



# SESSION 3B

## COMMERCIAL SERVICE AVIATION BREAKOUT: AIR SERVICE AND AIR CARGO DEVELOPMENT

### Speakers:

**Jeremiah Gerald, C.M., Senior Director, ASM North America**

**Mark R. Cestari, Chief Commercial Officer, Southern Airways Express**

**Moderator: Douglas "Doug" Faour C.M., Aviation Director  
Middle Georgia Regional Airport and Macon Downtown Airport**





— *SOUTHERN* —



**Jeremiah Gerald, C.M.**

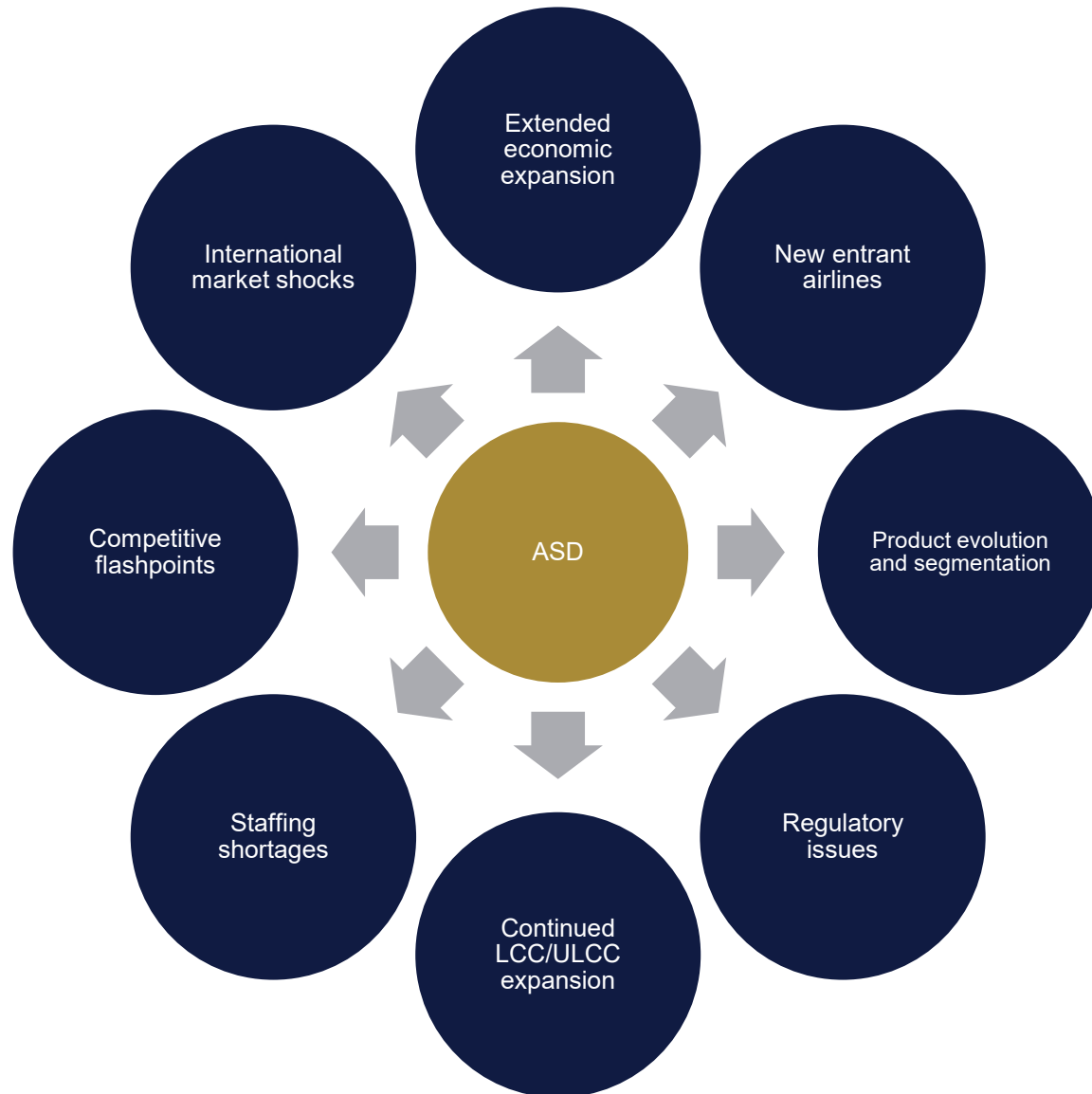
Sr. Director, Air Service Strategy  
and Marketing



