



Ultra Low-Cost Carriers (ULCCs)

Innovation, Low Prices, and Sustainability



U.S ULTRA LOW COST CARRIERS (ULCCs)

The ULCCs (Allegiant, Avelo, Breeze, Frontier, Spirit and Sun Country) – offer the lowest fares, predominately nonstop, in the U.S. airline industry, averaging **just about \$70 per one-way segment in 2023**. 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 network airlines.

1 Policy Constraints

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

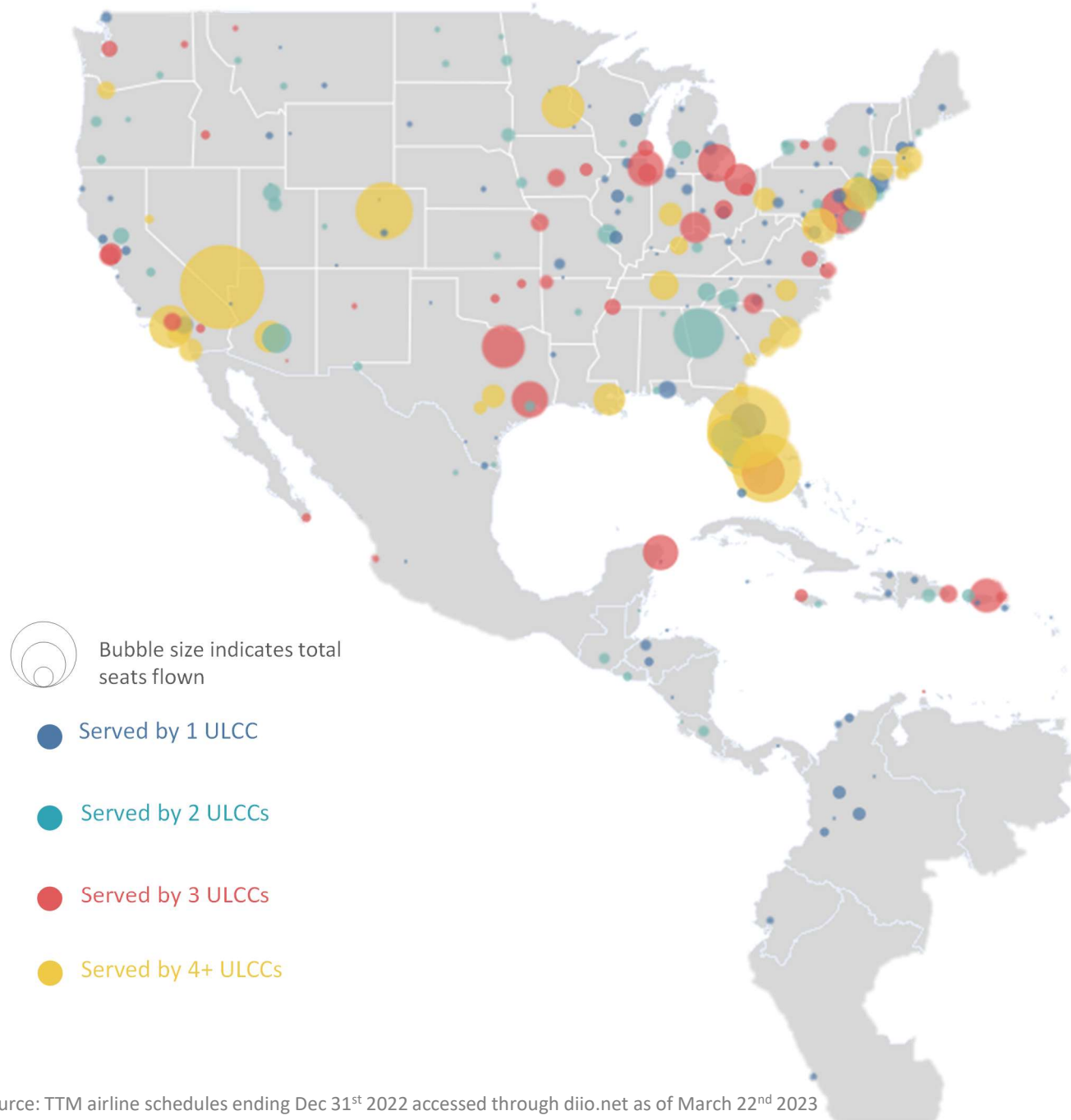
2 Asset Constraints

Policy Action Needed to Increase ULCC Access to the Nation's Most Congested Airports, Including Slots, Gates and ATC Capacity Related Issues Depending on Airport

3 Pilot Constraints

*The Pilot Scarcity 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 Inflation in Fares. A fix like the **Thune – Sinema** amendment is needed in this reauthorization to ensure our survival to the next*

Snapshot of the ULCCs – Significant presence from coast to coast

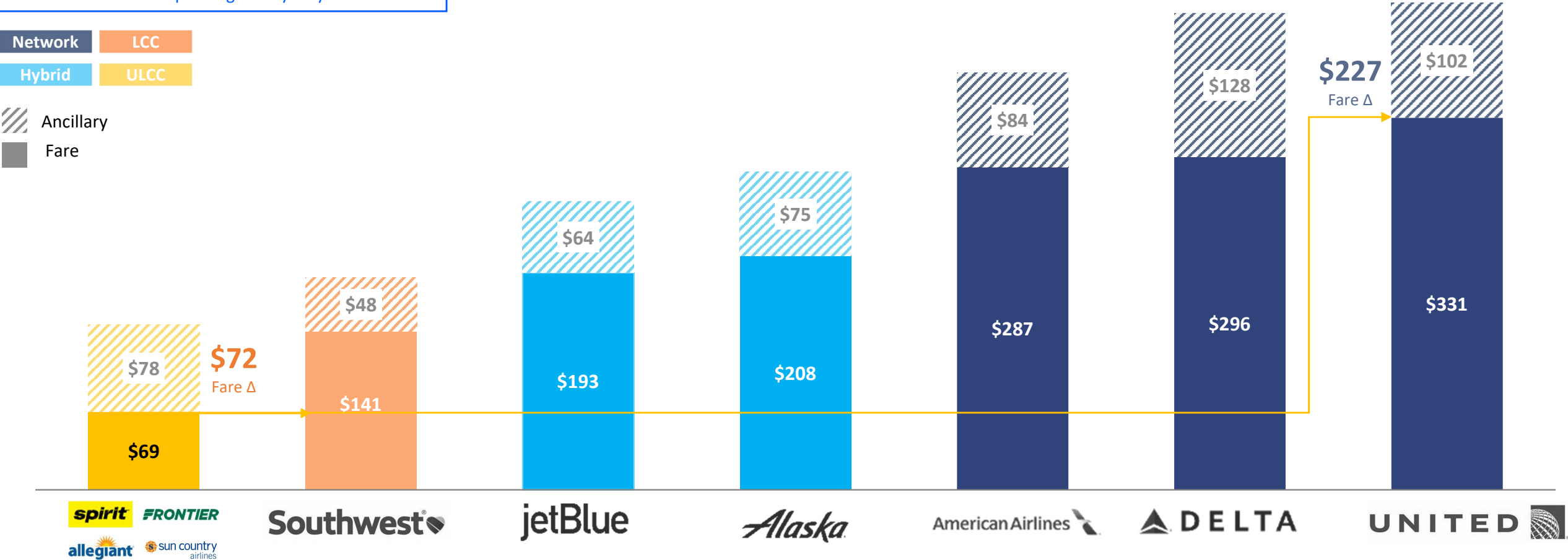


- ✈ 85+ million passengers in 2022
- ✈ 242 unique airports
- ✈ 28,000+ employees
- ✈ ~1,800+ peak daily departures
- ✈ 520+ aircraft
- ✈ ~15% market share by domestic passengers
- ✈ ...and growing. The ULCC segment is the fastest growing part of the airline industry

