



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 over \$60 per one-way segment in 2022**. 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

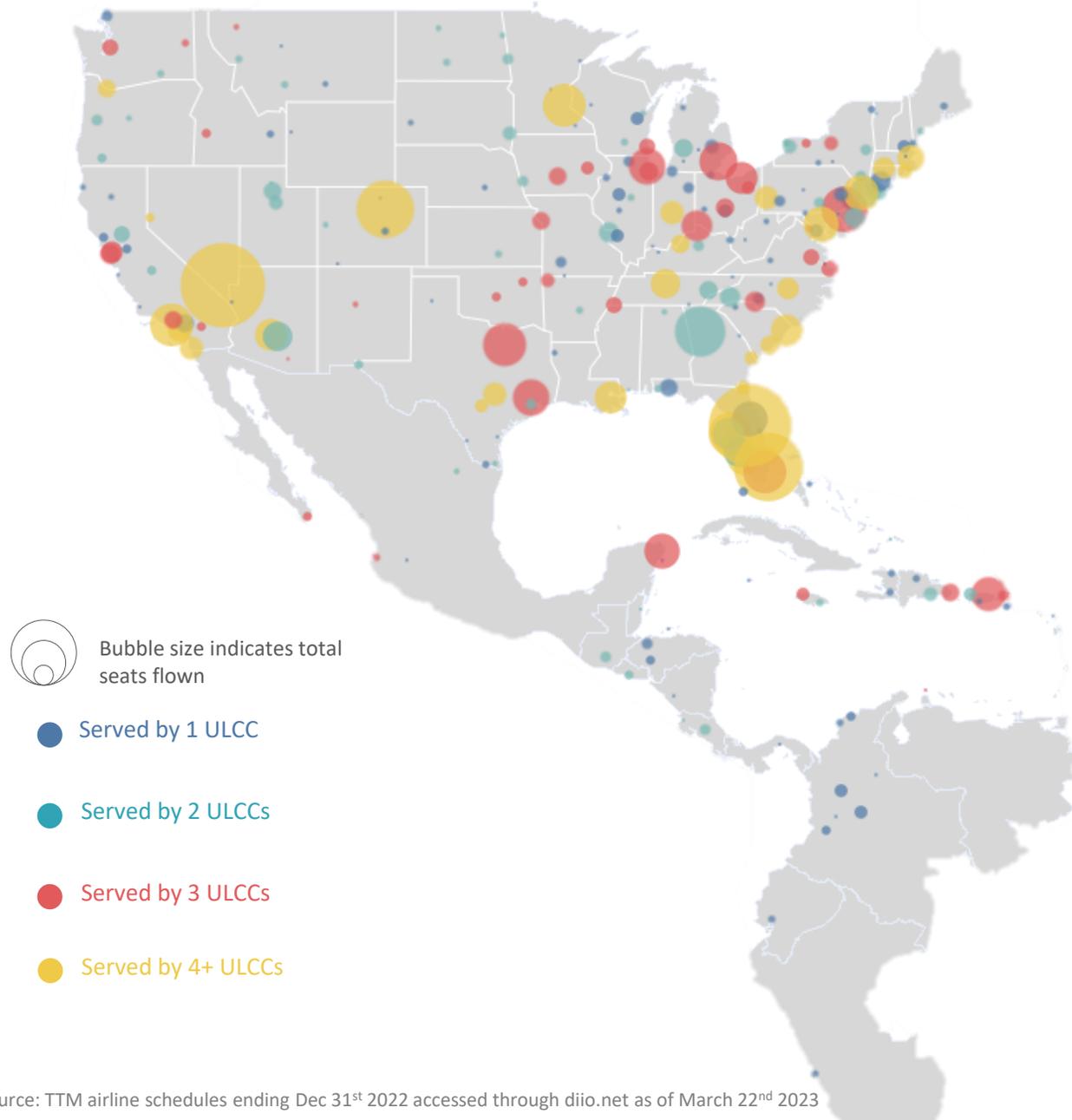
2 Asset Constraints

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 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 Inflation in Fares

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

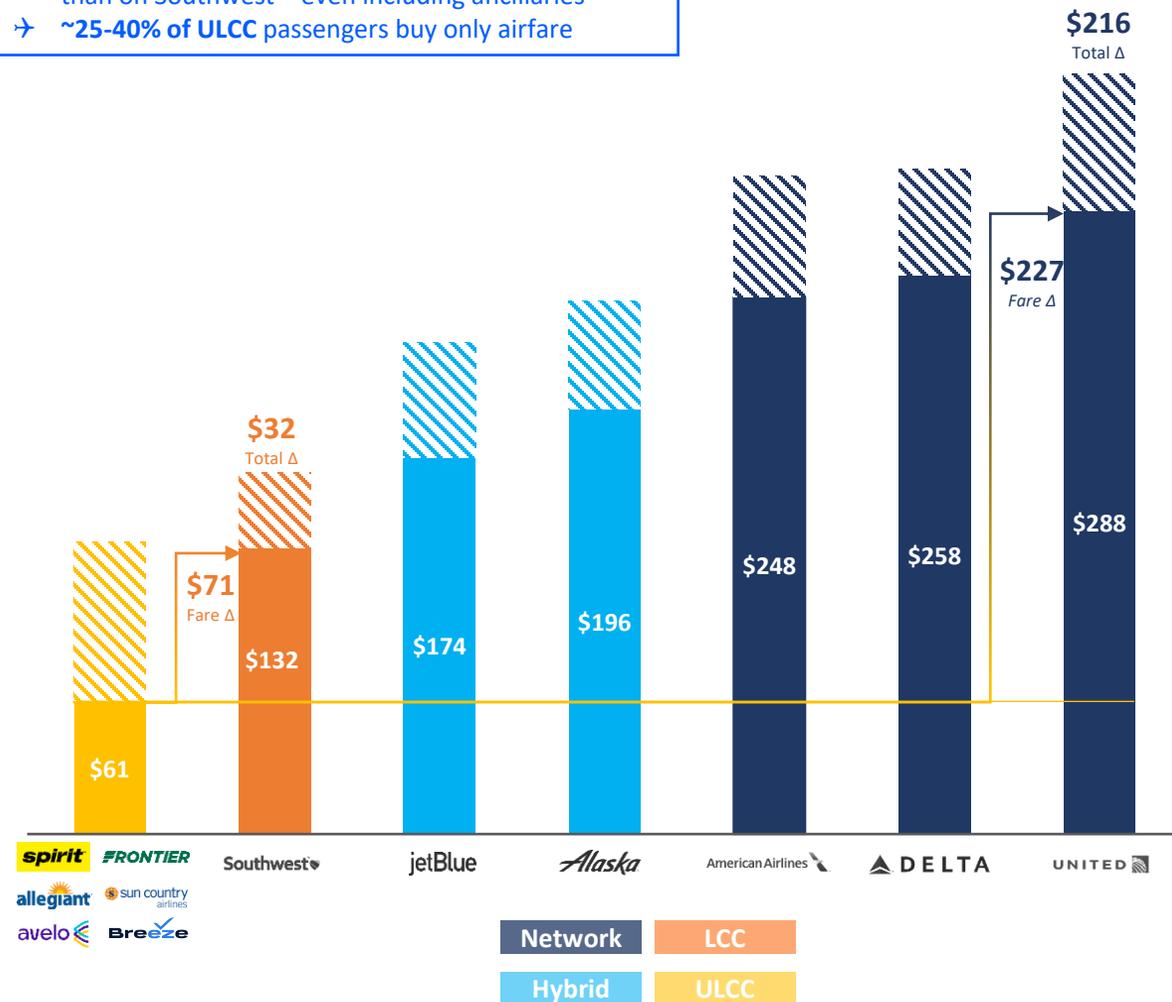
✈️ ...and growing. The ULCC segment is the fastest growing part of the airline industry