**Mark Cestari**

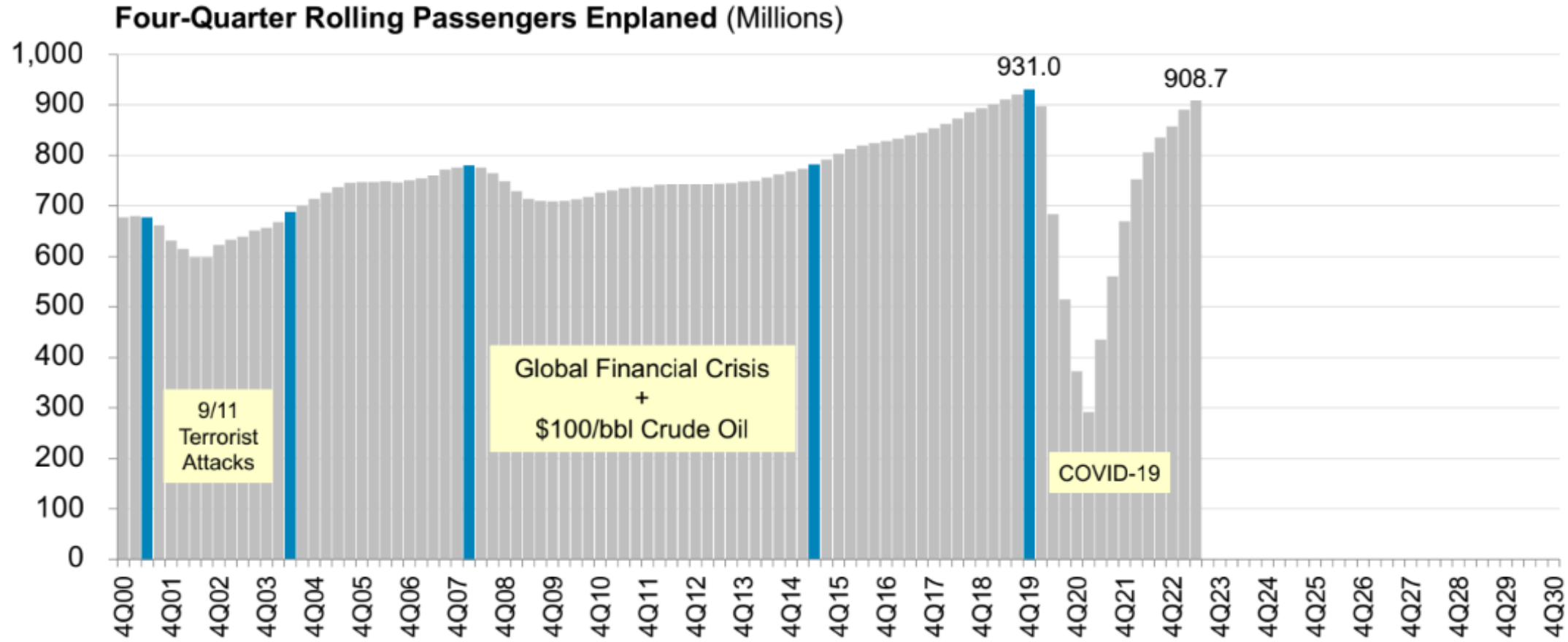
**Southern Airways**  
Chief Commercial Officer

# SETTING THE SCENE – U.S.



# U.A. Airline Passenger Volumes Are Closing in on the All-Time High Reached in 2019

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



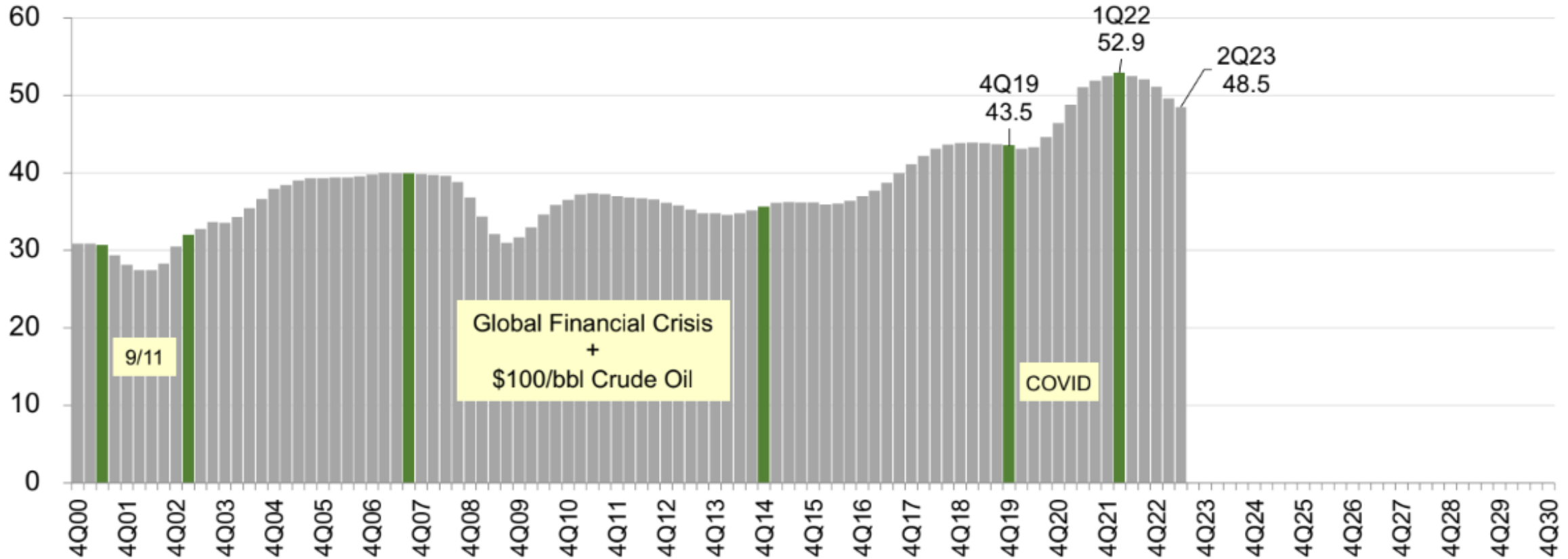
Source: A4A Passenger Airline Cost Index, BTS (Form 41 Schedule T1)

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

# Air-Cargo Demand Has Subsided Steadily Since Peaking in 1Q 2022

## Air Cargo Had Taken 10 Years to Recover From the Global Financial Crisis and Subsequent Oil Spike

Four-Quarter Rolling Air Cargo Revenue Ton Miles\* (Billions)



Source: Bureau of Transportation Statistics (Form 41 Schedule T1)