ULCCs offer the lowest fares and force discipline – the ULCC effect

Average O&D Fare by Airline
TTM 2023Q3

- ULCC passengers pay on average \$42 less each way than on Southwest – even including ancillaries
- ~25-40% of ULCC passengers buy only airfare

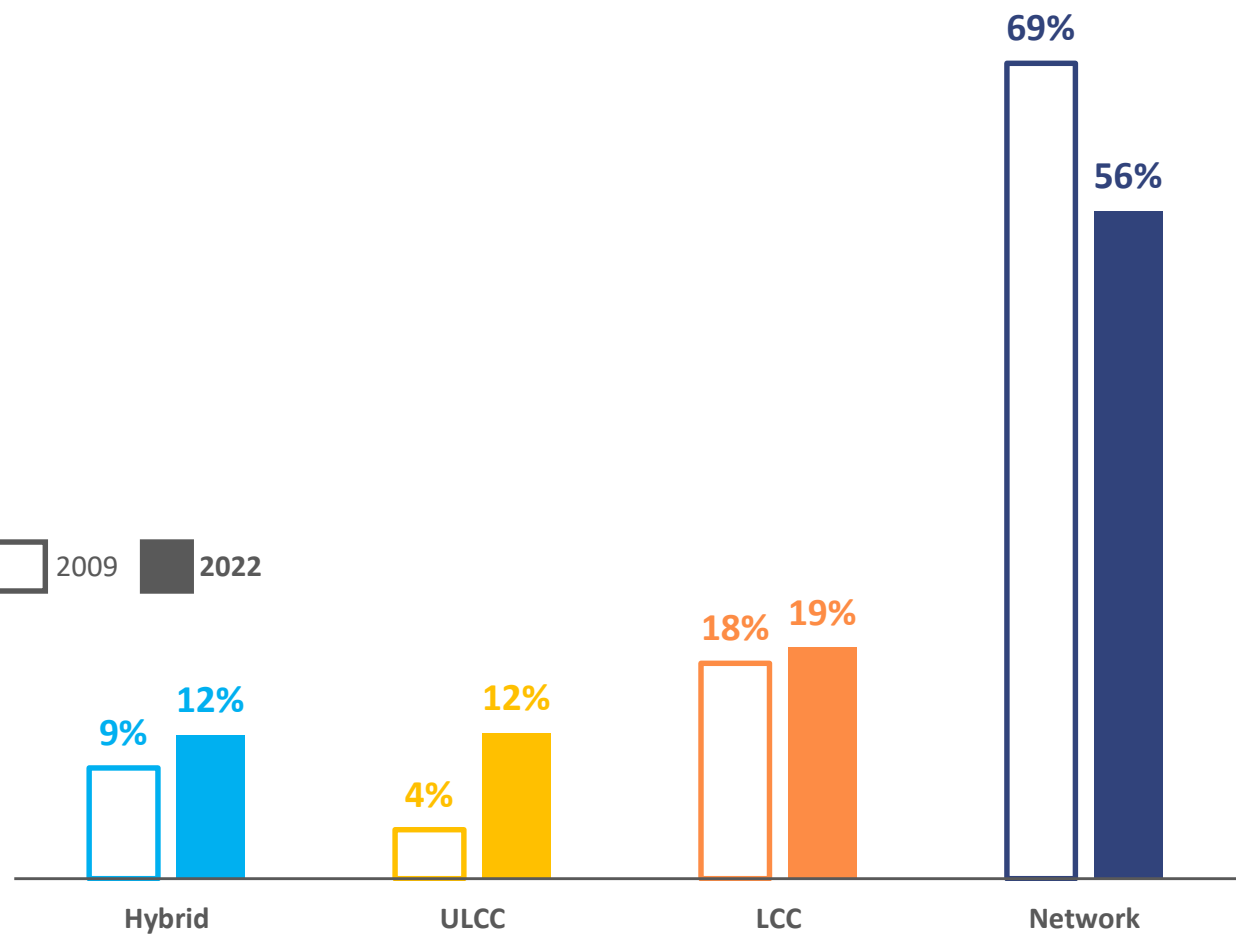


Source: US DOT O&D Survey, right chart: Network (American, Delta, United), Hybrid(JetBlue, Alaska, Hawaiian), LCC(Southwest), ULCC(Allegiant, Frontier, Spirit, Sun Country)

