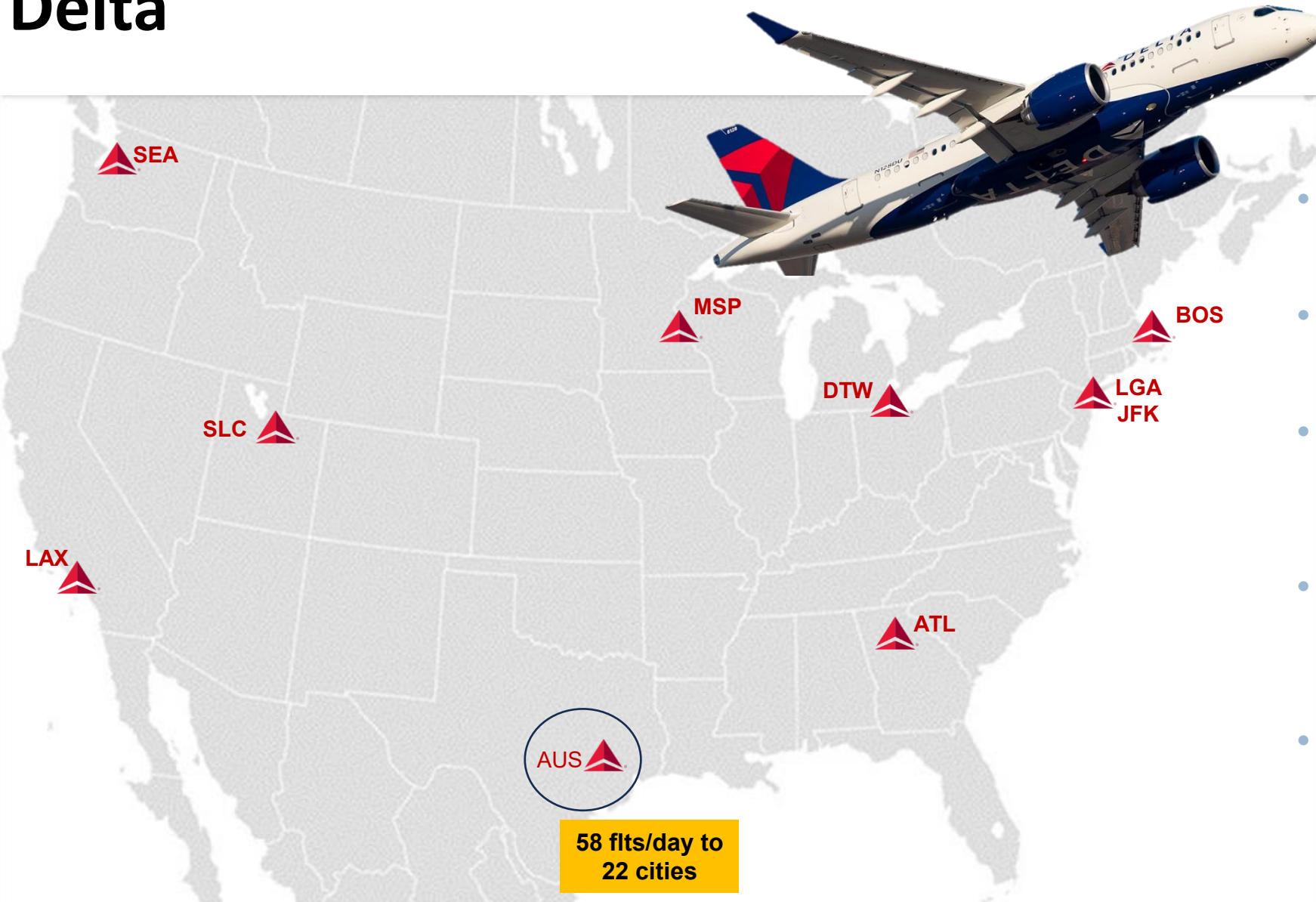
DCA

PHL

CLT

MIA

Delta

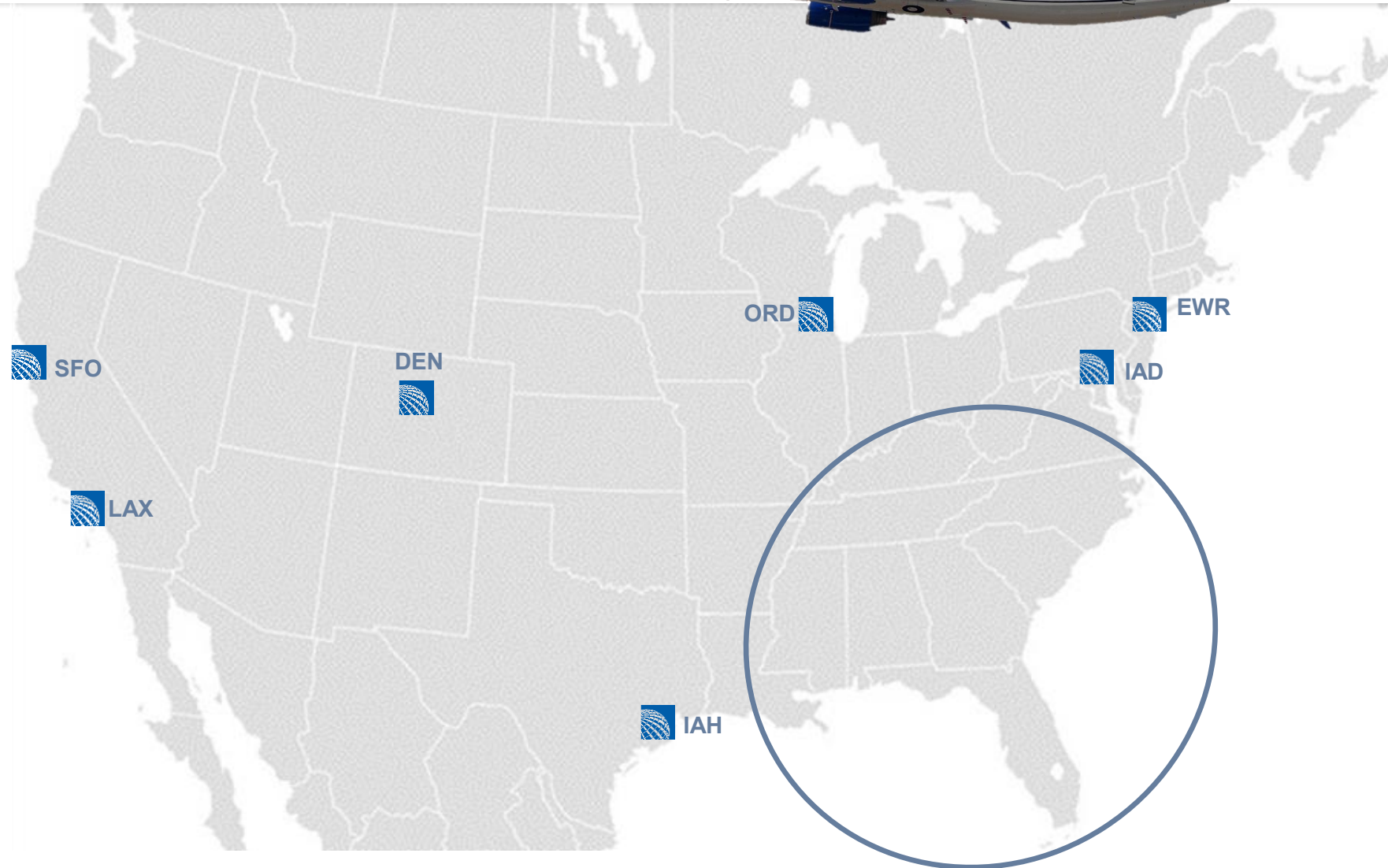


- Given American Express, leads industry in operating margins.
- Number #1 airline at every hub except SEA.
- Responding aggressively to Alaska international growth in SEA, including airport amenities.
- Rumored to be evaluating 787-10 as replacement for 767 fleet (avg age = 26 years).
- Continues to build-up AUS – *adding flight attendant base in October 2025.*