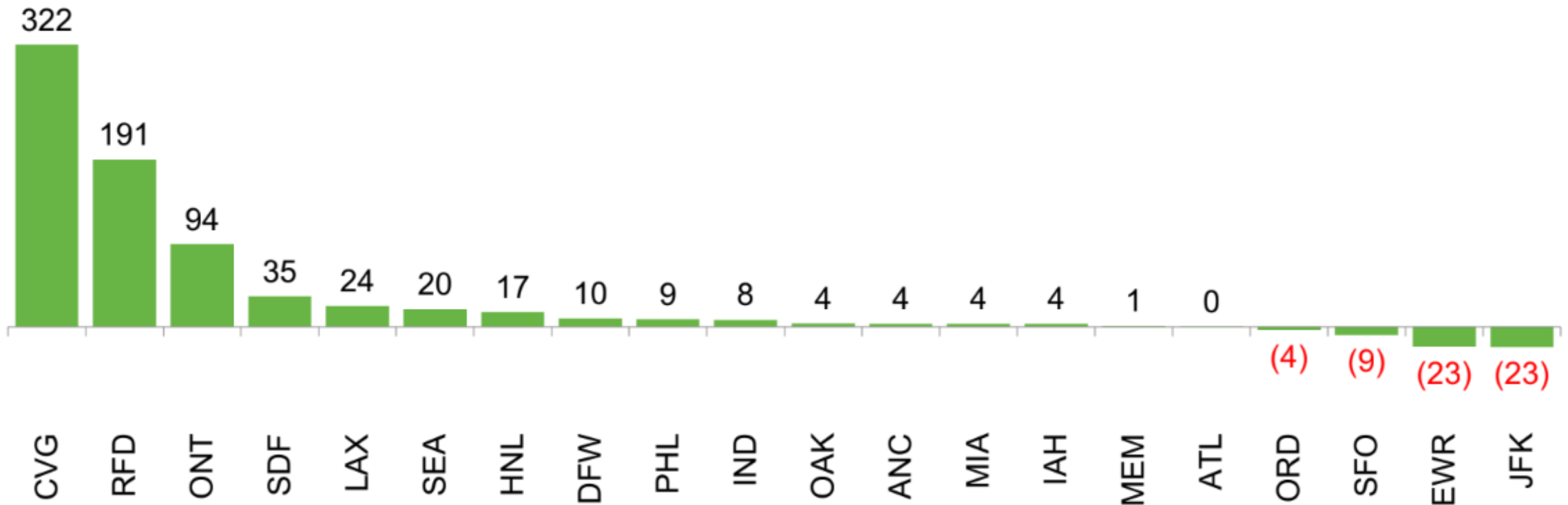
\* Cargo revenue ton miles (RTMs) flown. Note: Load factor = revenue passenger miles (RPMs) + available seat miles (ASMs)

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# E-Commerce and Rapid Fulfillment Have Redrawn the Air Cargo Landscape

## Cincinnati, Rockford and Ontario (CA) Have Seen the Biggest Gains

% Change in Outbound Cargo Payload at 20 Largest U.S. Cargo Airports, 2010-2023\*

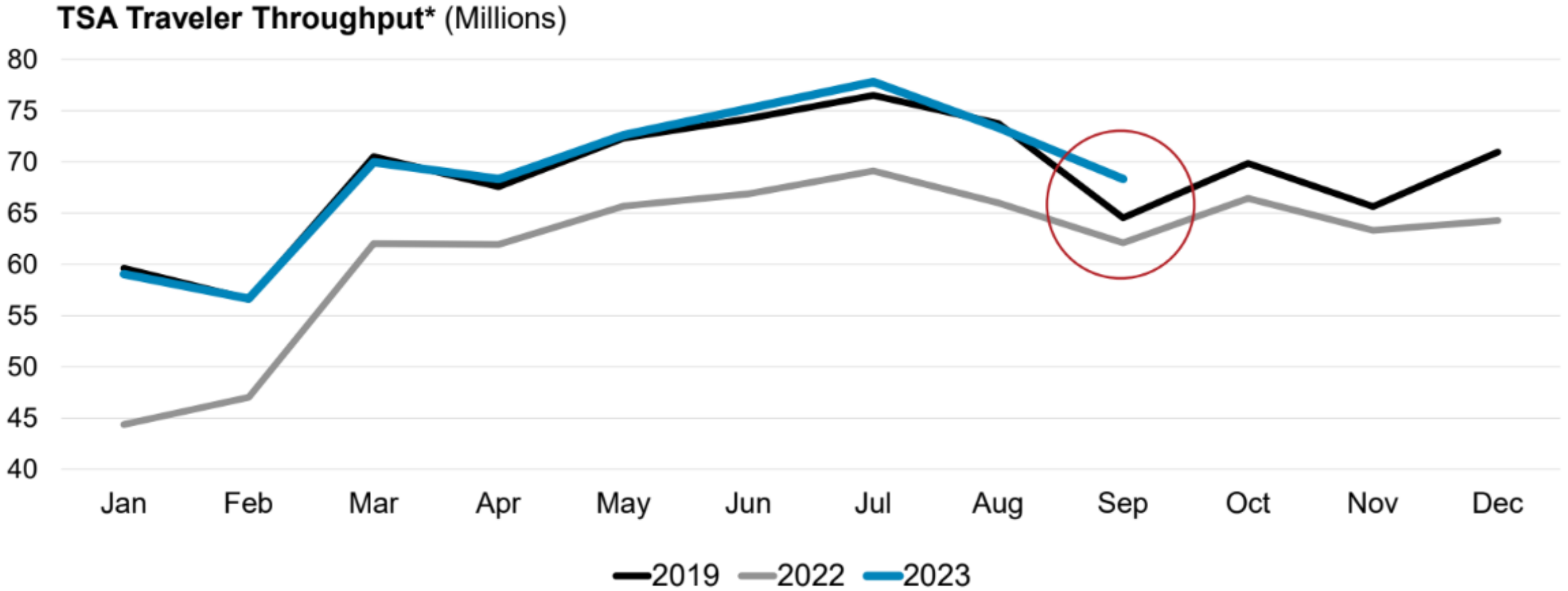


Source: DOT T-100 segment data, scheduled and nonscheduled services, U.S. and non-U.S. airlines