ULCCs are the fastest growing and most environmentally friendly

% Change in Systemwide Market Share
2009 vs. 2022

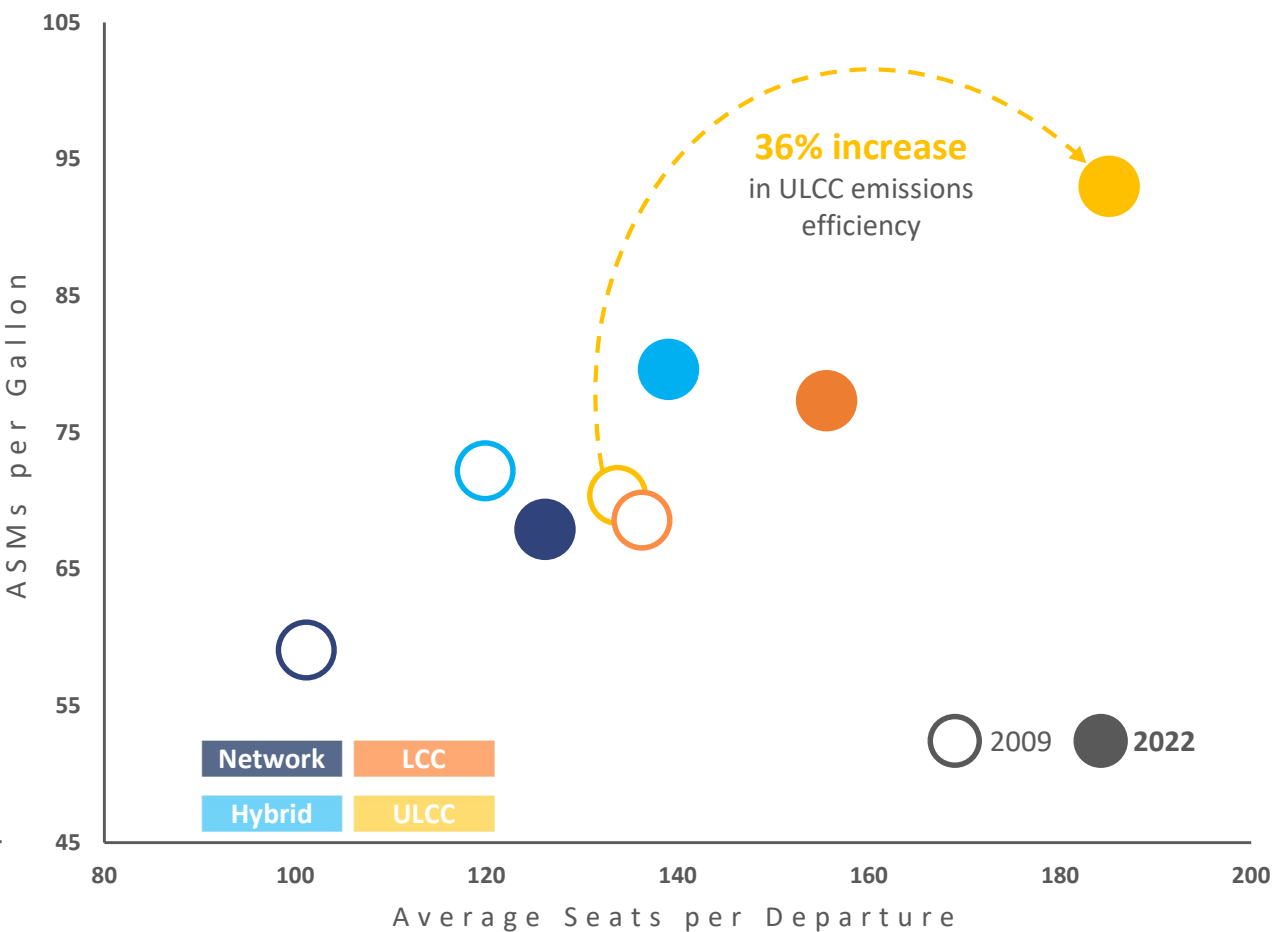
→ **ULCCs** have been able to **grow their market share ~325%** whereas Network carriers have shrunk



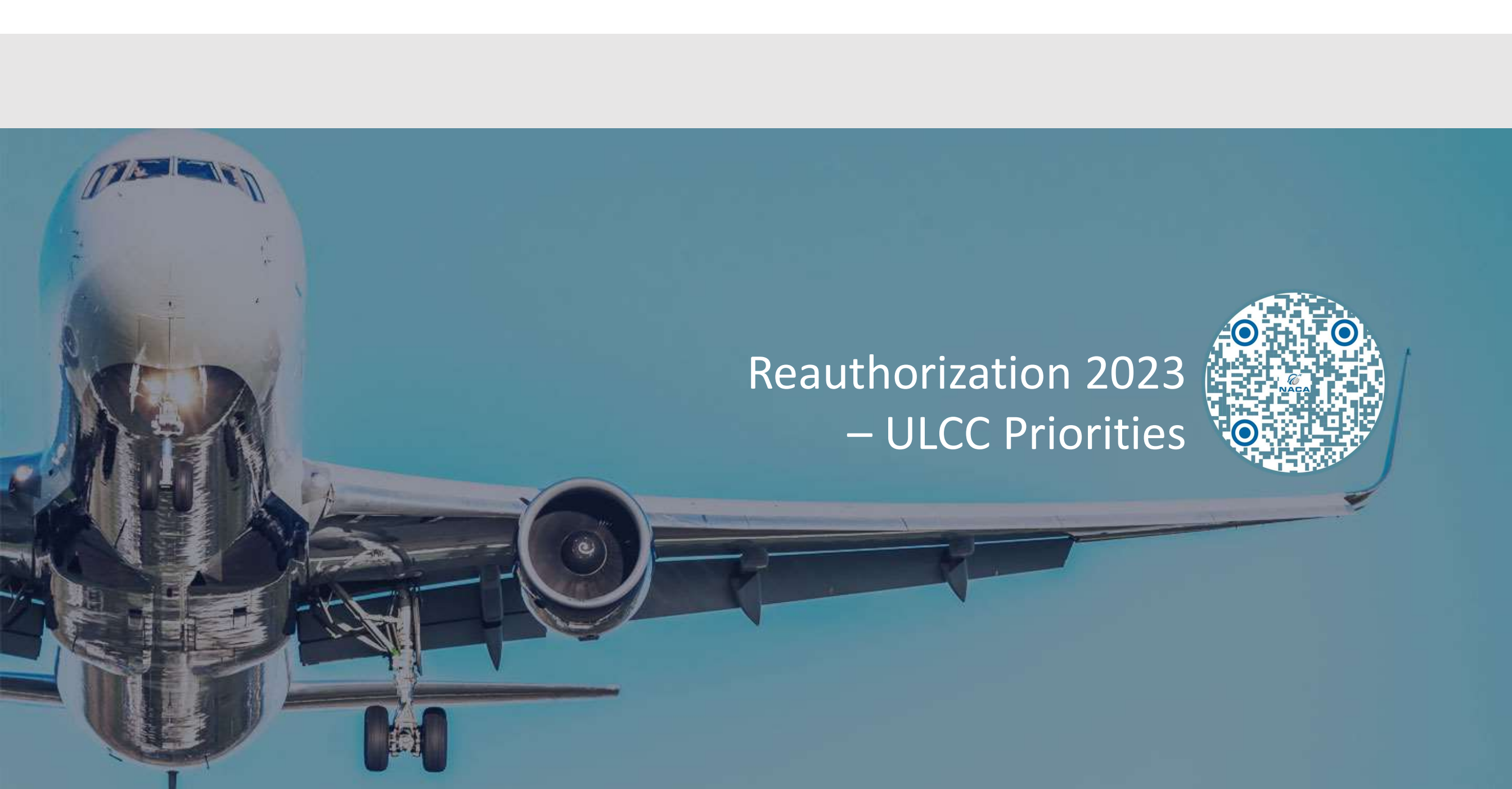
ASMs per Gallon vs. Average Seats per Departure
FY2009 vs. FY2022

→ **ULCCs** have improved fuel efficiency as a result of investment in next generation aircraft and higher avg. seats per departure vs. network carriers (185 vs. 126) moving roughly 47% more passengers (pax) per departure in 2022

→ Smaller, but still comfortable seat pitch allows ULCC to be more environmentally friendly



Source: T100 , Source: SEC 10-K Filings (2009 & 2019 & 2022), O&D systemwide market share (US O&D Survey)
Note: Network (American, Delta, United), Hybrid (JetBlue, Alaska, Hawaiian), LCC(Southwest), ULCC (Allegiant, Frontier, Spirit, Sun Country), Regional Carriers (operating for American, Alaska, Delta, and United)