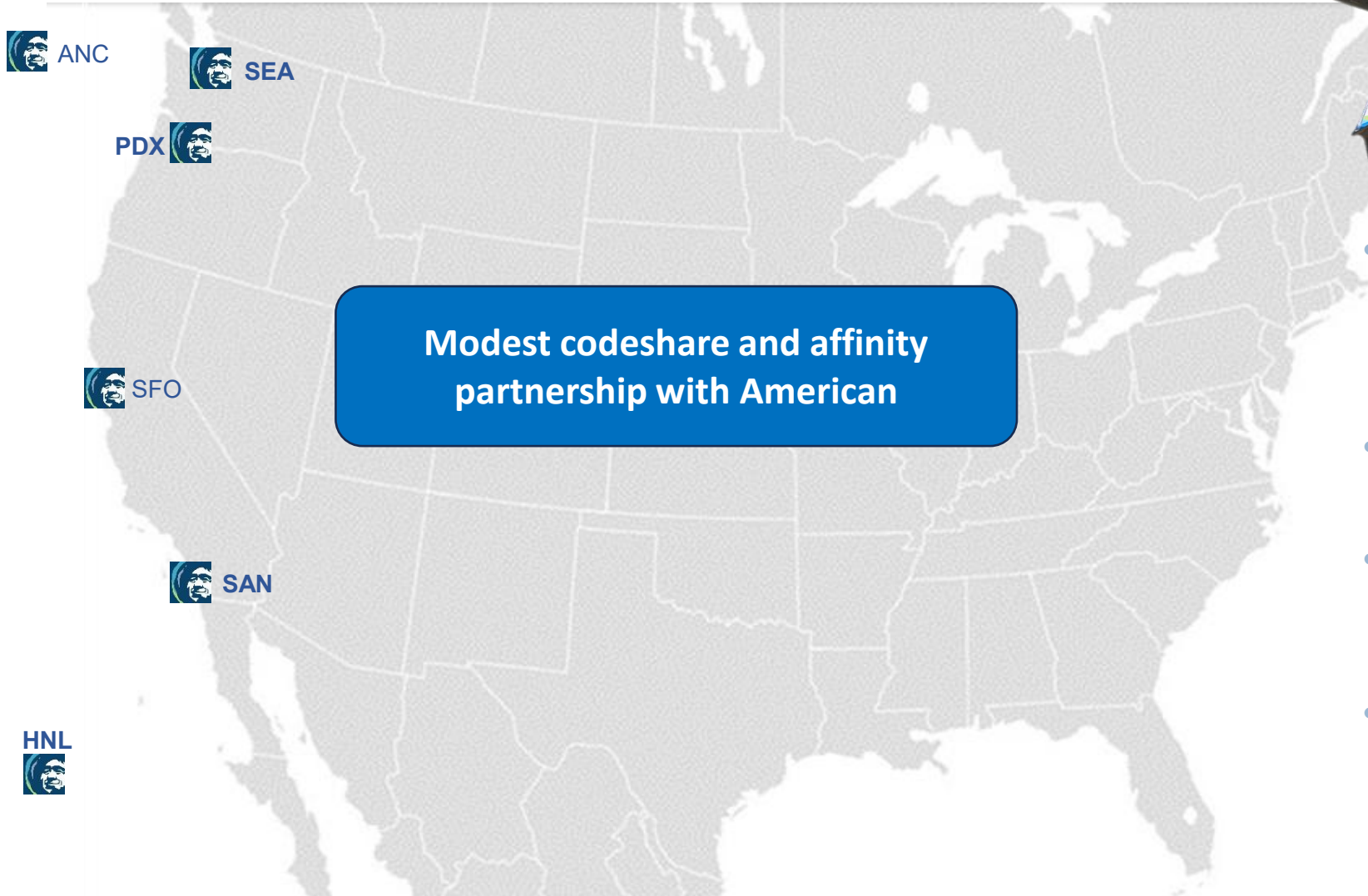
United



- Profitability closely trails Delta.
- Operations at EWR continue to limited to 72 per hour through October 2026.
- A321XLR will replace 757s on thin international routes, adding build-up of IAD & EWR.
- Significant capital investments at virtually every hub
- Lacks southeast connecting hub – *may make move on FLL assets of Spirit to try and build up Central/South America hub*