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

Average O&D Fare by Airline

TTM 2022Q3

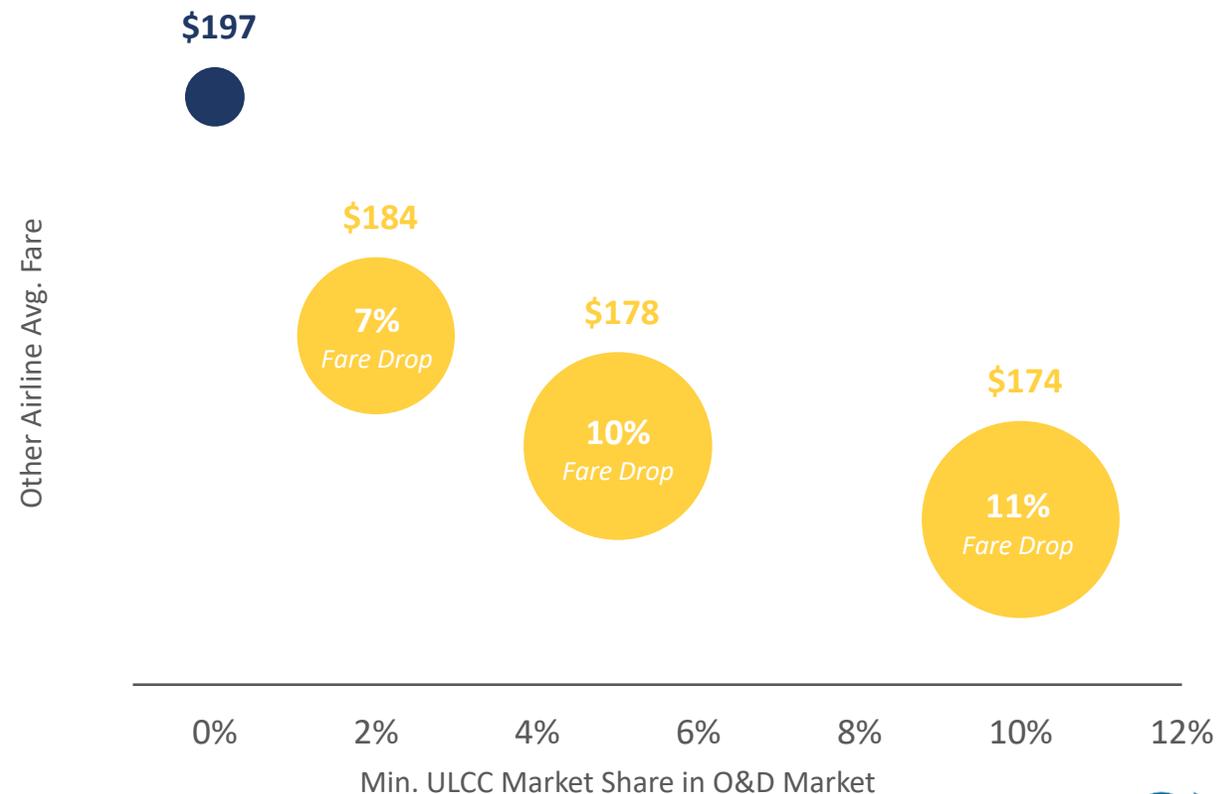
- ULCC passengers pay on average **\$32 less each way** than on Southwest – even including ancillaries
- **~25-40% of ULCC** passengers buy only airfare



Average O&D Fare By ULCC Market Share

TTM 2022Q3

- ULCC **force fare discipline** in competing markets, the greater the ULCC share the more pressure is placed on other airlines to reduce fares as shown below



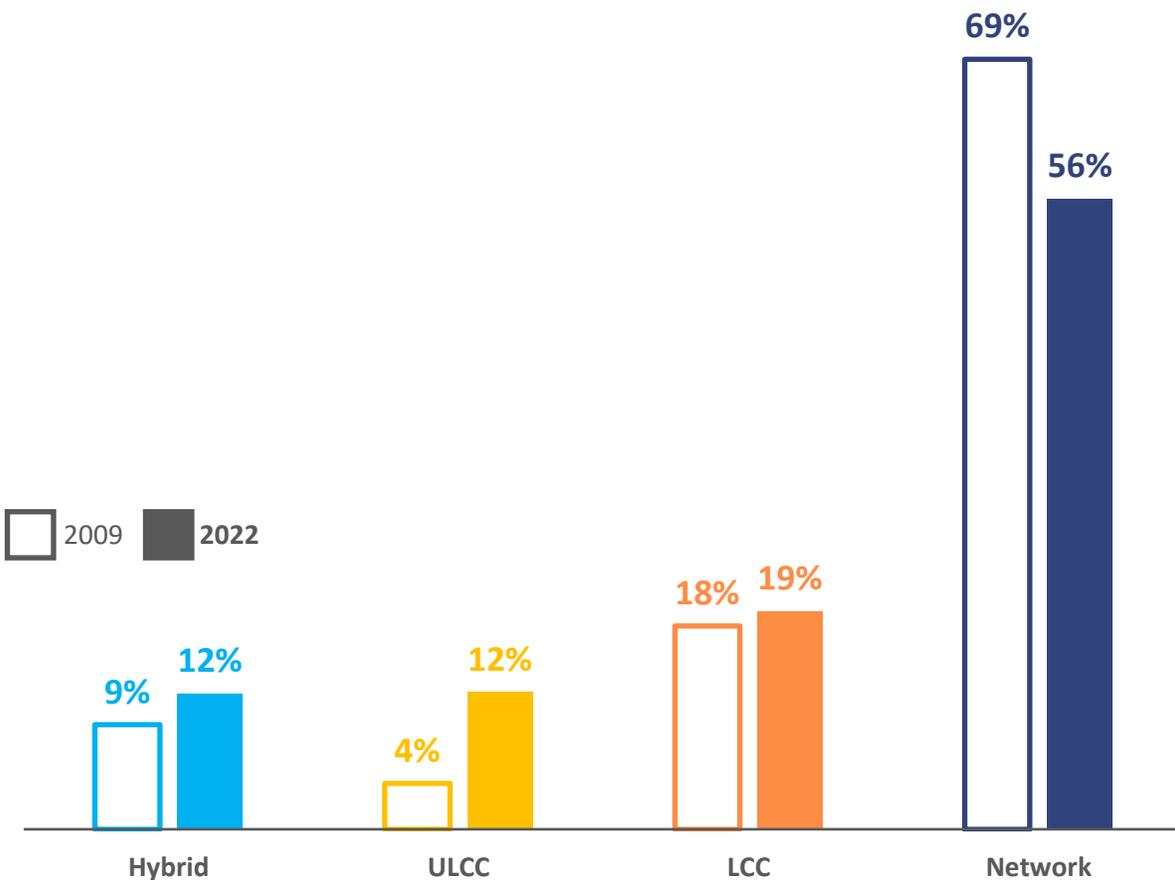
Source: US DOT O&D Survey, right chart: Network (American, Delta, United), hybrid (Jetblue, Alaska, Hawaiian), LCC (Southwest), ULCC (Allegiant, Frontier, Spirit, Sun Country)

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

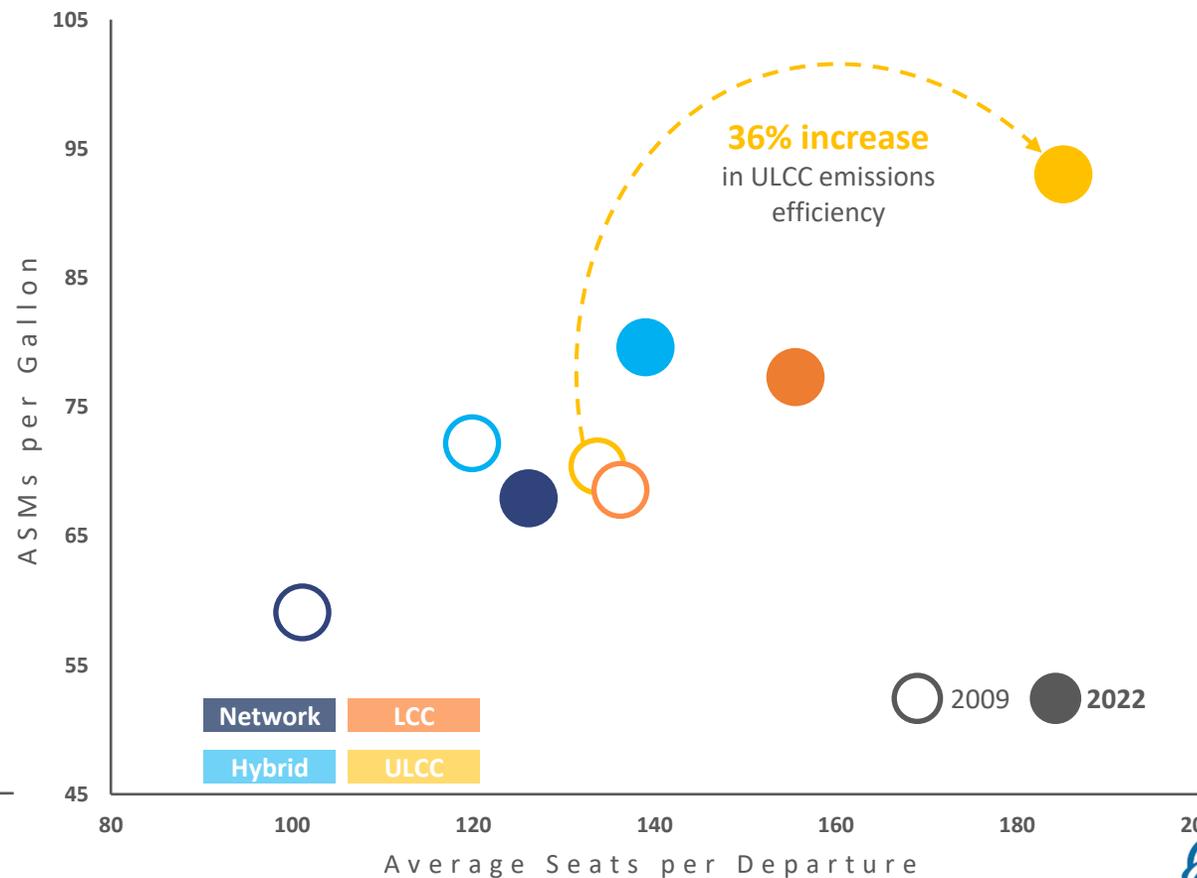


ASMs per Gallon vs. Average Seats per Departure

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 & 2021), 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)