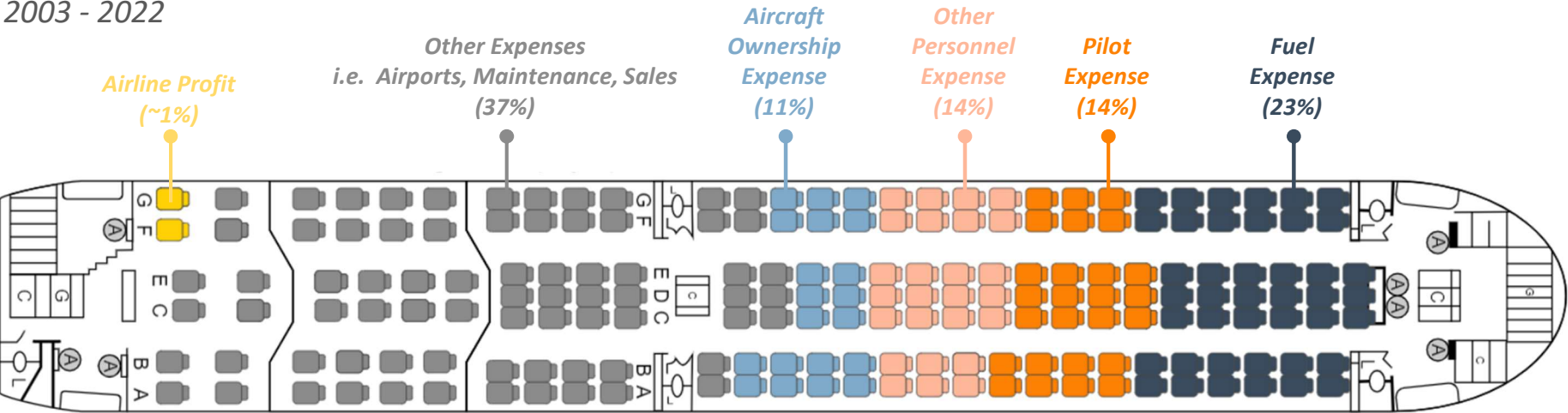
Reauthorization 2023 – ULCC Priorities



“Do no harm” – airlines barely profitable, highly taxed, and regulated

Airline Expense & Profits

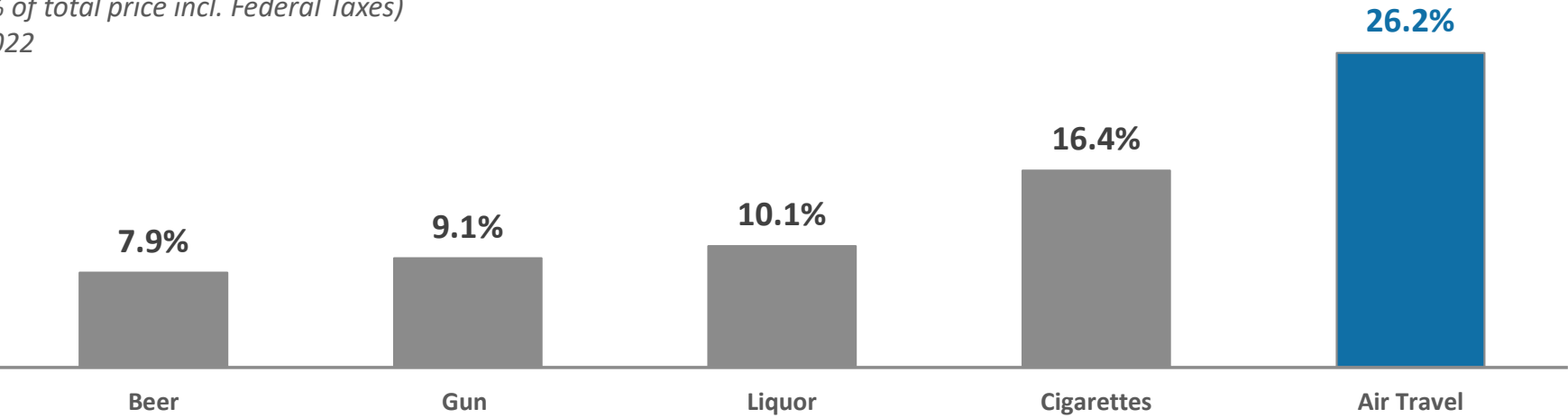
2003 - 2022



- ✈ ULCCs do no harm priorities are around ancillaries, ancillary transparency, refunds, seat pitch, and PFCs
- ✈ **PFCs disproportionately** effect the ULCC's since its not a % based fee but rather a fixed fee
- ✈ Airline travel is one of **the most heavily taxed products**

Effective Federal Excise Tax Rate “sin tax”