\* 12 months ended June 2023



**In the First Nine Months of 2023, TSA Checkpoint Volumes Exceeded 2019 Levels by ~1%**  
**September 2023 Traveler Throughput Came in ~6% Above September 2019**



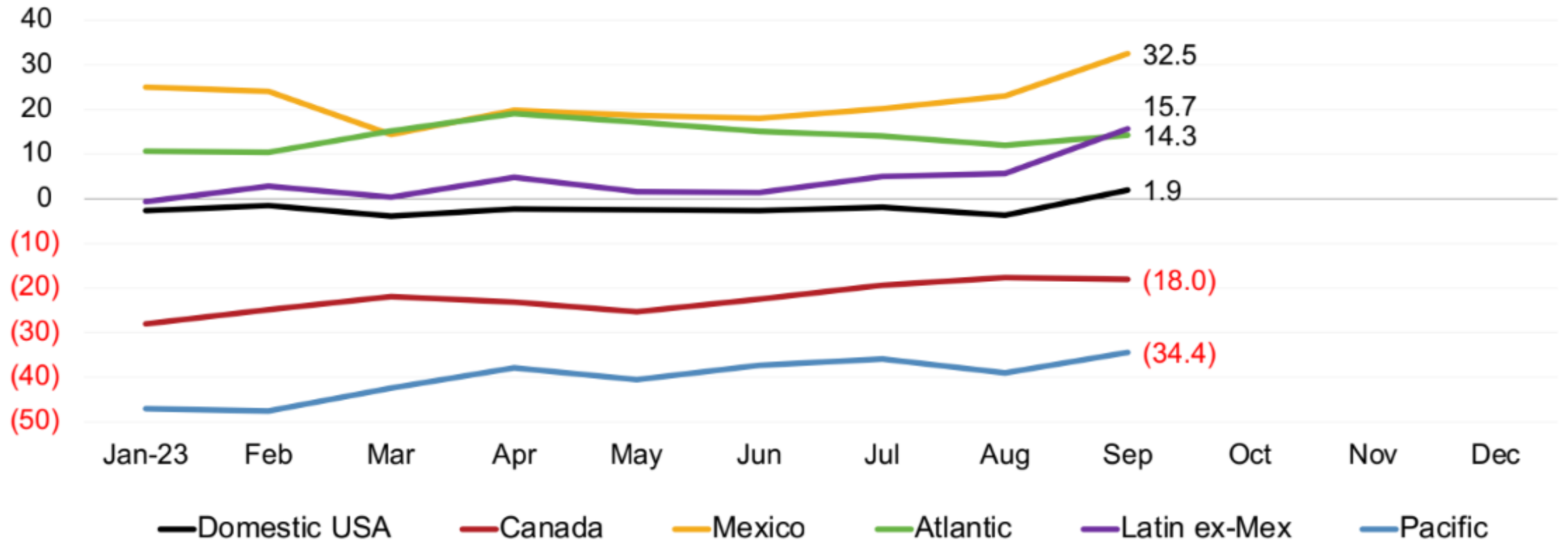
Source: Transportation Security Administration (excludes Known Crewmembers)

\* U.S. and foreign carrier customers (excludes Known Crewmember® personnel) traversing TSA checkpoints

# In September 2023, A4A Airline Passenger Volumes Rose 2.6% From September 2019

## Domestic Exceeded 2019 for the First Time

Change (%) in Onboard Passengers vs. Same Month in 2019

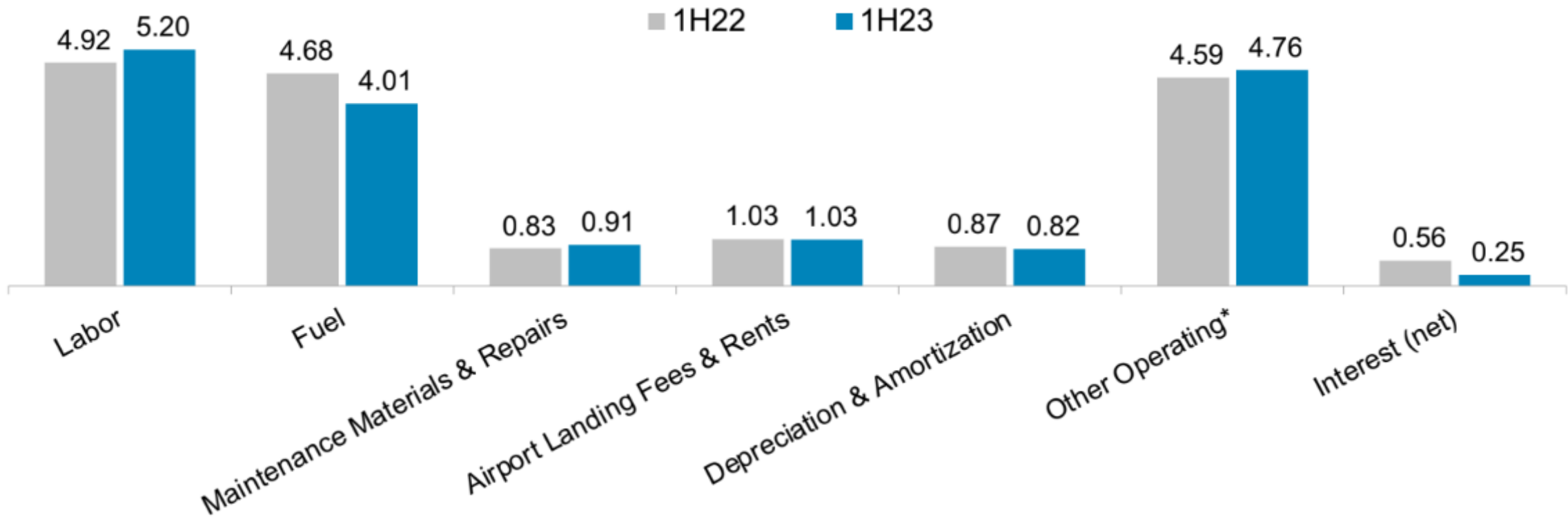


Source: A4A member passenger airlines (Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United) and branded code share partners