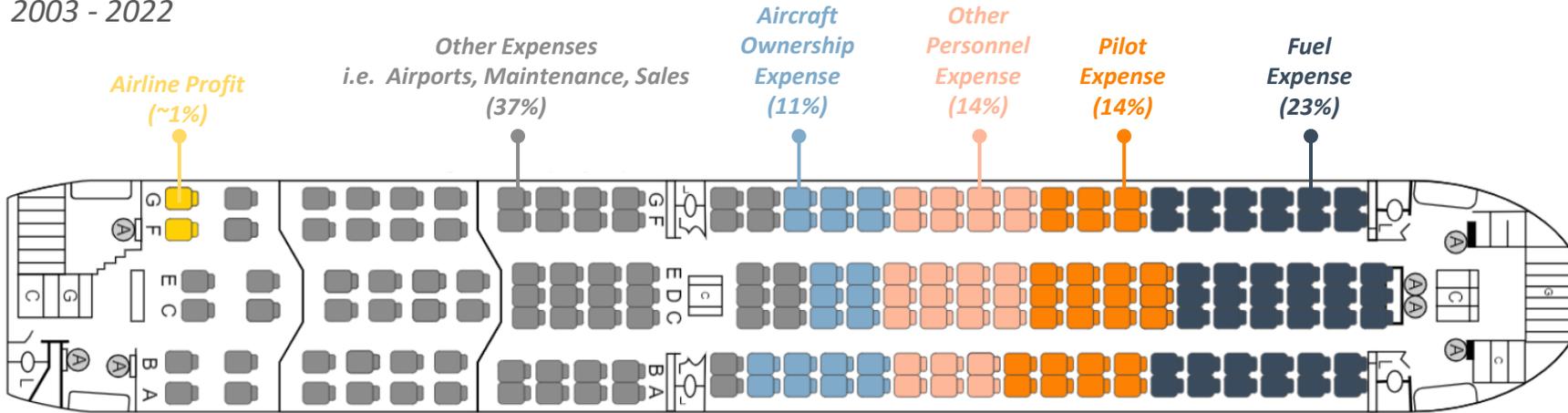
Reauthorization 2023 – ULCC Priorities



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

Airline Expense & Profits

2003 - 2022

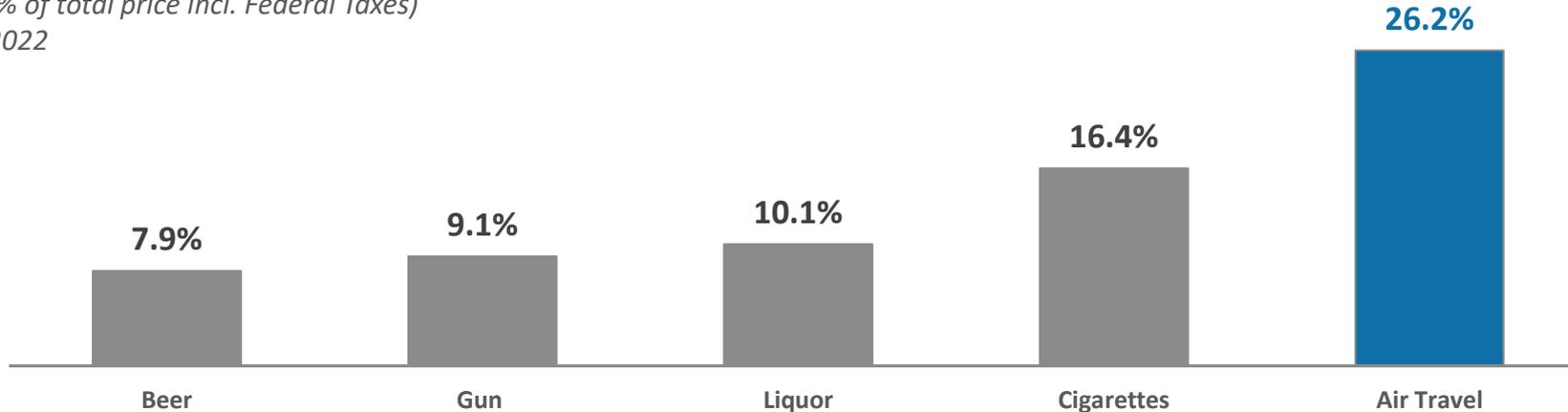


- ULCCs do no harm priorities are around ancillaries, ancillary transparency, refunds, seat pitch, and PFCs
- **PFCs disproportionately** effect the ULCC’s since its not a % based fee but rather a fixed fee
- Airline travel is one of **the most heavily tax products**

Effective Federal Excise Tax Rate “sin tax”

(% of total price incl. Federal Taxes)

2022



Notes

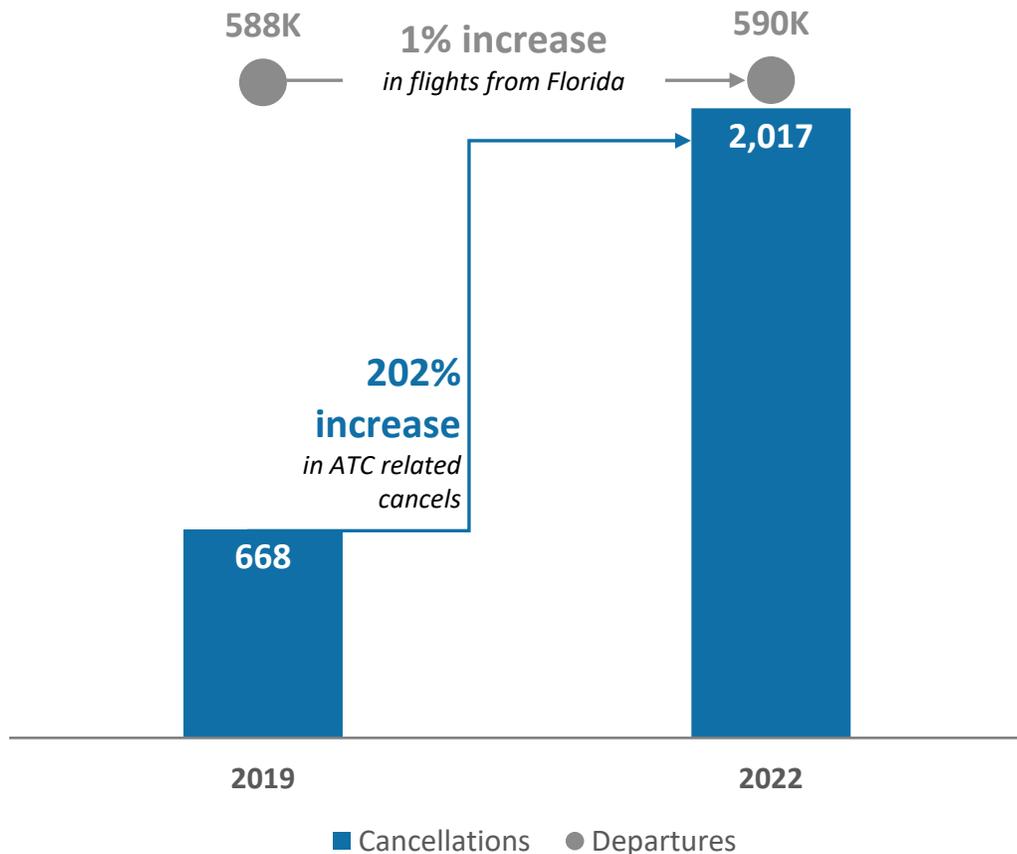
- Beer: 12-pack of Bud Light costing \$10.49 taxed at \$0.05 per can
- Pistols and Revolvers: Federal rate is 10 percent of pre-tax sale price
- Distilled Spirits: 750ml 80 proof of Tito's Vodka costing \$18.99 taxed at \$2.14
- Cigarettes: Pack of 20 small cigarettes costing \$5.15 before federal excise 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

Cancels caused by ATC for Florida originating flights

2019 vs. 2022

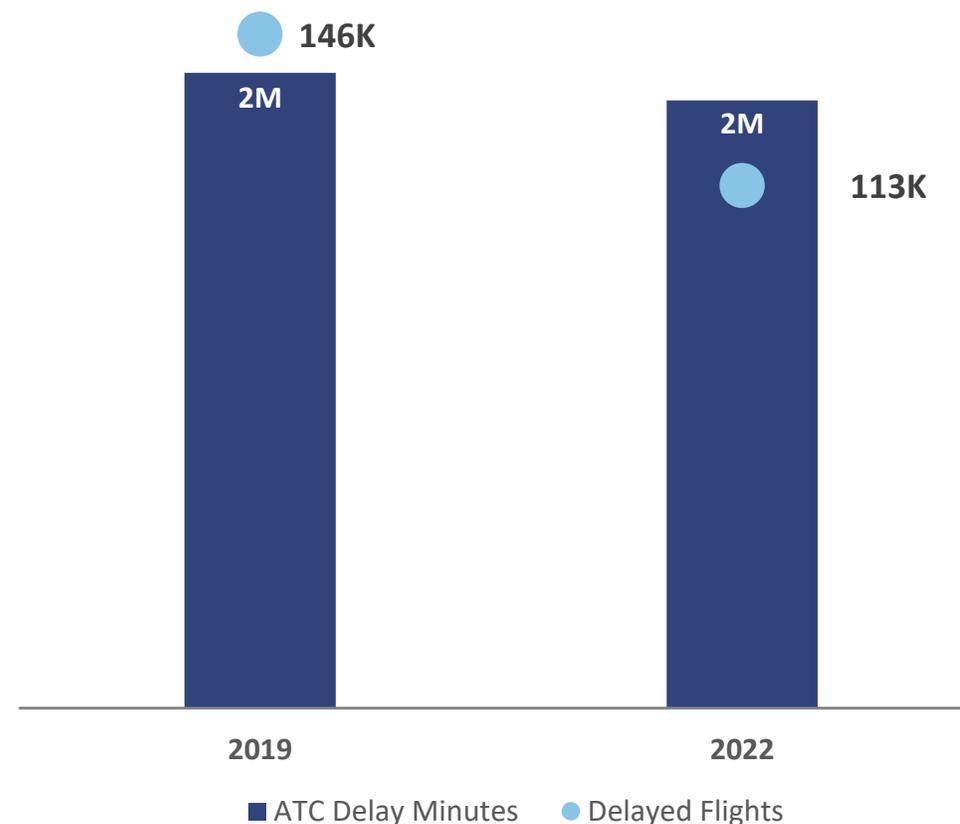
→ ATC related cancels **increased 3-fold** for flights originating Florida in 2022 vs. 2019. At the same time, the number of departures increased by **less than 1%**