(% of total price incl. Federal Taxes)
2022



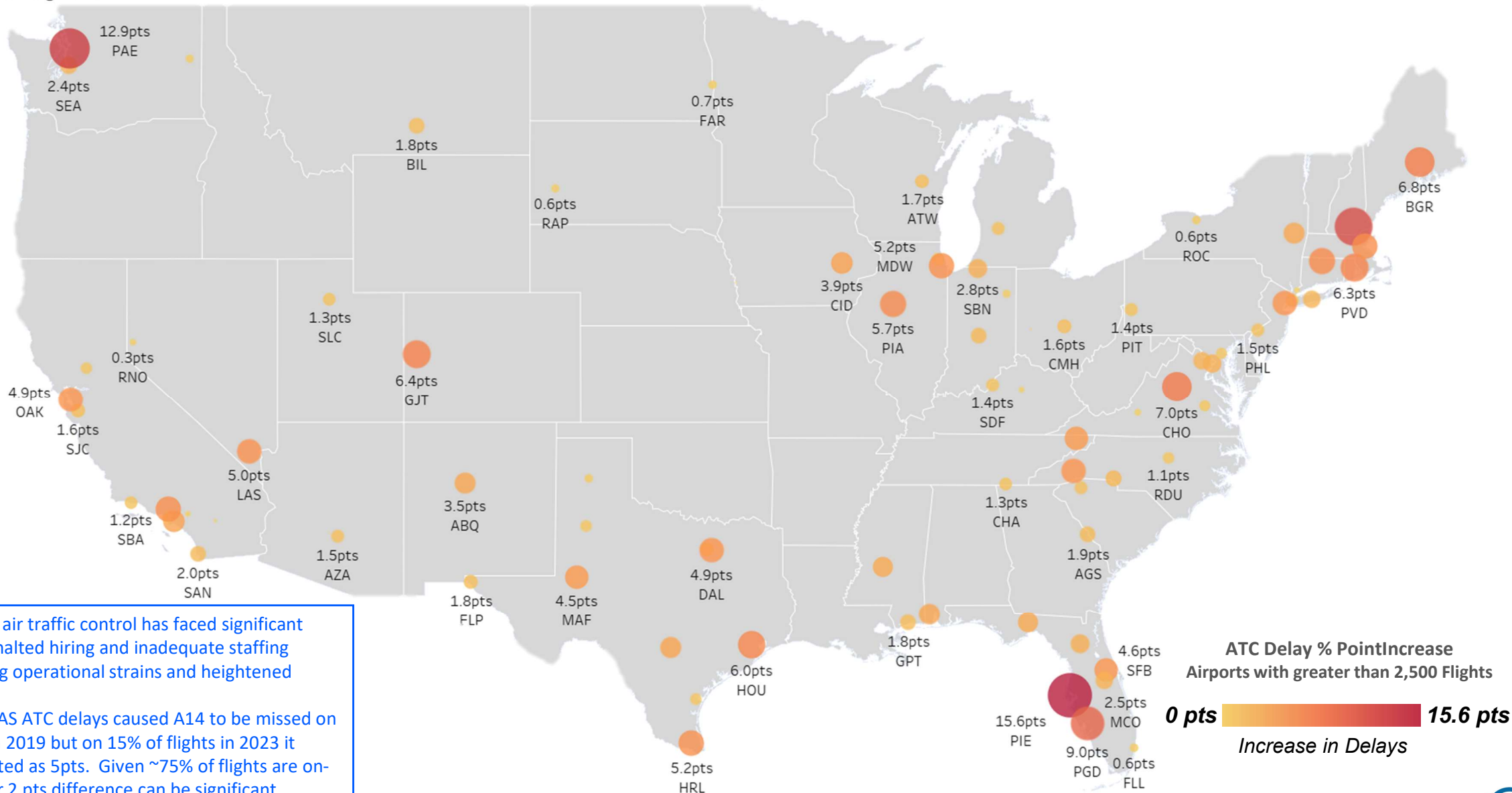
Notes

- Beer: 12-pack of Bud Light costing \$10.49 taxed at \$0.05 per can
- Pistols and Revolvers: Federal rate is 10 percent of pre-tax sale price
- Distilled Spirits: 750ml 80 proof of Tito's Vodka costing \$18.99 taxed at \$2.14
- Cigarettes: Pack of 20 small cigarettes costing \$5.15 before federal excise taxes of \$1.01
- Air Travel: \$52 domestic round trip with one stop each way involving airports levying a passenger facility charge of \$4.50 per segment

ATC staffing causing inability for airlines to serve more passengers

Change in Percent of Delay Minutes (pts) Caused by ATC

Jan-Aug 2019 vs. Jan-Aug 2023

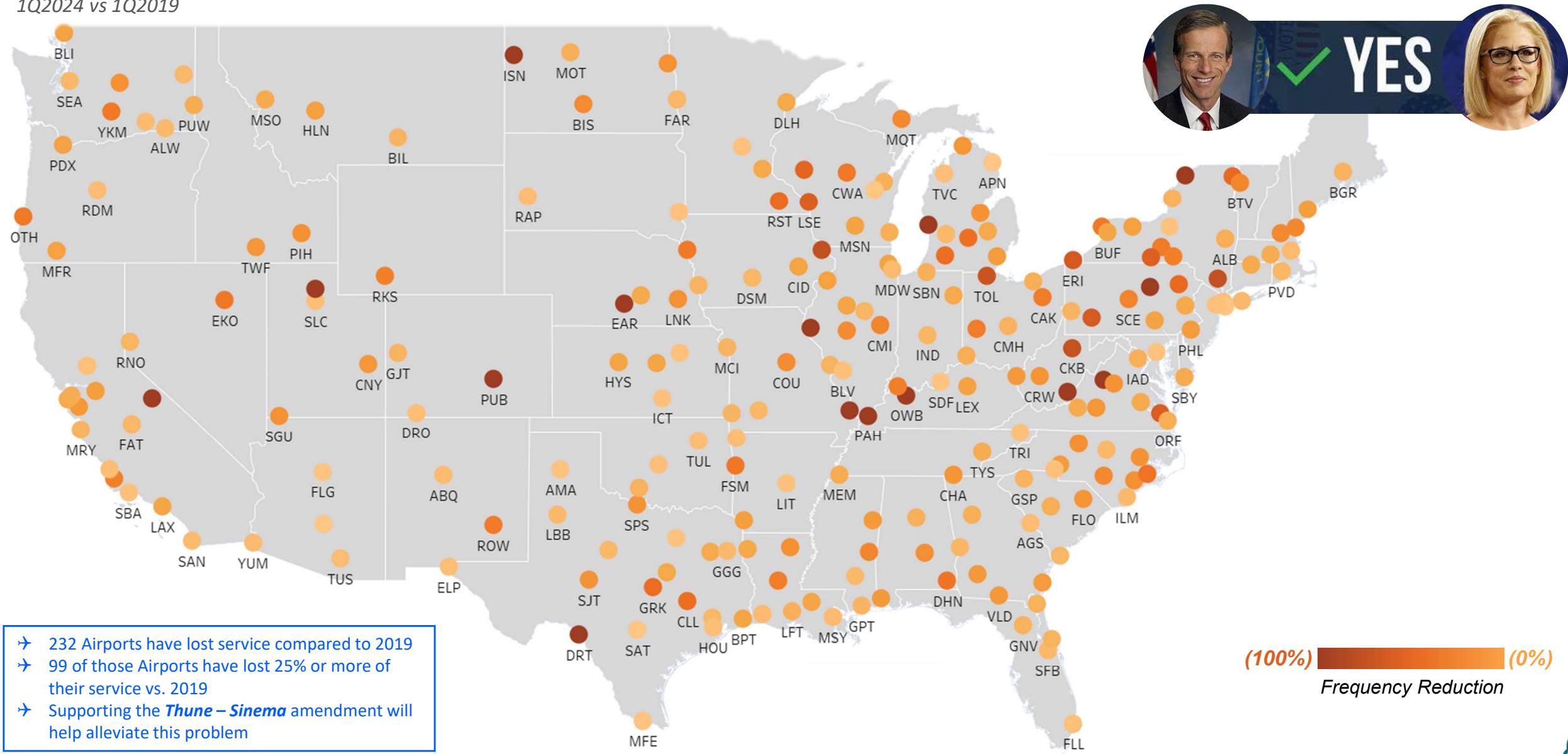


- Post-pandemic, air traffic control has faced significant hurdles due to halted hiring and inadequate staffing policies, creating operational strains and heightened challenges
- for example if LAS ATC delays caused A14 to be missed on 10% of flights in 2019 but on 15% of flights in 2023 it would be reflected as 5pts. Given ~75% of flights are on-time even a 1 or 2 pts difference can be significant

Pilot Scarcity – meaningful loss of air service that is unlikely to be restored

Airports with Lost Service

1Q2024 vs 1Q2019



- ➔ 232 Airports have lost service compared to 2019
- ➔ 99 of those Airports have lost 25% or more of their service vs. 2019
- ➔ Supporting the *Thune – Sinema* amendment will help alleviate this problem