**In 1H 2023, U.S. Airlines' Pre-Tax Unit Costs Averaged 2.9% Less Than in 1H 2022**  
 Labor CASM Up 5.8%, Fuel CASM Down 14.3%, Maintenance CASM Up 9.5%

**U.S. Passenger Airlines: Cost (in Cents) per Available Seat Mile**

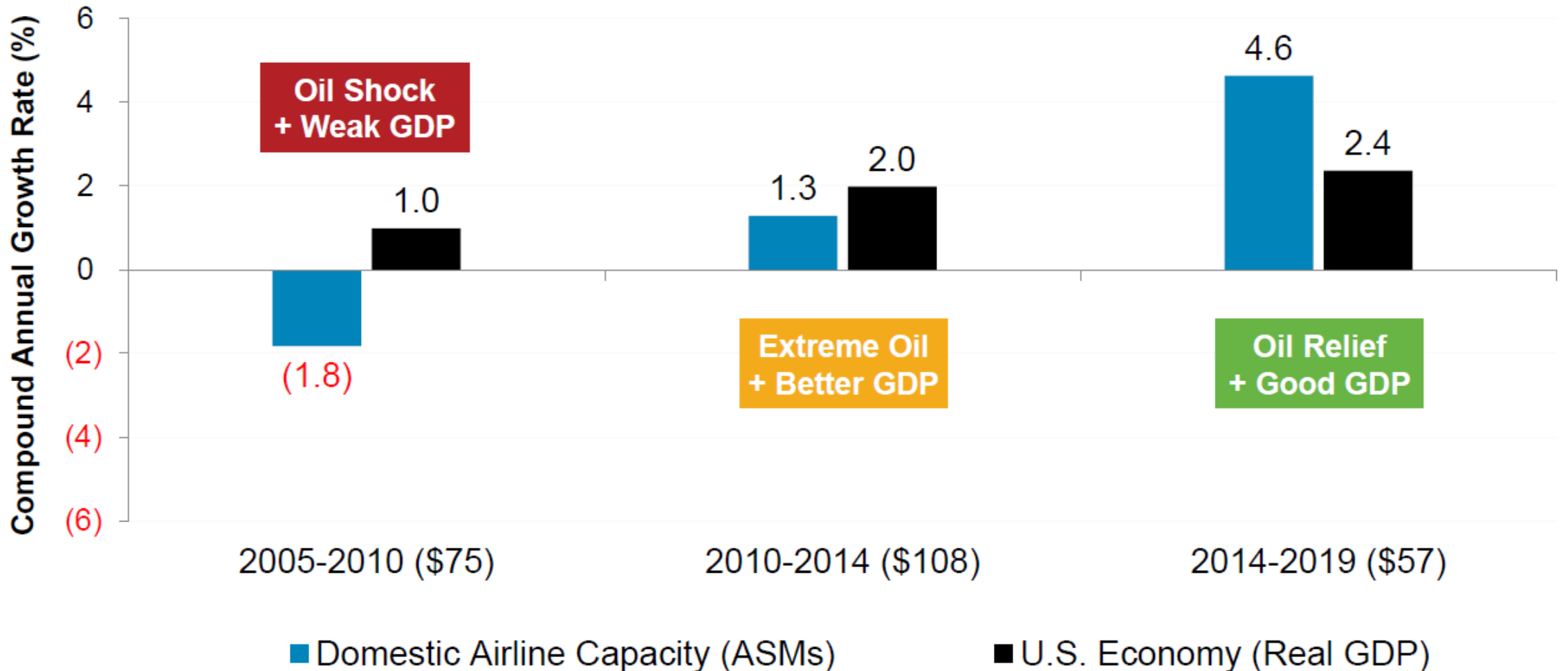


Source: SEC filings of Alaska, Allegiant, American, Delta, Frontier, Hawaiian, JetBlue, Southwest, Spirit and United

\* Professional fees, food/beverage, insurance, commissions, GDS fees, communications, advertising, utilities, office supplies, crew hotels, payments to regional carriers, etc.