Florida originating ATC delay minutes and delayed flights

2019 vs. 2022

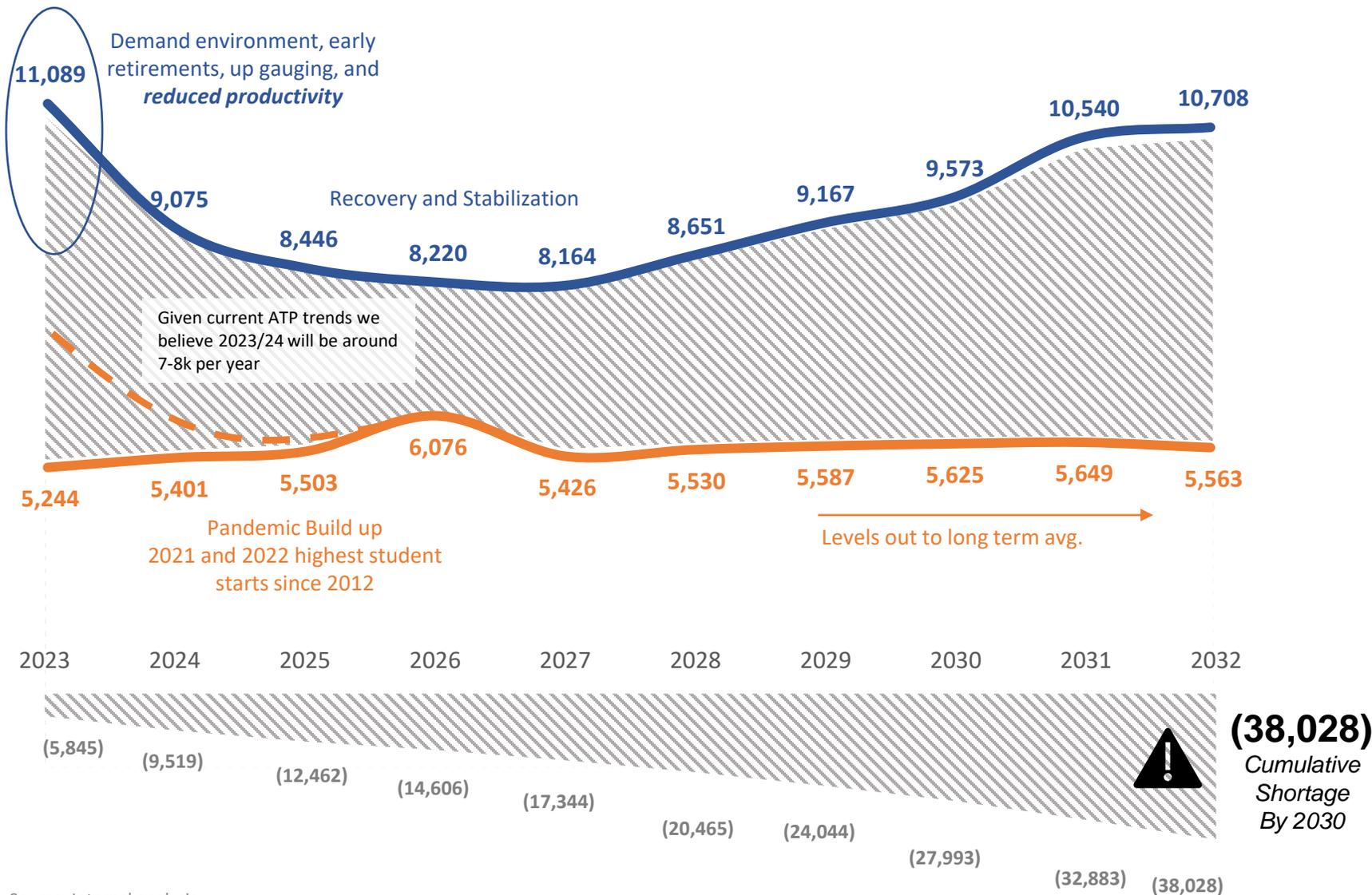
→ ATC related delay minutes remained flat while number of flights delayed for any reason decreased, leading to a **23% increase in ATC delay per delayed flight**



The pilot scarcity will limit travel options over the next decade

Industry Pilot Outlook

With current industry environment



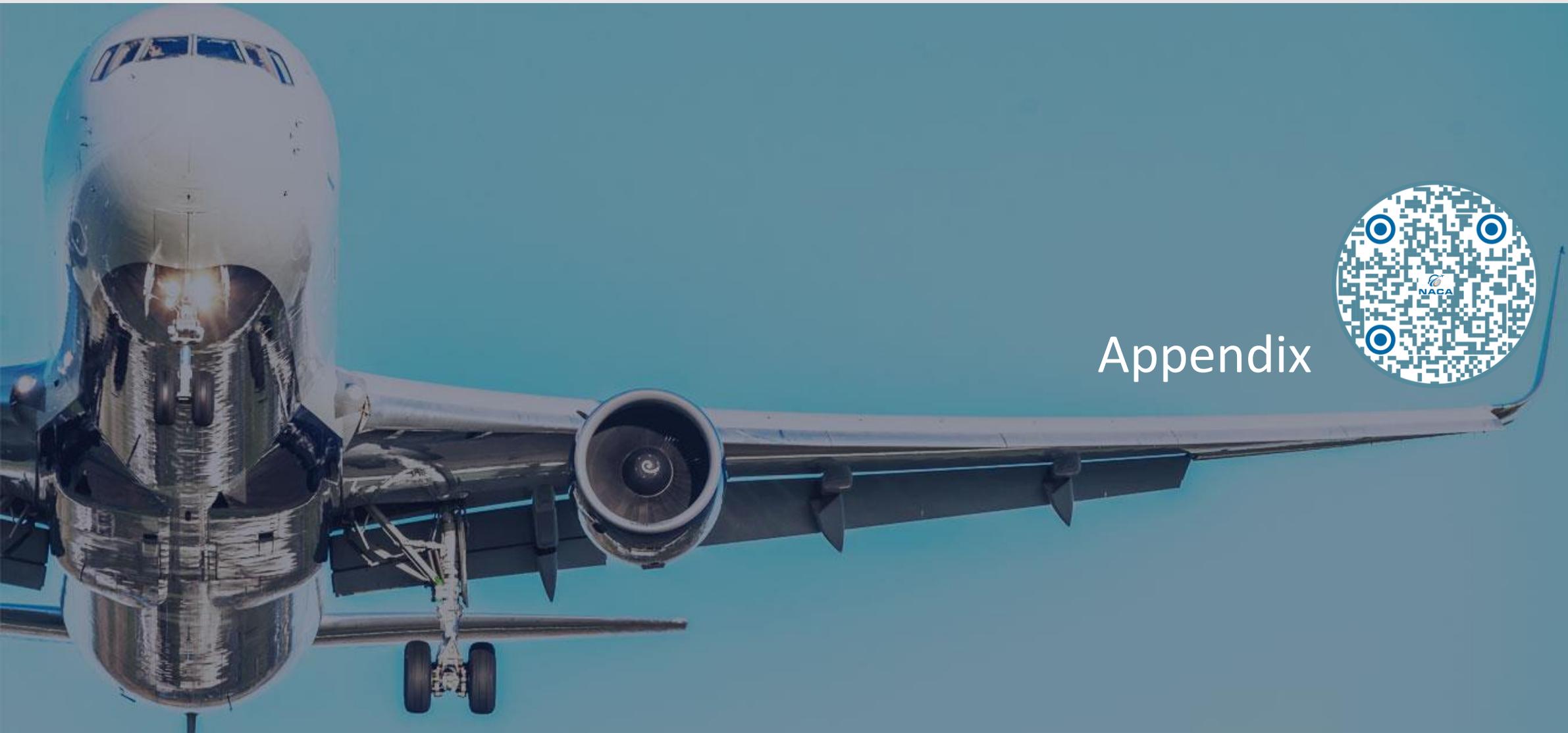
- Demand (Pilots needed)
- ▨ Estimated Deficit
- Supply (Pilots Created)

Assumptions:

- Near term carrier stated and long-term business model growth projections
- No recovery in productivity to 2019 levels
- Current industry requirements (age 65 & FOQ rule) + the expensive training process (\$75K+)
- 10.8% 5-year lagged Student to ATP ratio – Avg. Last 23 years
- Scarcity compounded by major domestic events (9/11, 2008 economic recessions, recovery time & smaller military)
- ★ Changes from previous forecast driven by productivity outlook, missed hiring targets in 22, and near-term growth assumptions