Source: Airline Schedules from DIIIO

Appendix



For a deeper look at the Pilot
Scarcity or to access this deck
online check out
www.wefly4you.com

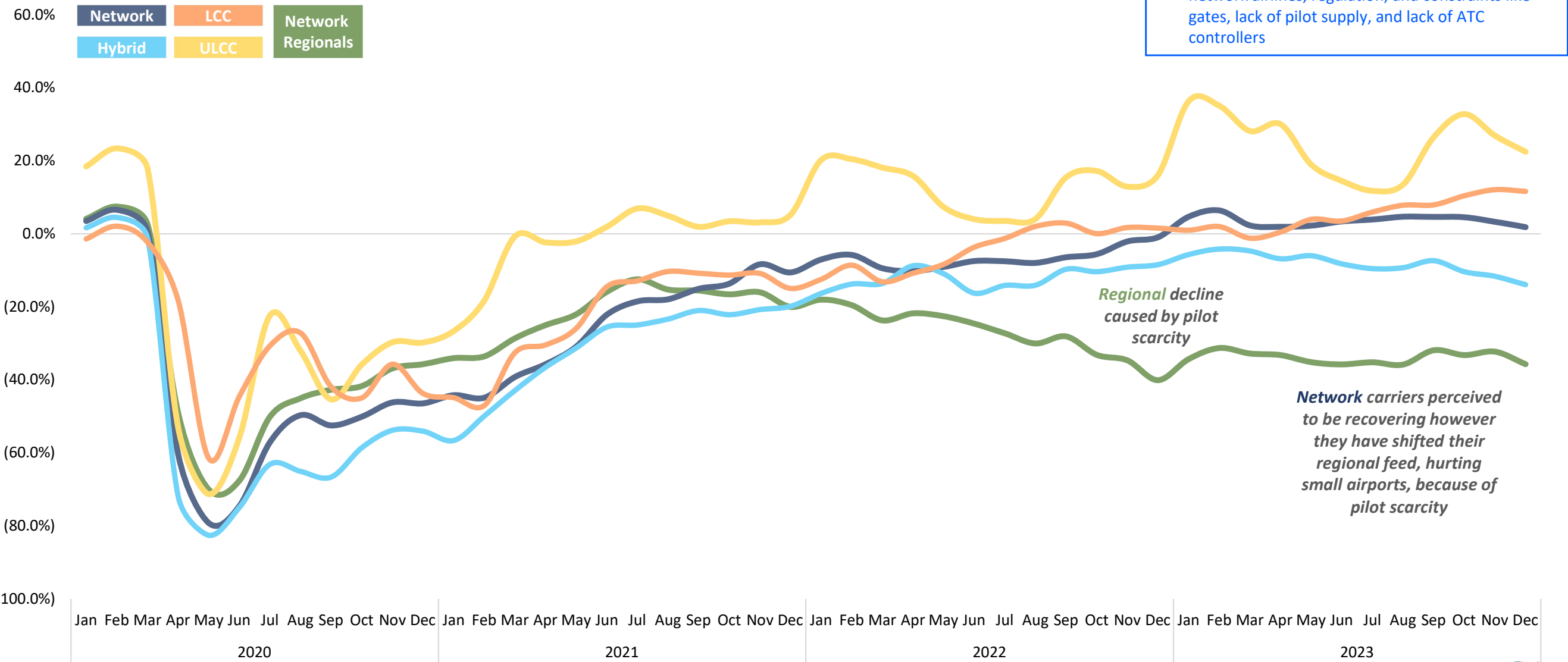


Industry growth and recovery is driven by ULCC carriers

% Change in Domestic Departures vs 2019

Jan '20 – Dec '23

- ULCCs have recovered back to 2019 levels before any other sector of the industry
- **Two ULCCs started operations during the Pandemic** and have added to growth / recovery
- ULCC growth is threatened by subsidy of large network airlines, regulation, and constraints like gates, lack of pilot supply, and lack of ATC controllers



Regional decline caused by pilot scarcity

Network carriers perceived to be recovering however they have shifted their regional feed, hurting small airports, because of pilot scarcity

Note: Network (American, Delta, United), Hybrid (JetBlue, Alaska, Hawaiian), LCC(Southwest), ULCC (Allegiant, Frontier, Spirit, Sun Country), Regional Carriers (operating for American, Alaska, Delta, and United)

Gates have become less accessible despite decreases in utilization

Gate Utilization

March/July 2019 vs 2022

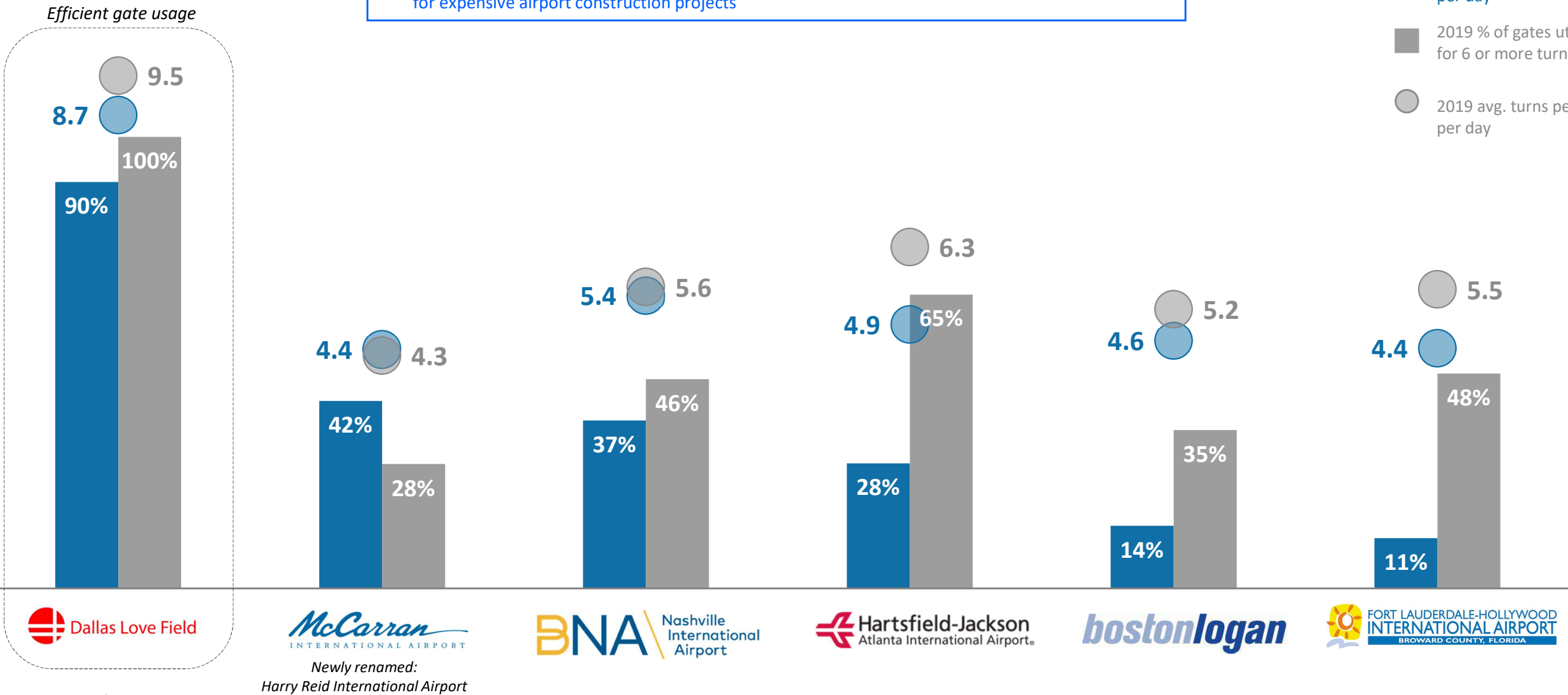
- ULCC gate access has been limited despite declines in departures by other airlines
- Southwest operates averages 8-10 turns per day – what is achievable
- Better utilization of gates would benefit the public by allowing more flights and decrease the need for expensive airport construction projects