Alaska/Hawaiian



- Network is west coast focused with new international service from SEA – Tokyo, Seoul, London, Rome, and Reykjavik (HA 787s).
- Merged Alaska and Hawaiian loyalty programs into “Atmos” program.
- A330s staying in Hawaiian brand and 787s moving to Alaska brand – 787 order increased in 17 jets.
- PDX schedule now defined connect banks, relieving crowded SEA hub.

jetBlue

- Profitability trails major airlines, weak cash flow issues.
- Very east coast centric network – *mirror opposite of Alaska Airlines.*
- “Jet Forward” plan – network restructure, fleet simplification, product improvements.
- E195s are retired. (A220 & A320)
- New crew base in San Juan.
- Key part of network plan: “become #1 somewhere”



ANNOUNCED PRODUCT IMPROVEMENTS:

Clubs coming to JFK and BOS
New inflight wifi via Amazon partnership



Essential Air Service Program Overview



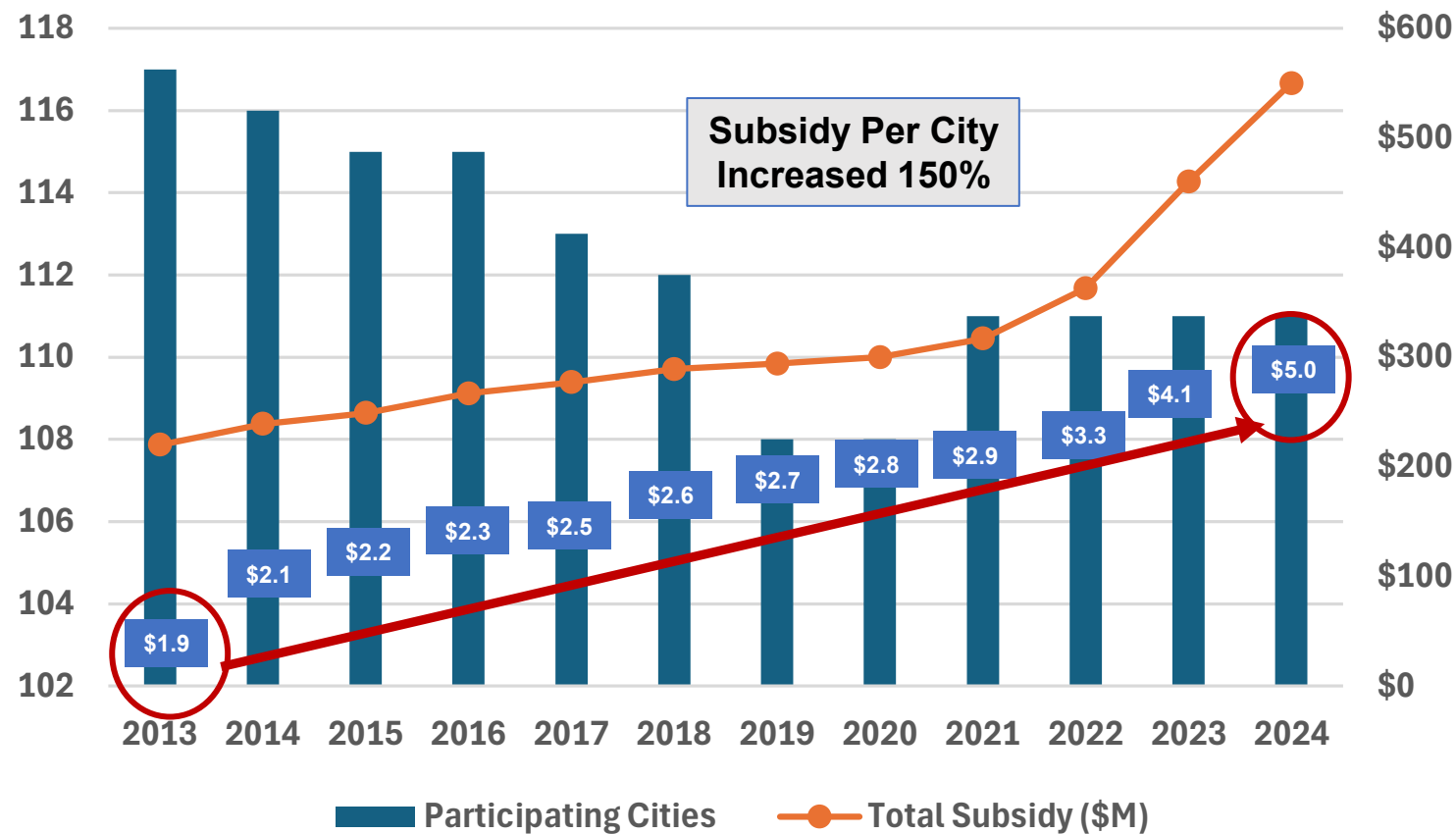
Essential Air Service Program Overview

- Four of the seven air service airports in Mississippi are EAS.
- The Essential Air Service (EAS) program has evolved since beginning at deregulation in 1978.
 - Today 111 cities in the program in the lower 48.
 - Program is now closed; no new cities may enter it.
 - The enhanced pilot qualification standards of 2013 drove 19-30 seat turboprops to extinction.
 - Program service is now RJs (65% of cities) or 9-seat (35% of cities).
- EAS funding is via both DOT budget and foreign carrier overfly fees.
- EAS costs are soaring, forecast to be \$600m+ in 2026.
- ALPA opposition to the Part 135/Part 380 regional jet option. DOT/FAA did approve SkyWest Charters.
- Independent regional carriers face challenges network affiliated regionals do not;
 - More difficult to hire and retain pilots.
 - Usually lacking critical mass and scale of operation (fleet size).
 - Tough to get reasonable cost hub access.
 - More difficult to gain network carrier integration (code share or ticket and bag agreement).

The Soaring Costs of the Essential Air Service Program