Source: Internal analysis





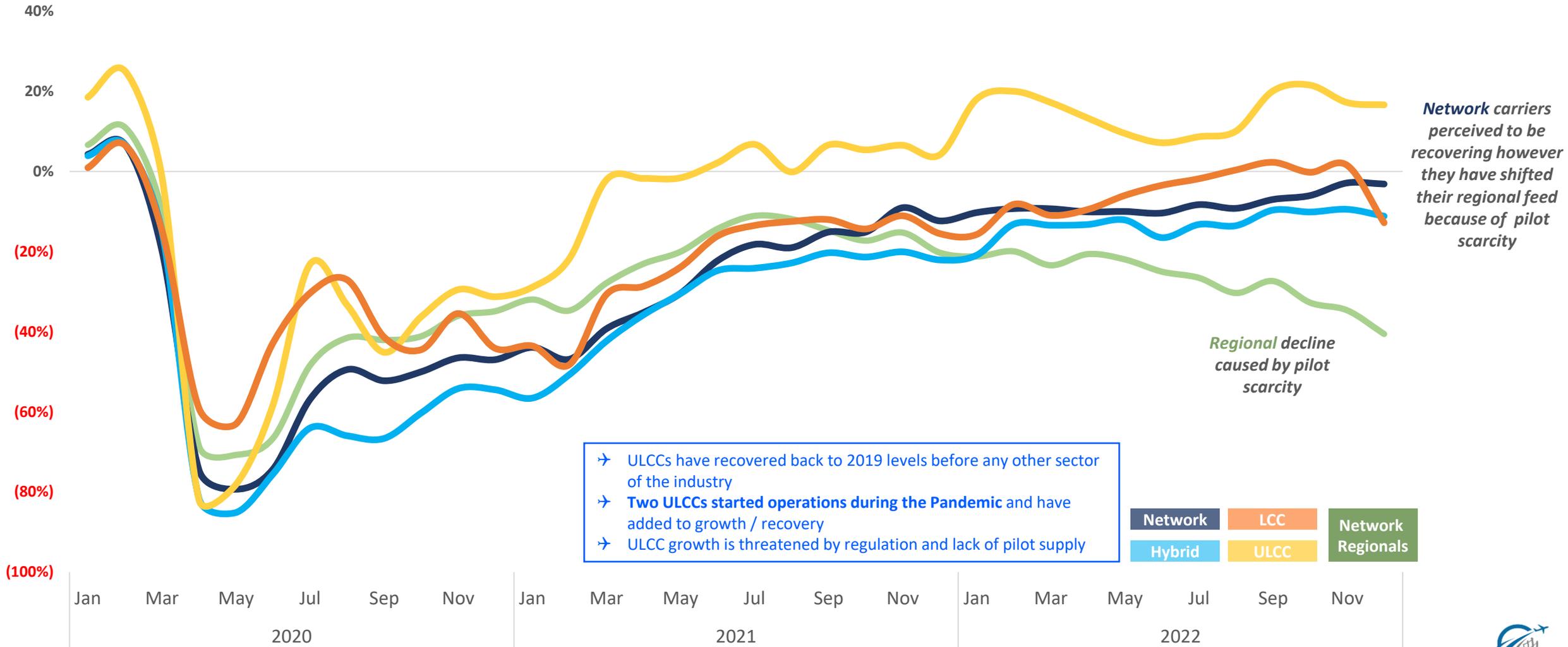
Appendix



Industry growth and recovery is driven by ULCC carriers

% Change in Domestic Departures vs 2019

Jan '20 – Dec '22 (Actual)



Source: T100

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)