# For U.S. Airlines, the Price of Oil\* Is a Significant Determinant of Capacity Growth

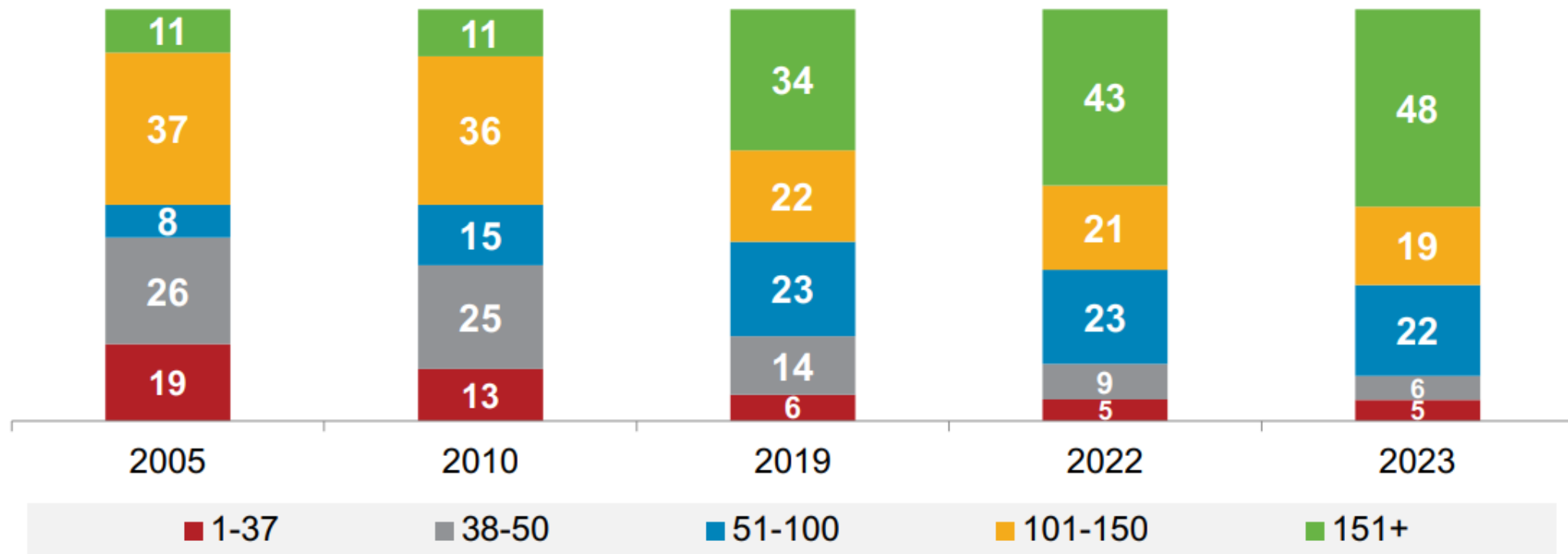
## When Fuel Costs Decline and Finances Improve, Growth Accelerates



# Upgauging and Growth of ULCCs / Other Mainline-Only Carriers Have Boosted Aircraft Size

Regionals Account for 33% of Domestic Departures in 2023, and Two-Thirds of Those Are > 50 Seats

% of Domestic U.S. Scheduled Passenger Airline Departures by Aircraft Size\*



Source: Cirium published schedules (Sept. 16, 2023)

Note: Numbers may not add to 100 due to rounding



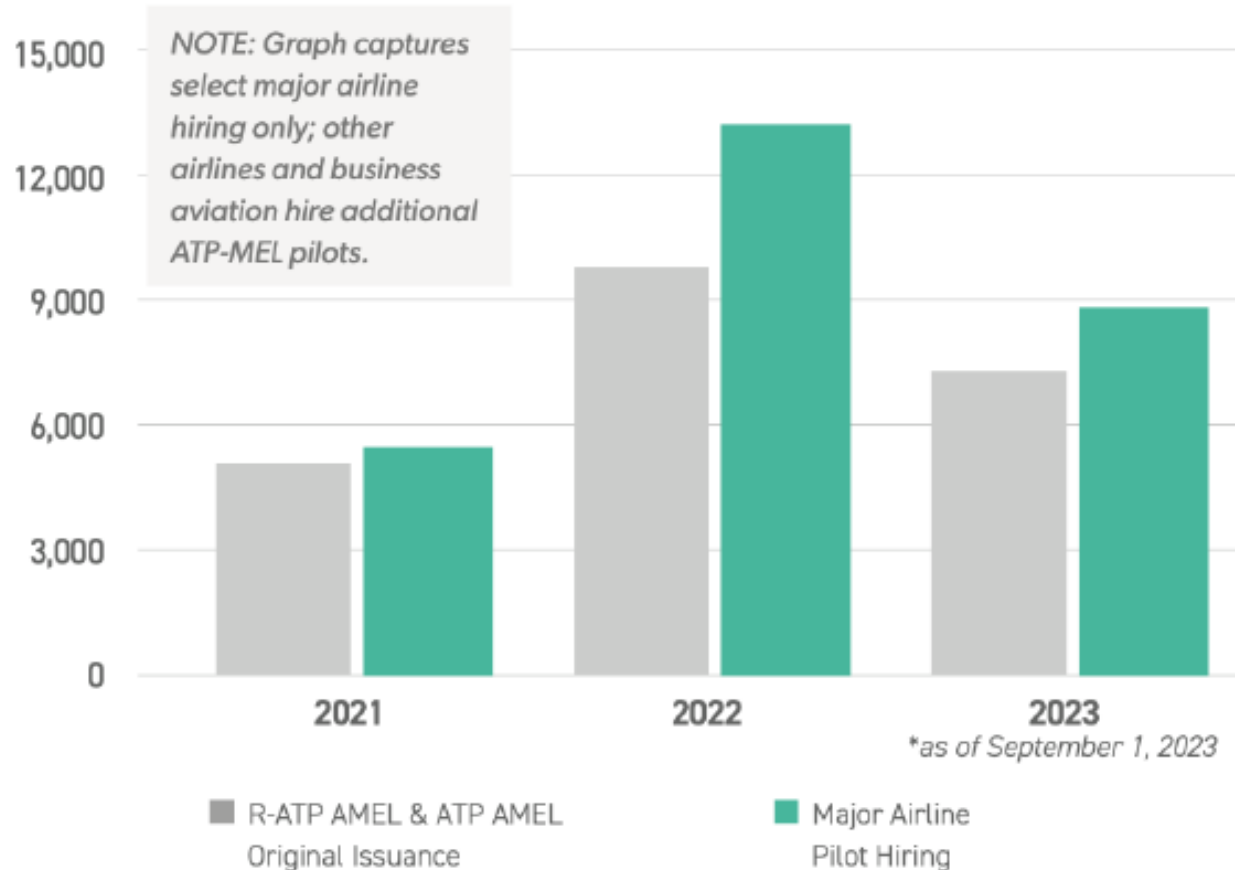
# Airline Issues

- Balance of supply and demand shifting
- Very thin margins
- Fuel price volatility creates an artificial ceiling
- Vulnerability to economic downturn (Inflation/GDP)
- Unpredictable one-time events (e.g. Ukraine war, COVID-19, Global Financial Crisis)
- Airport business models can sometimes be at odds with airline goals
- Regulations and government policy
- Pilot/Mechanic shortages
- Labor costs outpacing pricing elasticity