- Program costs are soaring. Lower 48 in 2024 \$550M annually for 111 cities, will be \$600M+ in 2026.

EAS Contracted Subsidy Trend: Lower 48 States (\$M)



Airline Types Bidding on EAS Markets is Evolving

- There is an evolution in the types of airlines bidding on EAS contracts, ULCCs are now bidding, single engine carriers are losing markets and AA has started bidding markets aggressively.
- American has started bidding EAS.
- Delta relies on SkyWest and United primarily on SkyWest for code branded EAS markets.

EAS PROGRAM SHIFTS: 2021 vs. 2024

December 2021		October 2024		Variance
Carrier	# of Markets	Carrier	# of Markets	# of Markets
SkyWest Airlines	49	SkyWest Airlines	36	(13)
Cape Air	18	Cape Air	12	(6)
Southern Airways	12	Southern Airways	19	7
Boutique Air	9	Boutique Air	2	(7)
Contour Airlines	7	Contour Airlines	22	15
Denver Air Connection	6	Denver Air Connection	10	4
American Airlines	4	American Airlines	4	0
United Airlines	3	United Airlines	0	(3)
Advanced Air	2	Advanced Air	4	2
Air Choice One	1	Air Choice One	0	(1)
Breeze	0	Breeze	1	1
JetBlue	0	JetBlue	1	1
TOTAL	111	TOTAL	111	0

Essential Air Service Changes: 2024 FAA Reauthorization Act

- The 2024 FAA Reauthorization Act included several changes in the EAS program guidelines. These changes include the following:
 - Subsidy bid amount is now a primary DOT bid evaluation criteria.
 - There is now a cap of 650 miles maximum route length between an EAS city and a hub.
 - Subsidy per passenger cap now \$650 for cities within 175 drive miles of a hub.
 - Carriers now must give 140 days notice to end, suspend, or cut service during a contract. (was 90 days)
 - DOT now can impose subsidy penalties if the carrier gives mid-contract notice of ending/reducing service.
 - Communities can now petition the DOT to express no confidence in the air service provider.
 - DOT retains authority to “hold in” non-compliant carrier while a new carrier is sought for replacement.
 - The maximum subsidy per passenger cap will be \$850 effective FY 2027.