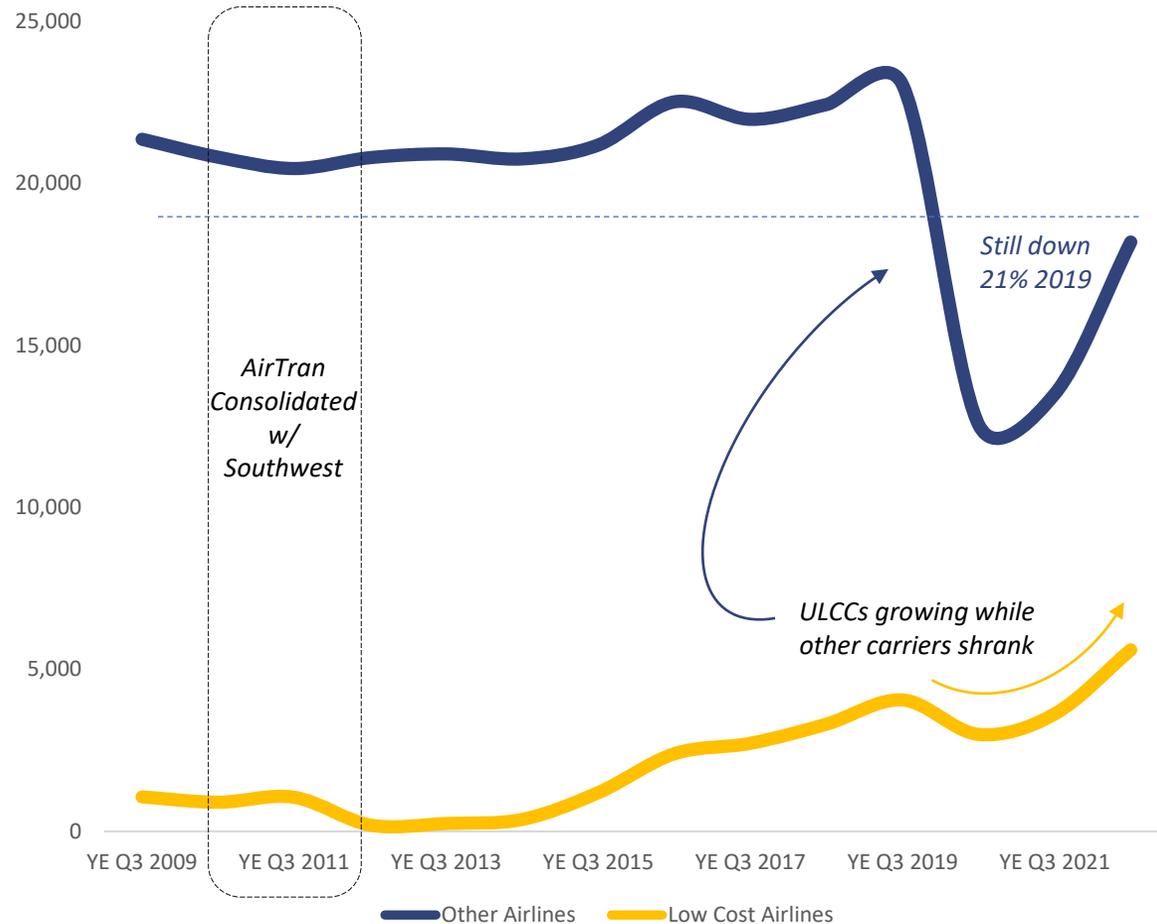


Philadelphia – ULCCs in Action

Traffic Volume by Airline Type in Philadelphia

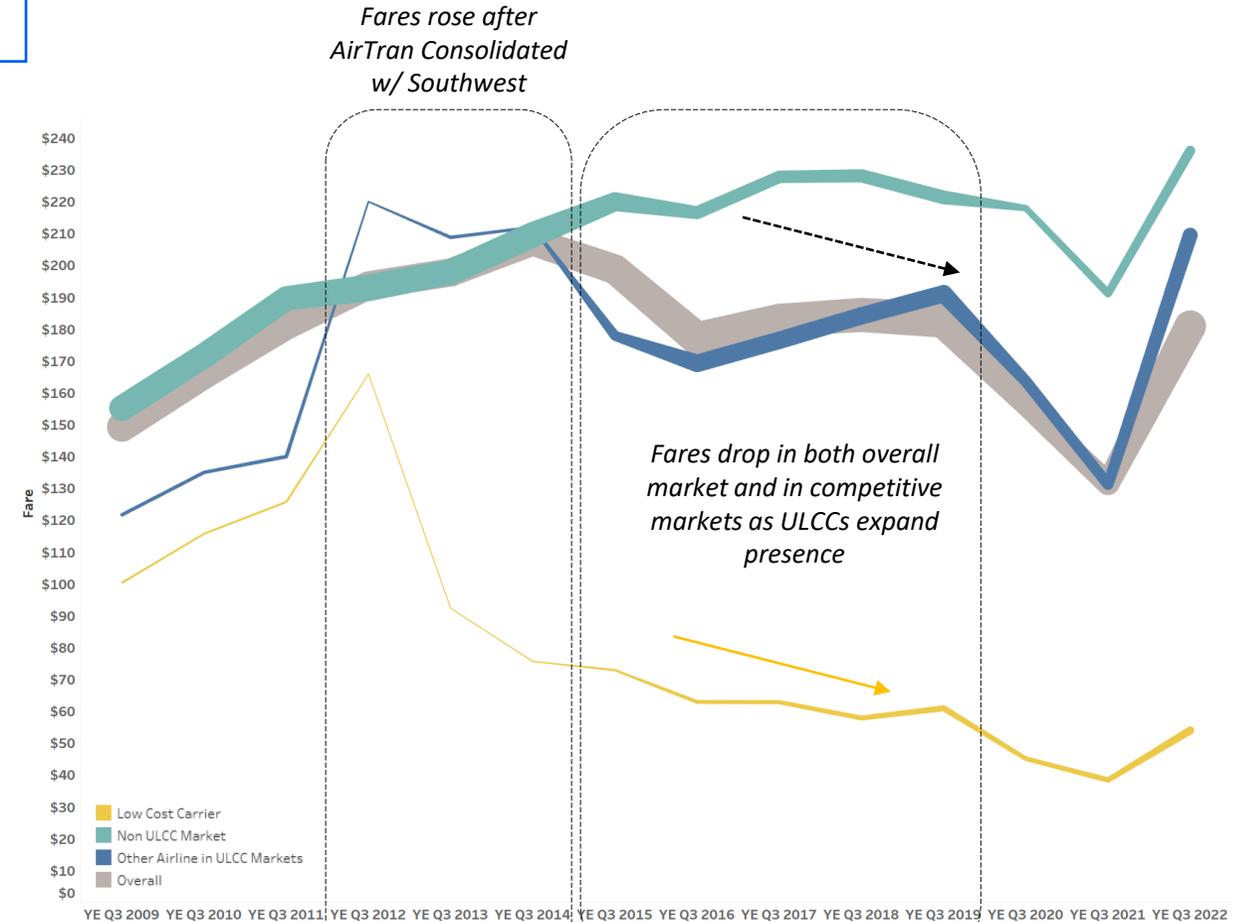
TTM 2009Q3 to TTM 2022Q3

- After AirTran was absorbed by Southwest fares rose and traffic plateaued in Philadelphia
- However, the entry of ULCCs in Philadelphia has led to a decrease in fares and increase in traffic



Average Fares in Philadelphia – Thickness of Line Indicates Passengers

TTM 2009Q3 to TTM 2022Q3



Source: US DOT O&D Survey, PHL to United States, Mexico, and the Caribbean, excludes carrier usage charge from fare

Gates have become less accessible despite decreases in utilization

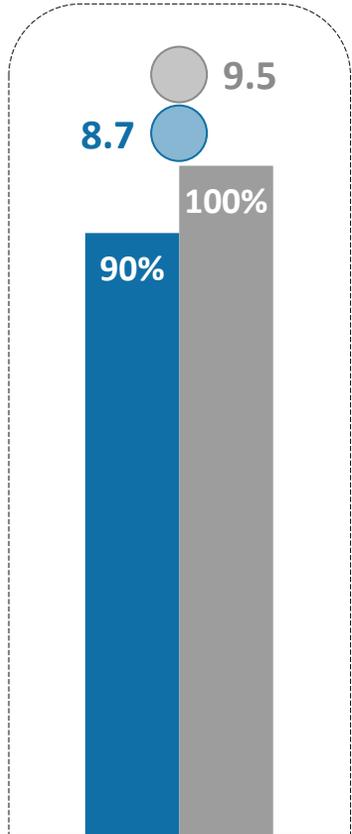
Gate Utilization

March/July 2019 vs 2022

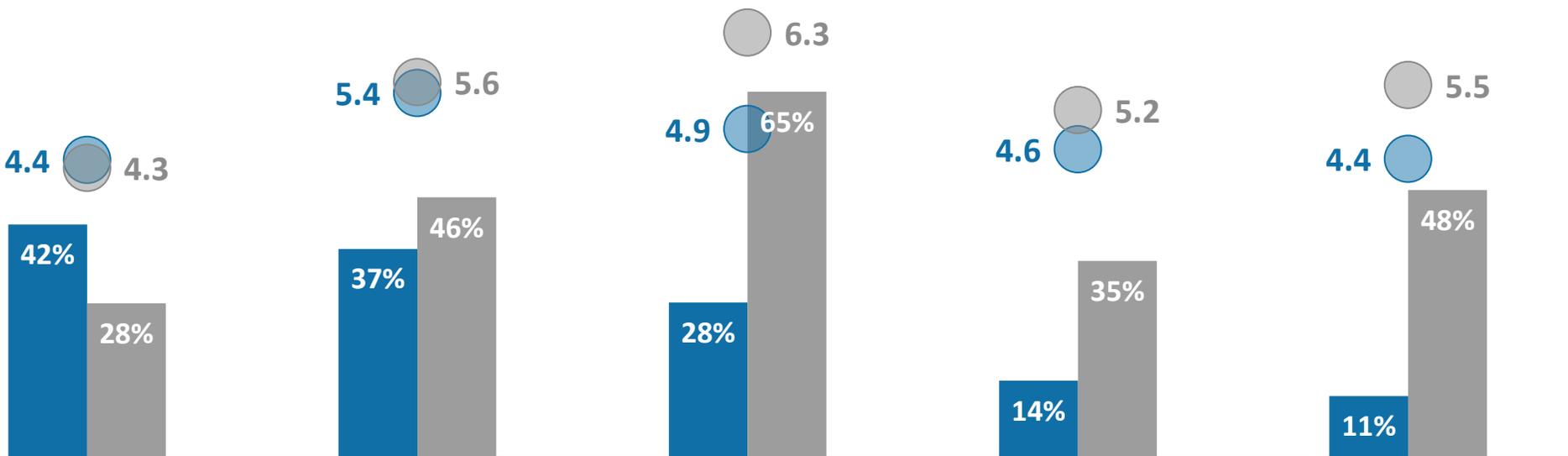
- ULCC gate access has been limited despite declines in departures by other airlines
- Southwest operates averages 8-10 turns per day – what is achievable
- Better utilization of gates would benefit the public by allowing more flights and decrease the need for expensive airport construction projects

- 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

Efficient gate usage



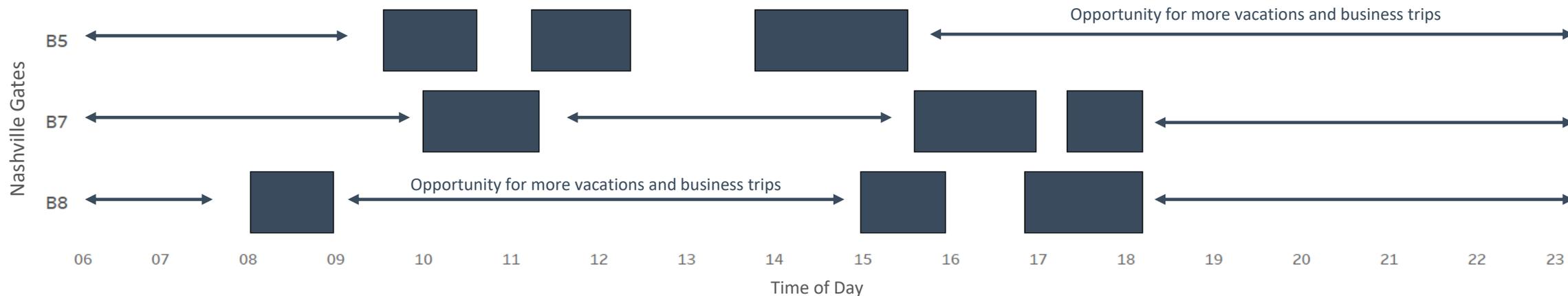
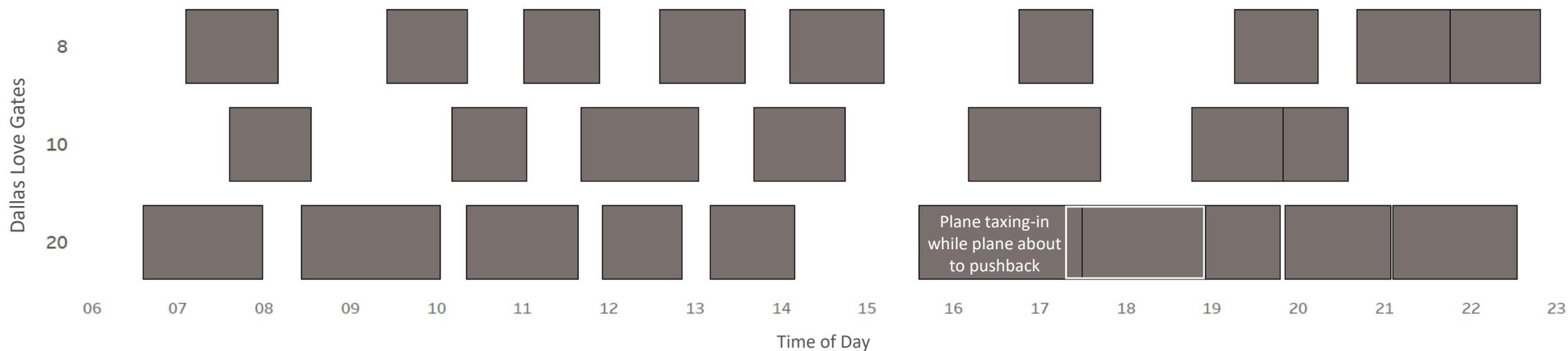
Newly renamed:
Harry Reid International Airport