# Major Airlines Hiring More Pilots than U.S. Produces

## MAJOR CARRIER HIRING EXCEEDS PRODUCTION OF PILOTS<sup>4</sup>



*Historically, 25-35% of new ATP pilots work for general / business aviation, not airlines. This significant hiring is not captured by these figures.*

# THE PILOT SHORTAGE IS RESULTING IN AN AIR SERVICE COLLAPSE

500

aircraft are parked and remaining aircraft are under utilized.<sup>1</sup>

39/50

states have **less** air service than pre-pandemic.<sup>1</sup>

310 (72%)

airports in the continuous United States have less service than pre pandemic and the average loss is 26% of their flights. 14 airports have lost all service.<sup>1</sup>

Carriers have exited 131 markets.  
**Carriers that partner with regional airlines  
have exited from 77 markets.<sup>1</sup>**

<sup>1</sup> OAG published schedules October 2019 vs. October 2023



# Air Service Crisis

## October 2023 vs. October 2019:

- 7% fewer departures across all airports
- 14 airports (3%) lost all service
- 310 airports (72%) saw reduction or loss of flight  
*average loss was 26% of flights*
- 41 airports (10%) saw a reduction of 50% or more
- 127 airports (29%) saw a reduction of 25% or more

Regional aircraft  
in service in **2023**



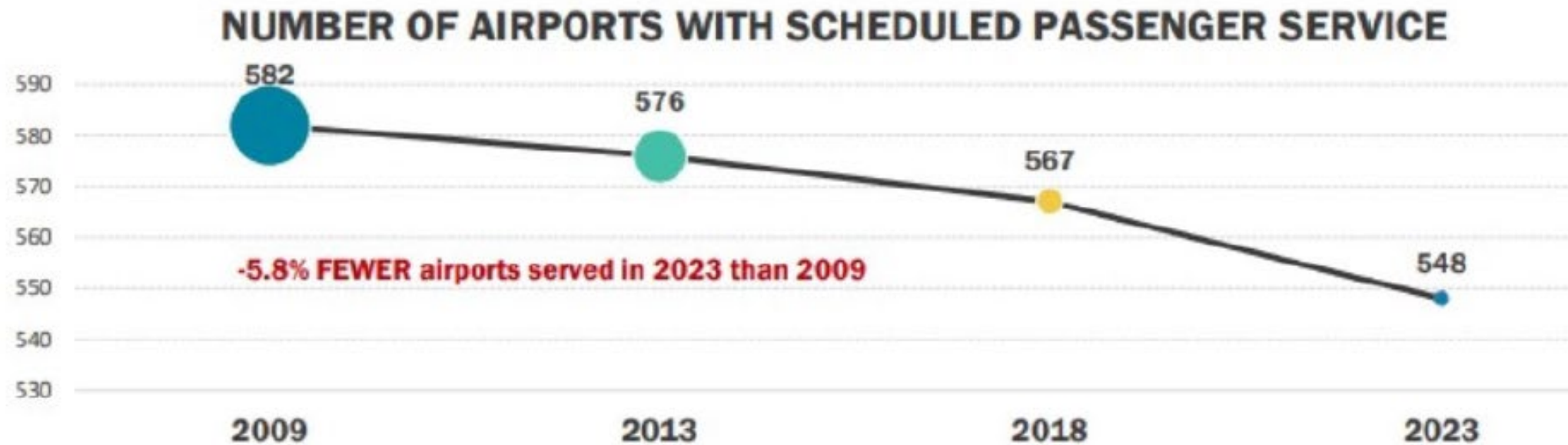
**1,701**

Regional aircraft  
in service in **2019**



**2,018**

# Airports are Losing Service



# Safety Impact of Lost Air Service

- Without reliable and reasonably frequent air service, displaced airline passengers become highway drivers.
- The National Highway Traffic Safety Administration (NHTSA) released Federal Highway Administration data projecting that 42,795 people died in vehicle crashes in 2022.
- Just 19% of Americans live in rural areas, yet 43% of highway fatalities occur on rural roads.
- The fatality rate per 100 million vehicle miles is 1.7 times greater in rural areas compared with urban areas.

Sources: <https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/813428>  
and <https://www.nhtsa.gov/rural>




# Air Service Loss Puts Communities out of Business

- Caterpillar CEO Jim Umpleby: “Locating our headquarters [closer to a global transportation hub](#) means we can meet with global customers, dealers and employees more easily and frequently.”
- Krystal CEO Doug Pendergast said moving the headquarters to Atlanta will [improve air service](#) to its units.
- “Albemarle has been in Baton Rouge for seven years and has decided to move its headquarters to Charlotte. One big draw was [better airline service](#) at Charlotte Douglas International Airport.”
- Charter spokeswoman Anita Lamont: “New York's air service [makes it easier to travel](#) to the 25 states where Charter operates, and not have two transfers on the flight.”
- Nonstop, global connections were a big reason ConAgra decided to move from Omaha to Chicago in 2015: “Omaha’s relatively slim pickings for [direct flights to major cities](#) can be a big detriment when it comes to selling the city.”
- Agriculture giant Archer Daniels Midland [cited air service](#) as one of the benefits of moving its headquarters last year to Chicago from Decatur, Illinois.


## Caterpillar Moving Corporate HQ From Peoria To Chicago

Times Free Press Local Business Sports

October 4th, 2012 | By Ellis Smith | In Local Regional News



CLT, lithium-processing operator factors in bringing chemical HQ



Krystal's Chattanooga headquarters  
Photo by Staff File Photo /Times Free Press

One of Chattanooga's best-known corporate icons is here south.