The Future of Essential Air Service

- DOT EAS budget (lower 48) will be \$600m+ by 2026. (vs \$200m in 2013)
- Pilot cost increases and other inflation spikes (over 2019 levels) damaging EAS economics.
- RJs (both 50-seat and 30-seat) are becoming the primary means of EAS.
- 9-seat carriers are struggling against RJ EAS bids.
- Recent EAS market rebids have seen subsidy levels escalate, double or triple previous subsidy level.
- 70% of EAS is in red states or swing states, a budget paradox for the Congress?
- What could happen;
 - Nothing
 - Elimination (force states to fund it)
 - Cull the herd
 - Federal/local cost share (local = city, county, region state)

Mississippi Air Service Overview



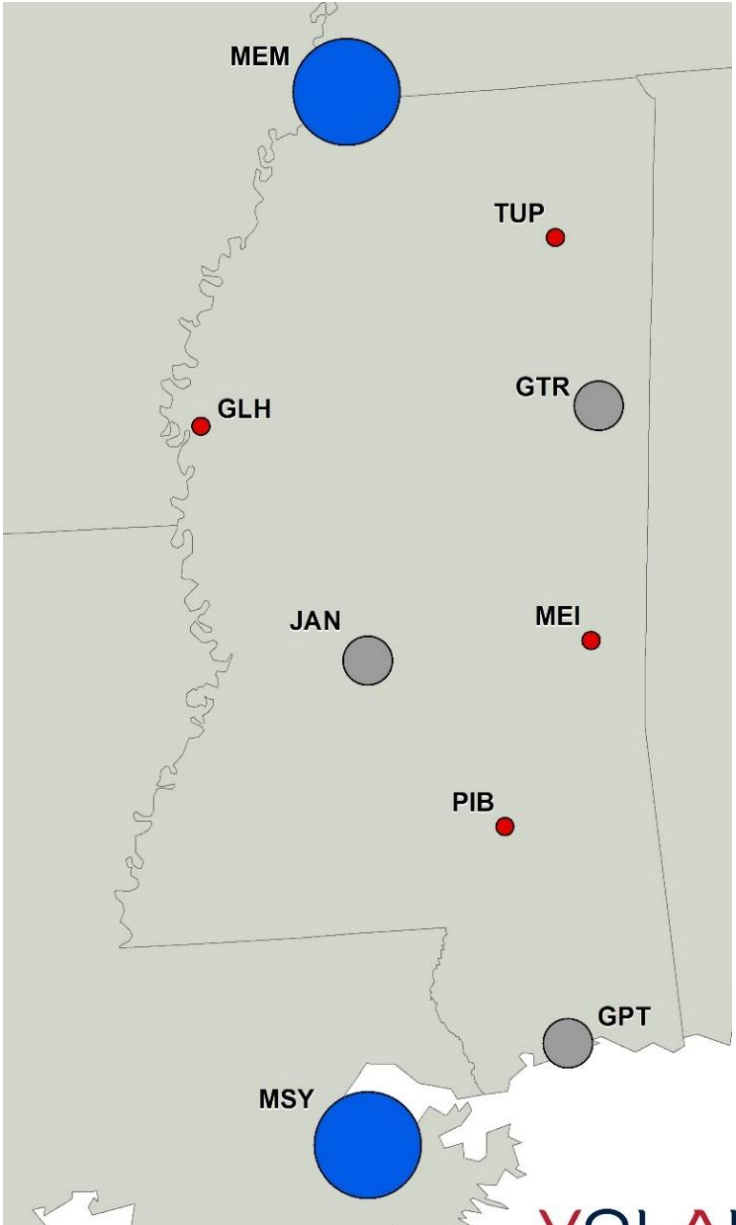
State Domestic Passenger Traffic: 12-Mo June 2025 vs 2024

- State traffic +1.6% vs. same period 2024.
- All airports up except Jackson (Southwest 20% capacity cut)
- New Orleans -1% and Memphis -3.3% in the same period.