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

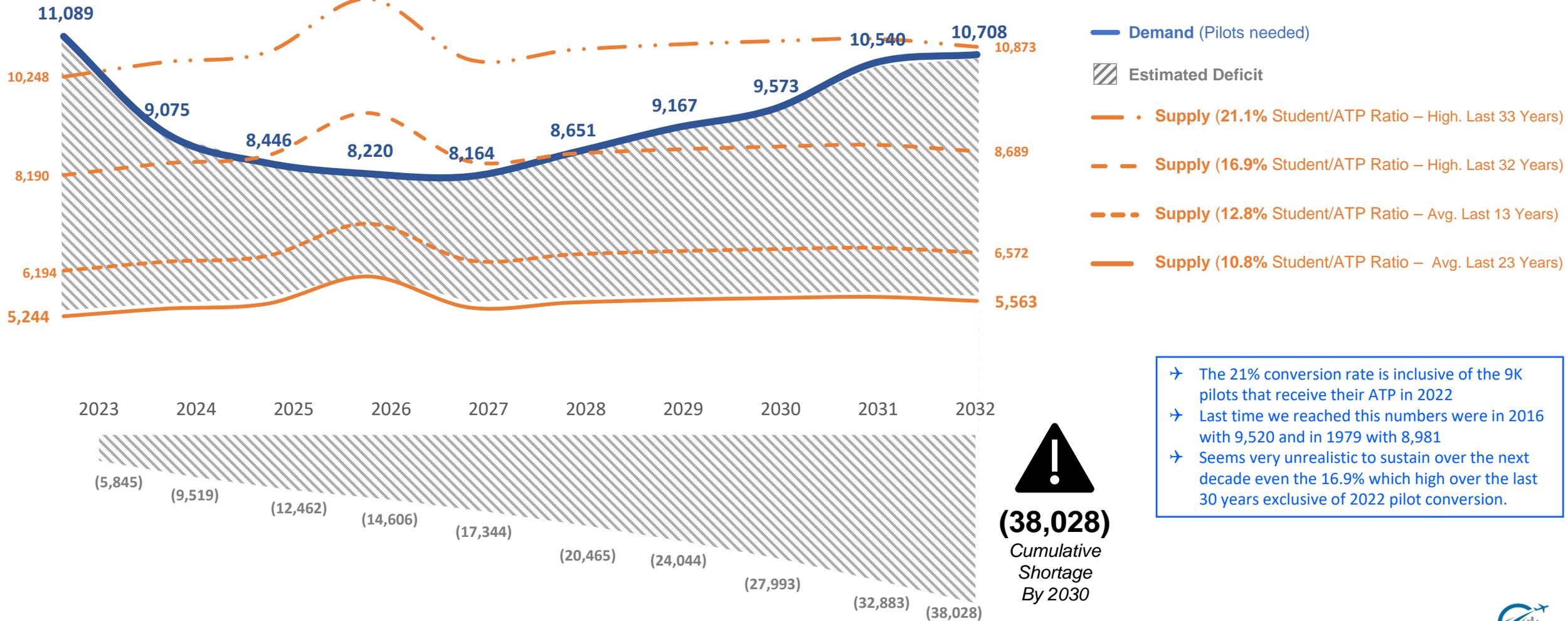


Source: OAG flight status

The pilot scarcity will be largely dependent on student starts

Industry Pilot Outlook

With various student/ATP ratios

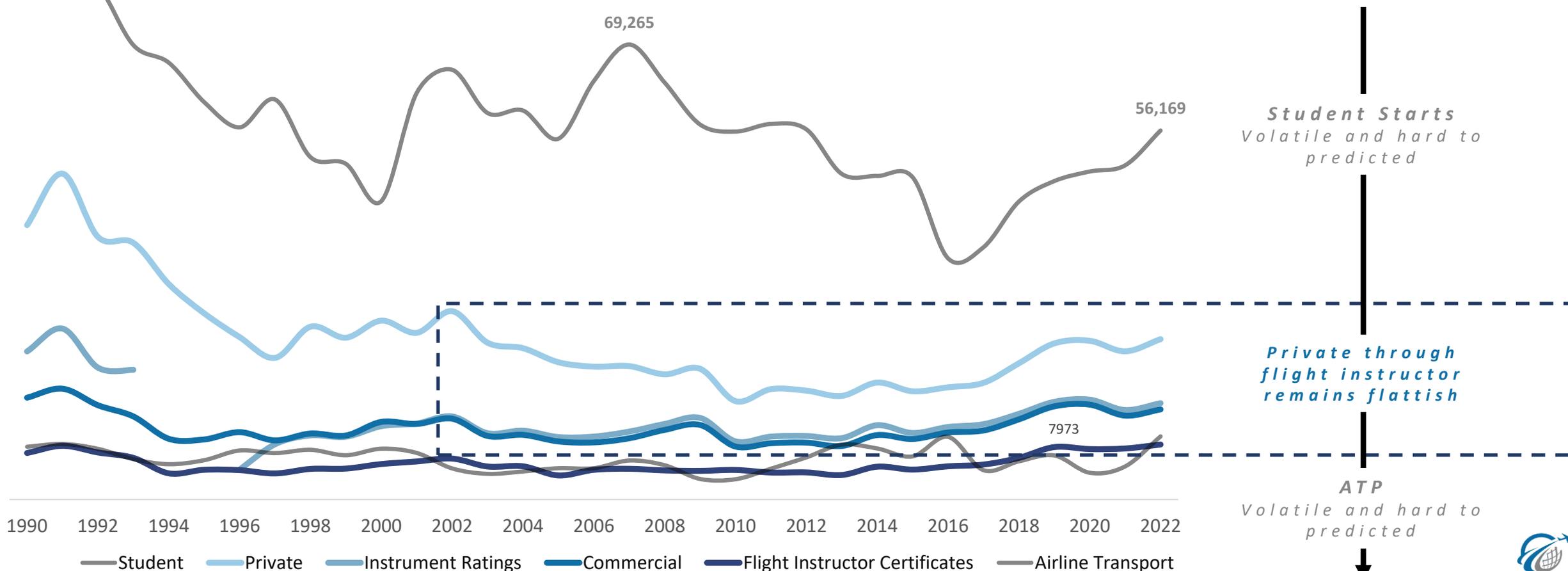


Middle of pilot pipeline remains flattish

Original Airmen Certificates Issued

2010 - 2021

- Student starts remain below historic levels despite wide media coverage of pilot need / new pay rates
- ATP generation is uneven compared to other ratings
- Precursors to ATP, private/commercial/flight instructor flat with 2019 levels