2022 % of gates utilized for 6 or more turns

2022 avg. turns per gate per day

2019 % of gates utilized for 6 or more turns

2019 avg. turns per gate per day

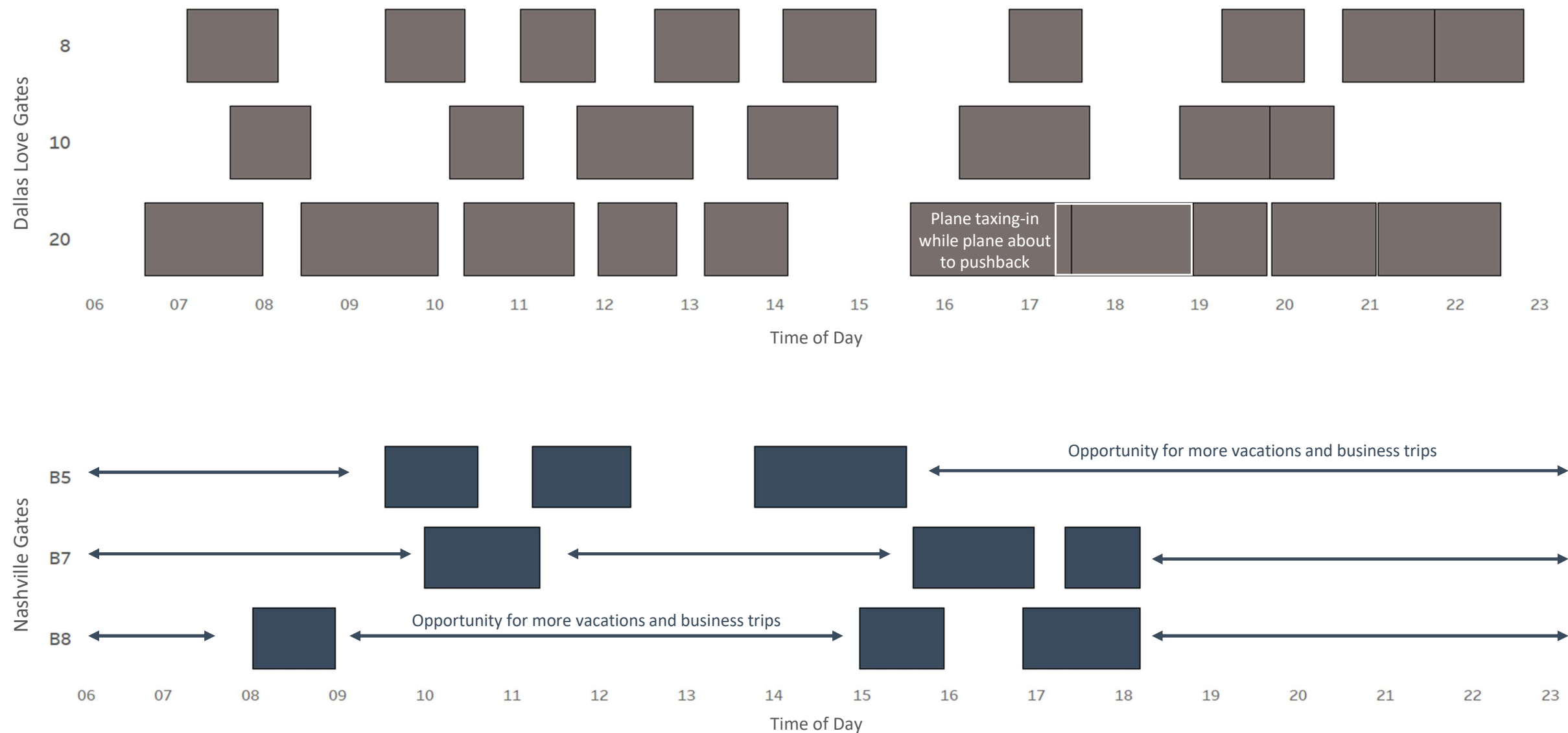


Source: OAG flight status

Gates efficiency can help airport access constraints, allowing more to fly

Example of well-utilized gates vs under-utilized gates

July 15th 2022 – Southwest at Dallas Love ; Delta at Nashville

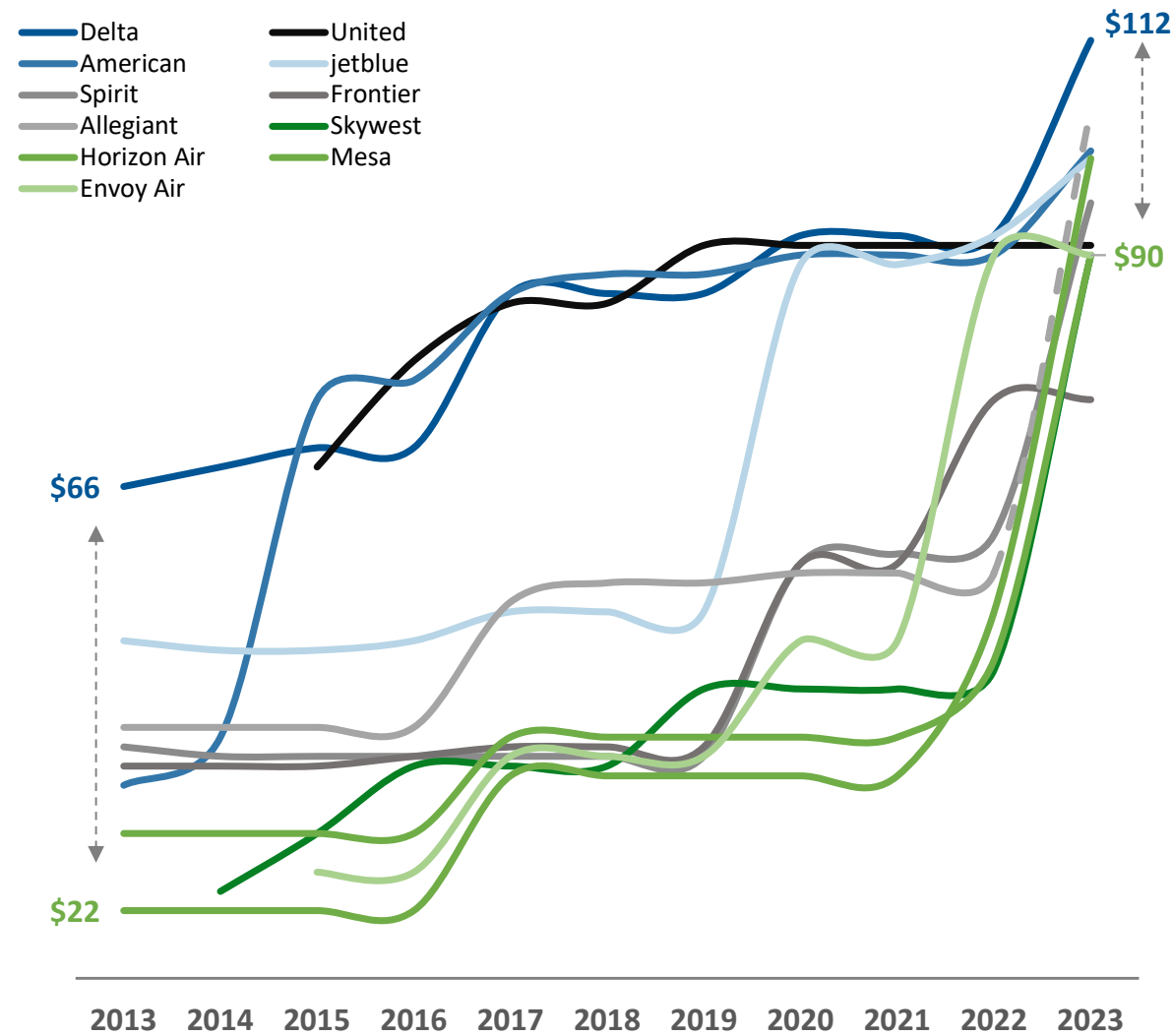


Source: OAG flight status

Raising pay has not addressed the scarcity

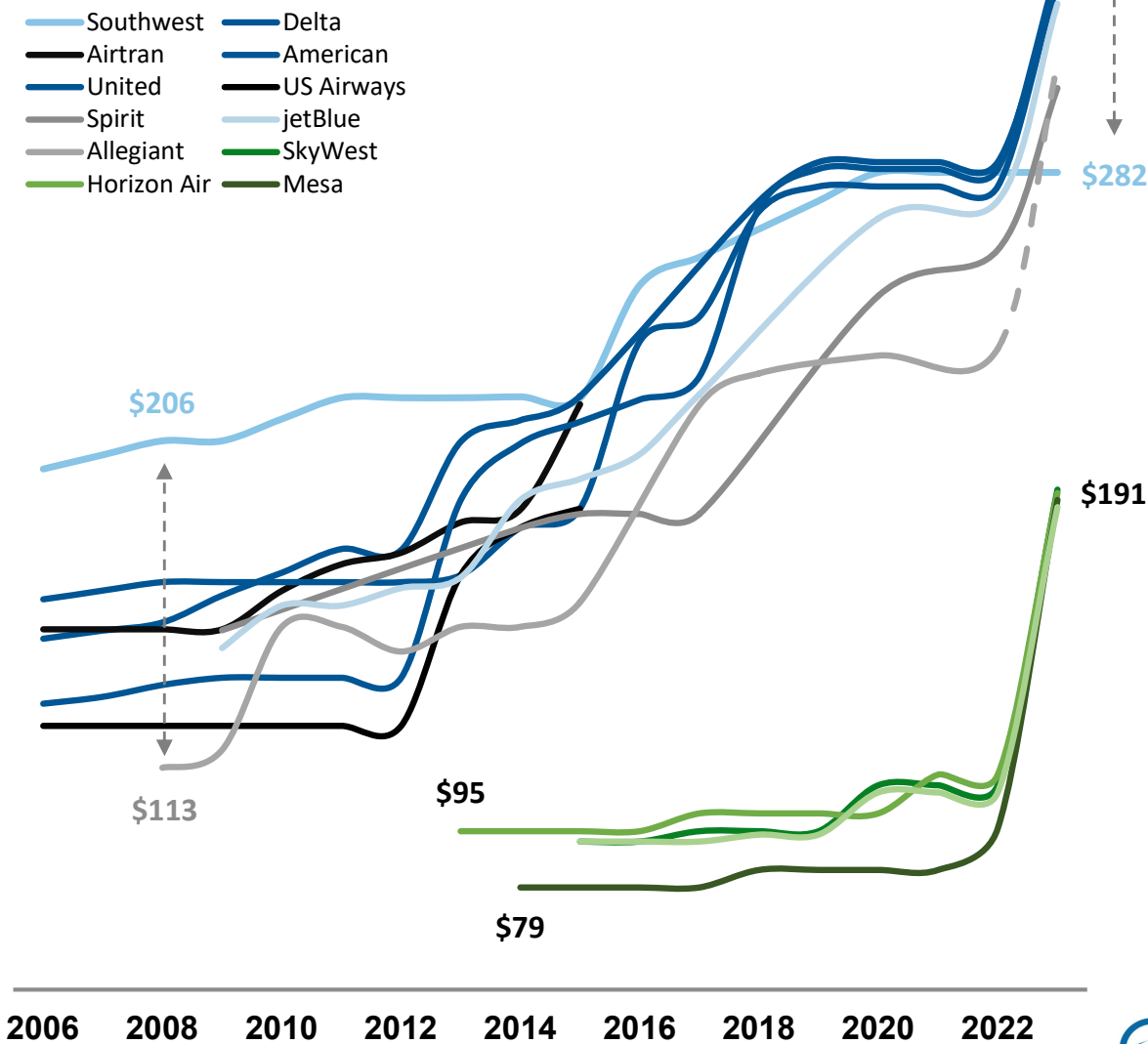
First Officer Hourly Pay Trend

One Year Rates
2013 - 2023



Captain Hourly Pay Trend

12 Year Rates
2006 - 2023



- ✈ Closing Pay Gaps: The Converging Compensation Landscape in the US Aviation Industry
- ✈ The avg. pay has increased 111% from 2006
- ✈ Over the last decade wage competition in the airline industry has been lost

Source: Pilot CBA agreements, AirlinePilotCentral (WayBack Machine) & Form 41



We fly for you[®]



For a deeper look at the Pilot
Scarcity or to access this deck
online check out
www.wefly4you.com

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