Mississippi Passengers: 12 Months June 2025 vs. 2024

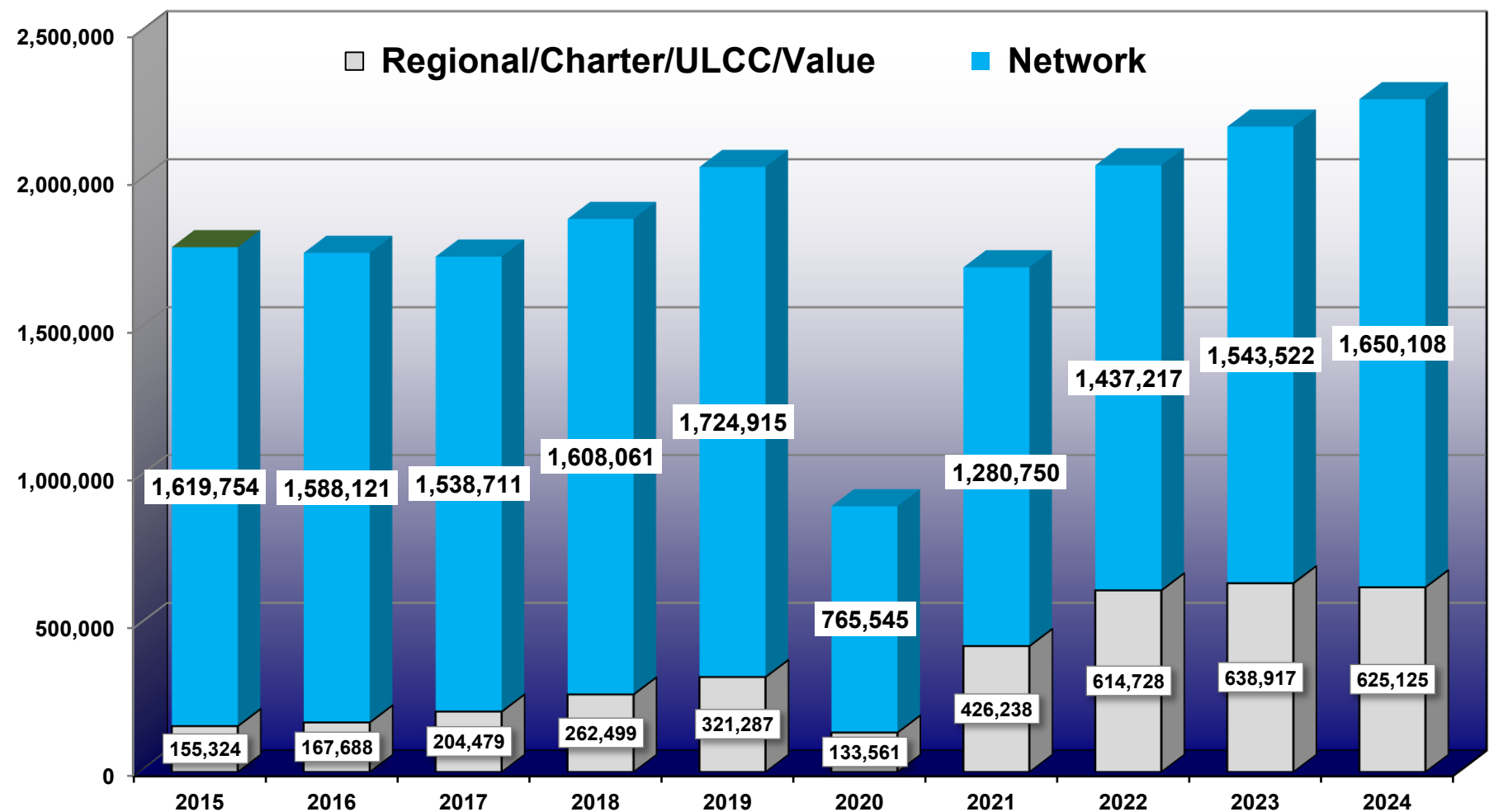
Airport	2025 June	2024 June	% Change
Jackson	1,198,736	1,257,314	-4.7%
Gulfport	860,193	799,511	7.6%
Golden Triangle	98,675	88,113	12.0%
Meridian	39,248	31,901	23.0%
Tupelo	35,788	26,689	34.1%
Hattiesburg	32,874	27,349	20.2%
Greenville	12,982	11,919	8.9%
State Total	2,278,496	2,242,796	1.6%

