Ultra Low Cost Carriers (ULCCs)

June 2022

Innovations, Low Prices and Sustainability

National Air Carrier Association

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NACA Represents 21 U.S. Air Carriers, the Most of Any U.S. Airline Trade Association - Including All of the Nation's Ultra-Low-Cost Carriers (ULCCs)

- The National Air Carrier Association (NACA) is a trade association that represents 21 U.S. air carriers, including Allegiant Air, AmeriJet, Atlas Air, Air Transport International, Avelo Airlines, Breeze Airways, Everts Air Cargo, Frontier Airlines, GlobalX, iAero Airways, Kalitta Air, Lynden Air Cargo, Miami Air International, National Air, Northern Air Cargo, Omni Air International, Spirit Airlines, Sun Country Airlines, USA Jet Airlines, Western Global Airlines, and World Atlantic Airlines.

- NACA's member carriers – employing 50,000 highly-trained professionals and operating a fleet of more than 900 aircraft worldwide – play a unique and critical role in the U.S. air transportation system, offering safe, efficient and affordable air service to working families, leisure travelers, the U.S. government and businesses.

- NACA's ULCC members – Allegiant, Avelo, Breeze, Frontier, Spirit and Sun Country – offer the lowest fares in the U.S. airline industry, averaging just over $50 per one-way segment in 2021. Even when ancillary fees are included (and, depending on the carrier and market, between 25-40% of our customers do not opt for ancillary services), passengers still end up paying far less than a customer does for the fare alone on Southwest Airlines, let alone the high fares charged by the three legacy network airlines.

***Scan or click** for full access to NACA ULCC Lobbying deck.*

Data driven charts and graphs to supporting the topics discussed

Policy Action Needed to Increase ULCC Access to the Nation's Most Congested Airports

- ULCCs are effectively shut out of the nation's most congested airports, including New York (LaGuardia (LGA) and JFK) and Washington, D.C. (Reagan National (DCA)). While ULCCs currently serve 13% of domestic passengers and plan to serve over 20% within five years, we collectively hold just 3% of the slots at LGA and DCA. As a result, average fares in these markets are among the highest in the nation.

- Network carriers have over 80% of the departures at LGA and DCA, and they are not fully utilizing these slots, which are valuable public assets and should be used for the public benefit. A third of DCA slots aren't even used for passengers traveling to/from Washington but rather for connections that could be served by other hubs.

~125
airports ready to serve

- ULCCs stand ready to serve over 125 small- and medium-sized airports from LGA and DCA. Ensuring ULCC access to congested airports will result in lower fares for passengers. When ULCCs enter new markets, average fares for all passengers in those markets drop by an average of 18%. Only the ULCCs and Southwest provide this significant fare discipline.

- In the near-term, DOT should end further slot usage waivers. In the long-term, policymakers – as part of the 2023 FAA reauthorization bill – should implement legislative and regulatory policies that result in greater ULCC access to congested airports.

The Pilot Shortage is Real and Must Be Addressed to Ensure U.S. Airline Industry Growth, Reduce Delays and Cancellations, Protect Service to Small and Rural Communities, and Contain Fares

- To meet current passenger and cargo demand, U.S. airlines need to hire at least 7,500 pilots this year, yet the current pool of pilots is less than 5,000.

43%
reductions in student pilots

- As a result, airlines have been forced to reduce and eliminate service – especially to less profitable small and rural communities – due to lack of pilot supply. In the next five years, the industry will lose 11,000 active pilots due to the current regulatory mandate that pilots retire at age 65. By 2030, the total shortfall of pilots will total nearly 30,000.

- Surging demand and fewer flights will result in higher fares for passengers, driving further inflation.

- Despite average pay increasing by nearly 70%, fewer Americans are pursuing careers as airline pilots. To help increase the pilot supply in the near- and long-term, policymakers should (1) provide financial incentives to encourage more Americans to pursue careers as pilots; (2) allow additional credit or provide an alternative means of compliance toward the 1,500-hour rule for structured and simulator training (which will result in better pilots); (3) and increase mandatory retirement age to 68.

***Scan or click** for full access to the Pilot Scarcity Deck.*

With further detail on the pilot outlook and the environment and possible solutions

While Passenger and Cargo Demand Is Rebounding From the Pandemic, Congress and the Biden Administration Should Hold the Line on New Non-Safety Regulations, Taxes and Fees to Ensure the Industry's Nascent Recovery and Protect U.S. Airline Jobs

- New regulations that do not enhance safety (*i.e.*, mandating minimum passenger seat dimensions and applying commercial passenger pilot flight and duty time regulations to cargo pilots) and higher taxes and fees will further increase airline operating costs, which will translate into higher fares and shipping rates for our customers.

- With average base fares of just over $50, ULCCs would be disproportionately impacted vis-à-vis network airlines if taxes and fees, especially the Passenger Facility Charge, were increased as part of the 2023 FAA reauthorization legislation. In fact, federal taxes and fees constitute 36% of a ULCC fare.

- Because airlines are still paying down billions of dollars of debt from the historic downturn in air travel caused by the COVID-19 pandemic and are now confronting near record-high jet fuel prices, we respectfully ask that policymakers hold the line on the industry's already high tax and regulatory burdens.

Avg. base fares just over **$50**

36% of fare federal taxes & fess

ULCCs are the Greenest Segment of the U.S. Passenger Airline Industry

- NACA carriers are committed to helping the industry further reduce its greenhouse gas emissions footprint. In contrast to most non-ULCC carriers, we have already invested billions of dollars in newer aircraft that are up to 20% more efficient than the models they replaced. As a result, ULCCs were the only airlines to exceed international fuel efficiency targets over the last economic cycle.

- Because ULCCs do not offer business class seating, we serve more people with fewer aircraft. This is a critical component to our highly successful and popular business model that allows us to provide the lowest fares in the industry. By offering more passenger seating, the ULCCs are proud to have the lowest fuel consumption per seat in the U.S.

- Since ULCCs fly when people want, we operate more efficiently than non-ULCCs. We fly a substantially higher percentage of seats on peak days of the week than non-ULCCs, operate primarily point-to-point, nonstop service, and utilize larger aircraft at the most congested airports in the country.

- To ensure the continued growth of our sector, we ask that policymakers (1) ensure that any future emissions reduction targets recognize the substantial reductions that we have already made; (2) provide additional tax incentives and robust research funding to make sustainable aviation fuels (SAF) commercially viable, and direct FAA to develop SAF performance standards; and (3) continue vigorous oversight to ensure that the FAA expedites the deployment NextGen, particularly the deployment of performance-based navigation procedures.