# ***SOUTHERN***



***Georgia Airports Association, 2023  
Southern Airways /  
Small Commuter Airline Update***

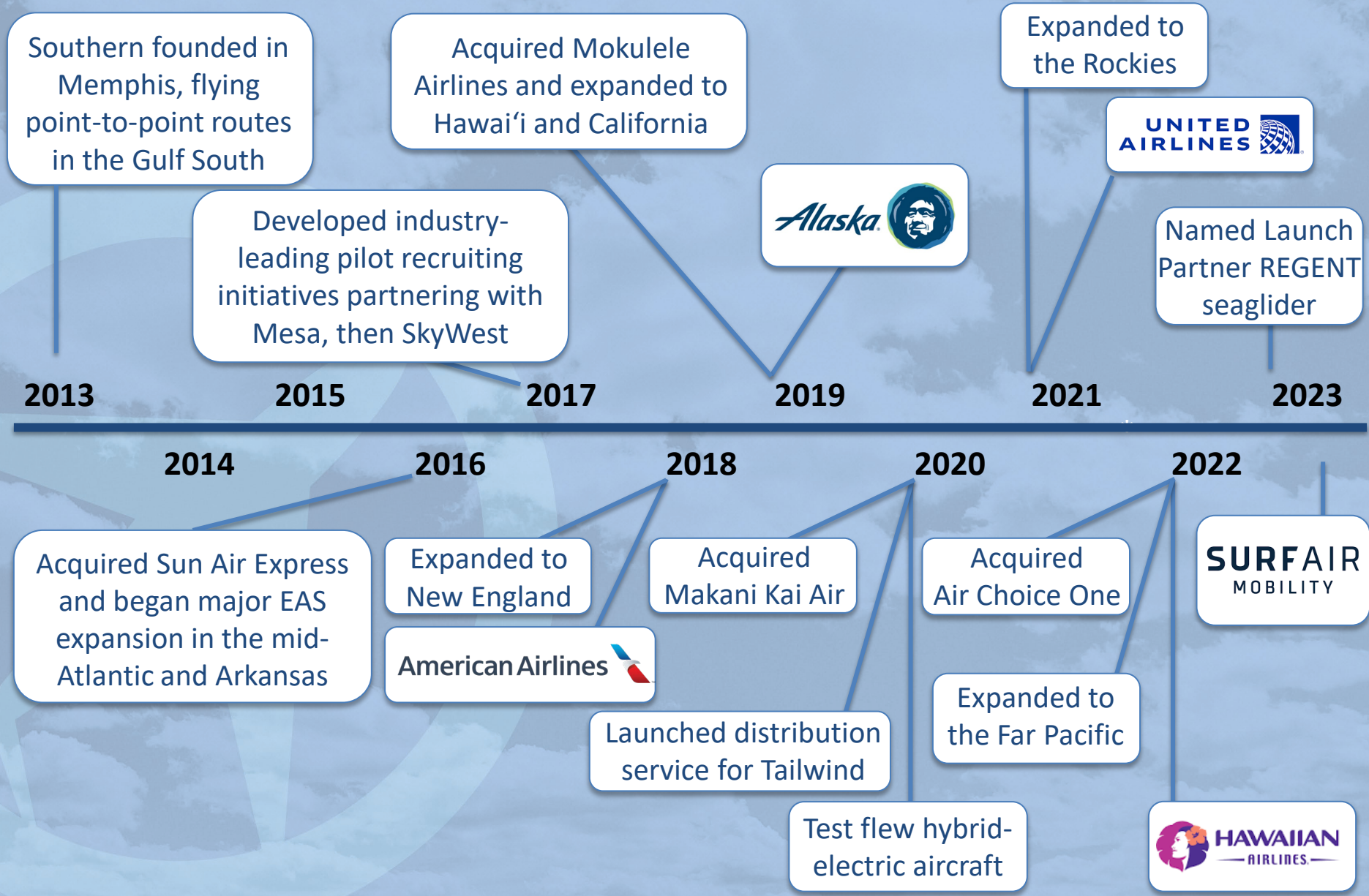
***November 1, 2023***

***MARK CESTARI**  
Chief Commercial Officer*

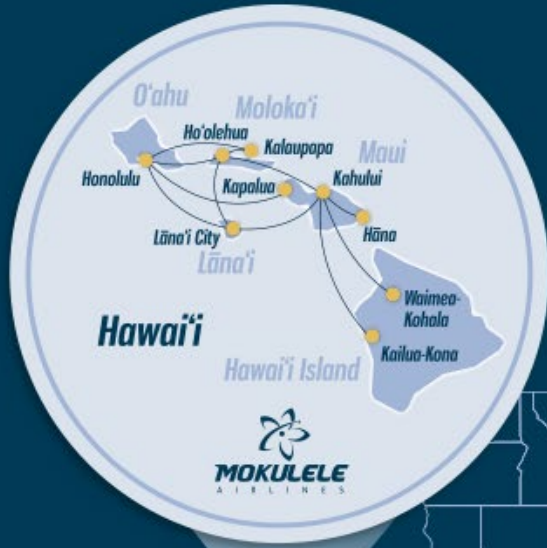




# The Southern Timeline







# Route Map

Now serving 45 cities with over 250 daily departures!





# The Southern Fleet

**Meeting  
Today's  
Changing  
Aviation  
Needs!**



*Cessna Grand Caravan*



*Tecnam P2012 Traveler*



*Pilatus PC-12*



*Saab 340 B*





**More Interline Partners  
=  
More Booking Channels**

There is no better marketing for a community than to be listed on major U.S. airline websites

**SOUTHERN**

*Southern is proud to be interline partners with*

American Airlines *Alaska* UNITED HAWAIIAN AIRLINES

Interline tickets featuring seamless ticketing and baggage transfers can be purchased at iFlySouthern.com



# *Southern Airways*

## *Questions and Answers*

*Sonny McFly*





# Thank You!



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