New Orleans	12,531,859	12,615,799	-0.7%
Memphis	4,753,335	4,916,058	-3.3%



Mississippi State Airline Traffic By Carrier Type: 2015 - 2024

- Some states still have not gotten back to 2019 traffic levels so good news for Mississippi!
- ULCC/Value Carrier growth primarily driven by Southwest JAN service and Sun Country GPT charters.



Jan – Aug 2025
TSA screening -1%
vs 2024

Mississippi Capacity: 2025 vs. 2024

- Overall, the State of Mississippi departures +6% and departing seats +3%.
- American enters GTR with 1x day DFW service May 2025 in May.
- GPT seeing increased Delta capacity (ATL) and additional United frequency (IAH).
- GLH (EAS) finally gets back to 2x service with DAC in October (1x DFW, 1x ATL).
- JAN seeing more DL ATL capacity and more United IAH frequency, offset by a -20% capacity decline by Southwest.

Airport	2025	
	Departures	Departing Seats
GLH	431	12,930
GPT	4,923	400,842
GTR	973	72,817
JAN	9,078	797,962
MEI	627	31,350
PIB	627	31,350
TUP	724	21,720
TOTAL	17,383	1,368,971

2024	
Departures	Departing Seats
366	10,980
4,437	367,472
732	55,338
8,917	814,105
627	31,350
627	31,350
732	21,960
16,438	1,332,555

Departures Variance	
Absolute	%
65	18%
486	11%
241	33%
161	2%
0	0%
0	0%
(8)	-1%
945	6%

Seats Variance	
Absolute	%
1,950	18%
33,370	9%
17,479	32%
(16,143)	-2%
0	0%
0	0%
(240)	-1%
36,416	3%

Mississippi Traffic Carrier Airline Share & Service

Passengers By Airline: 2024

- Delta has 33% share.
- American has 29% share.
- Southwest has 13% (all at JAN).
 - WN market share #1 at MSY, #3 at MEM and JAN
- United has 11% share.
- Sun Country has 10% share (all track programs at GPT)

Airline	Passengers	% of Total
Delta	747,844	32.9%
American	650,068	28.6%
Southwest	304,845	13.4%
United	252,196	11.1%
Sun Country	234,641	10.3%
Contour	38,566	1.7%
Breeze	35,688	1.6%
Allegiant	8,051	0.4%
Other	3,334	0.1%
TOTAL	2,275,233	100.0%

MS Scheduled Service By Airport: Oct 2025

Airport	ATL	BNA	BWI	CLT	DCA	DFW	IAH/HOU	LAS	MCO/SFB	MSP	TPA
Jackson	X		X	X	X	X	X		X		
Gulfport	X			X		X	X	X	X	X	X
Meridian							X				
Hattiesburg							X				
Golden Triangle	X					X					
Tupelo		X				X					
Greenville	X					X					

Summary



Summary

- Uncertain times for the airline industry, some carriers doing well, others not so much.
- Fundamental shifts in air travel demand and usage patterns.
- AA, DL, UA and WN dominate the industry.
- Southwest facing significant product and strategy challenges.
- The ULCC model under attack, but it is not dead.
- Pilot shortage abating, for now. Training pipeline for airline skill positions lacking.
- Across the industry serious cost challenges for carriers.

Contact Information

Mike Mooney
Partner Emeritus
E: Michael.Mooney@volaireaviation.com