*Student Starts
Volatile and hard to
predicted*

*Private through
flight instructor
remains flattish*

*ATP
Volatile and hard to
predicted*

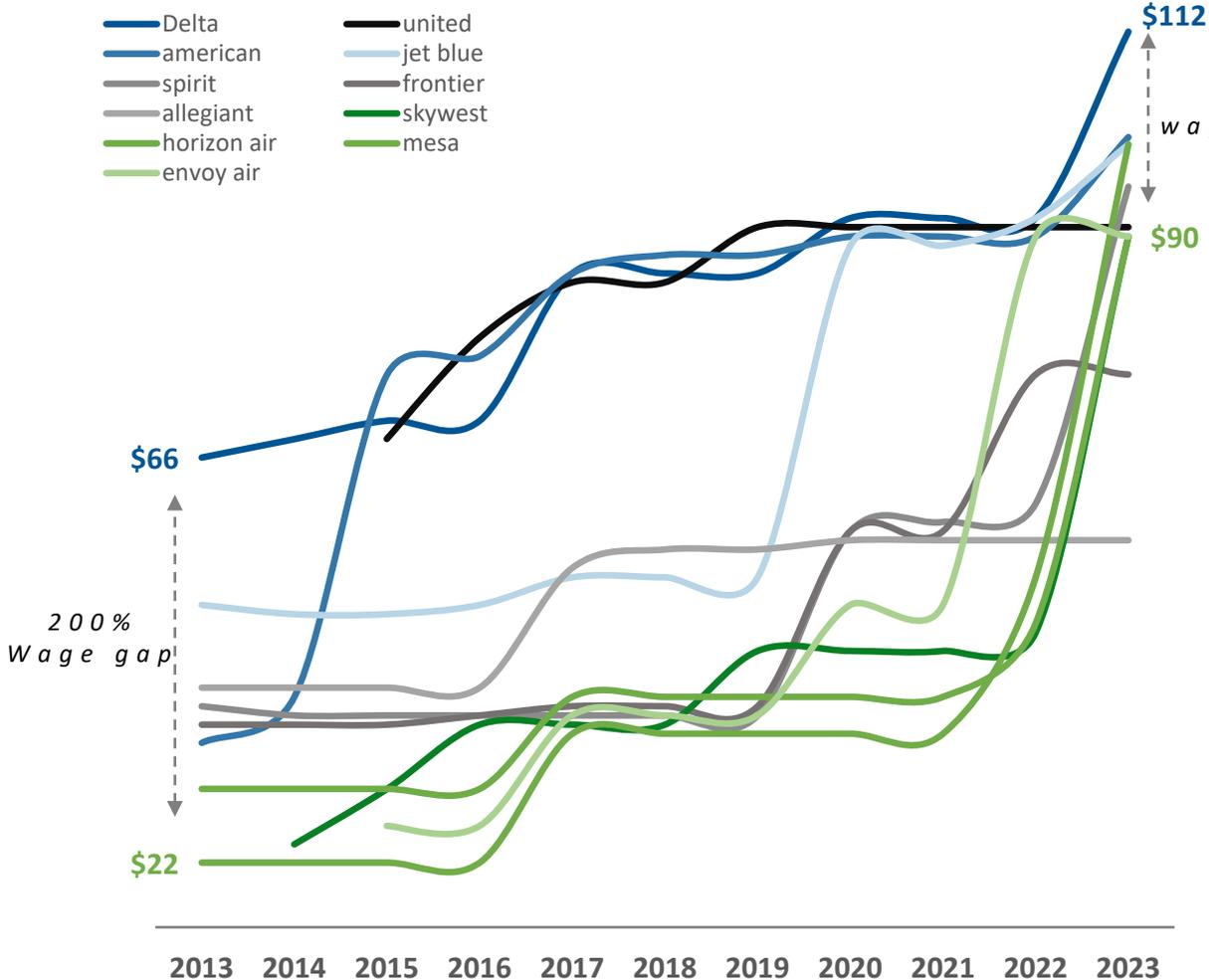
Source: FAA Civil Airman Statistics



Raising pay has not addressed the scarcity

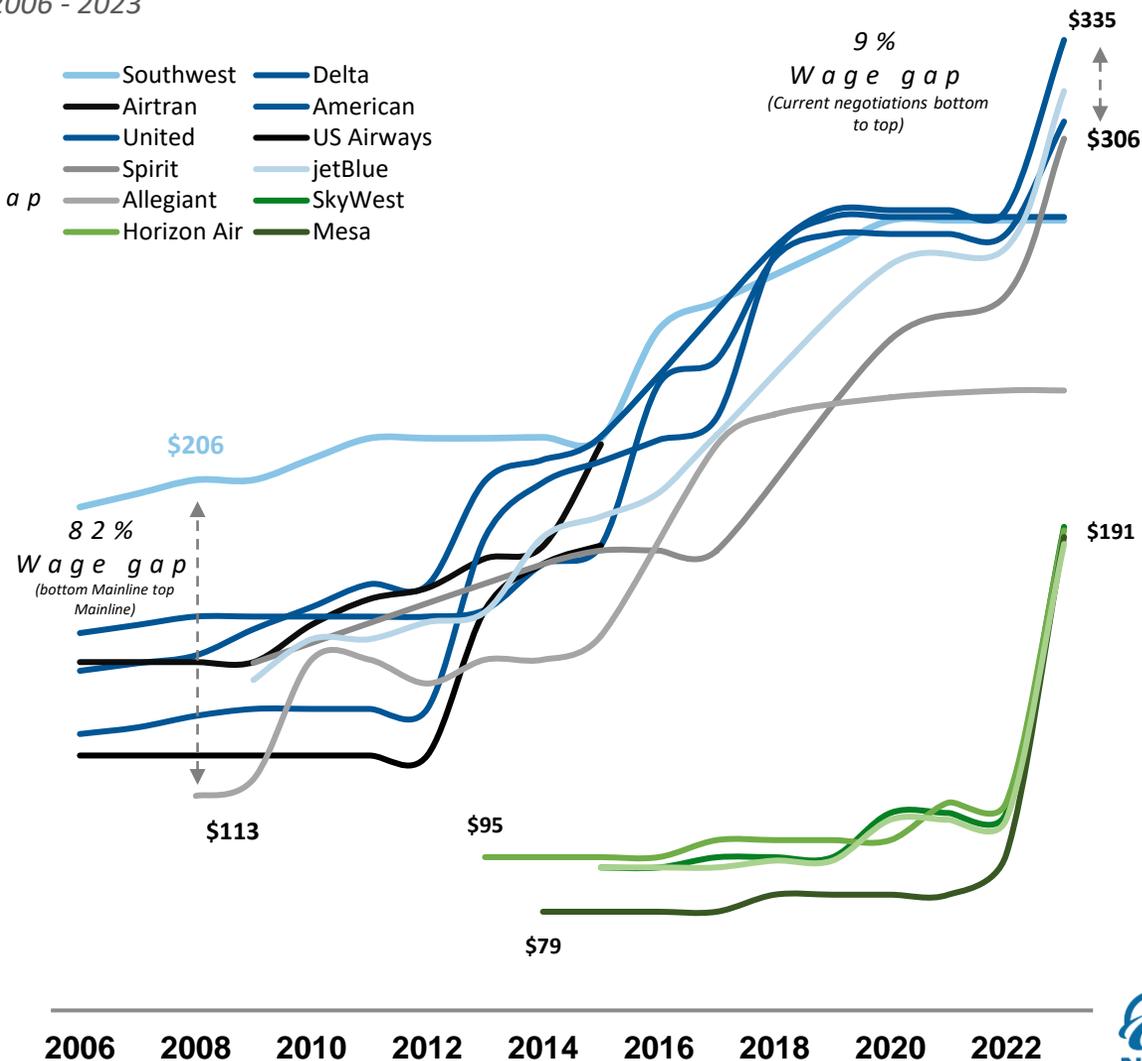
First Officer Hourly Pay Trend

One Year Rates
2013 - 2023



Captain Hourly Pay Trend

12 Year Rates
2006 - 2023



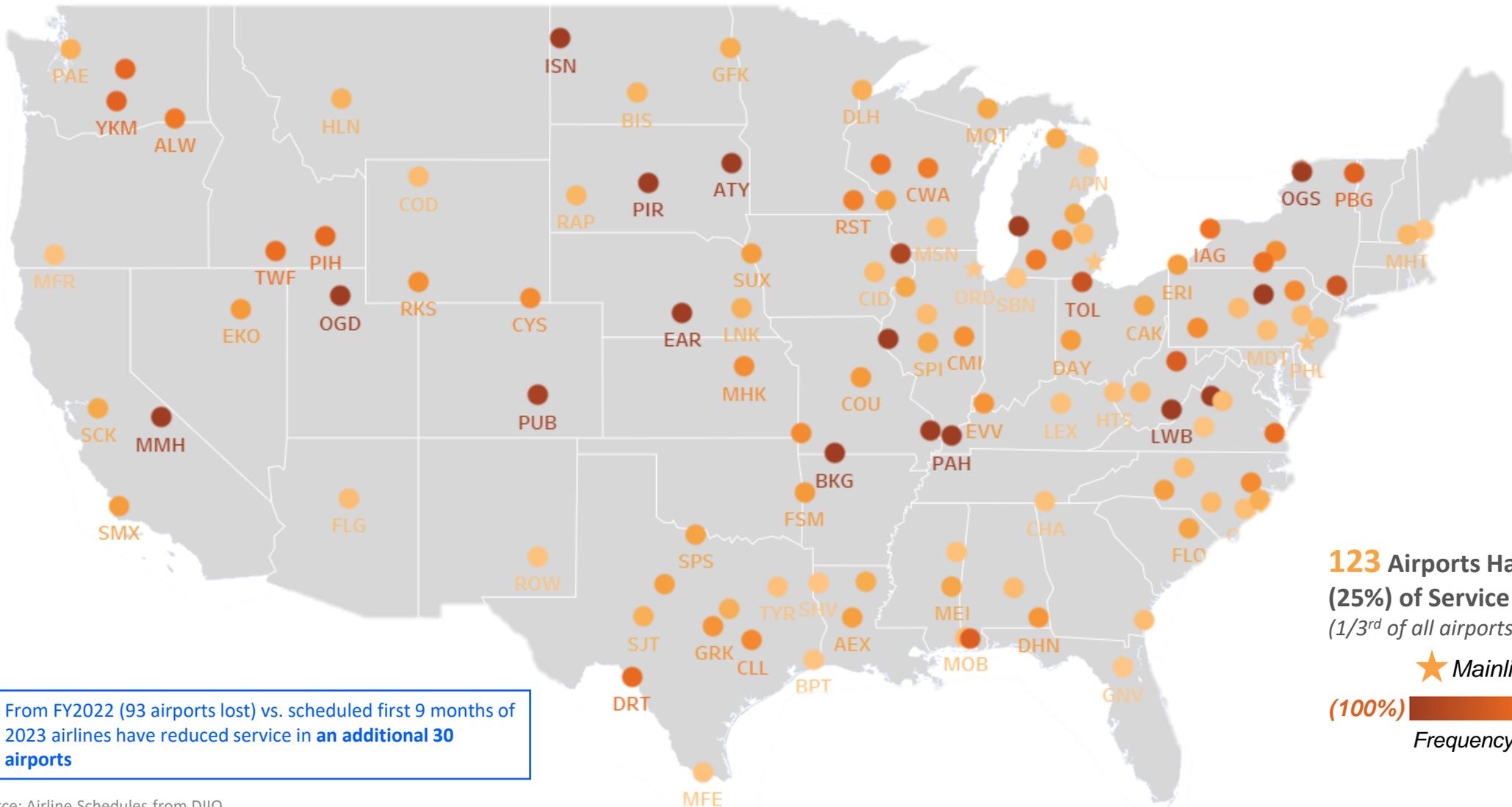
Source: Pilot CBA agreements, AirlinePilotCentral (WayBack Machine) & Form 41



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

Airports with Lost Service from Brand Airline

First 9 months of 2023 vs. 2019



➔ From FY2022 (93 airports lost) vs. scheduled first 9 months of 2023 airlines have reduced service in **an additional 30 airports**

123 Airports Have Lost a Fourth (25%) of Service
(1/3rd of all airports by a brand carrier)

★ Mainline Hubs

(100%)  (25%)
Frequency Reduction

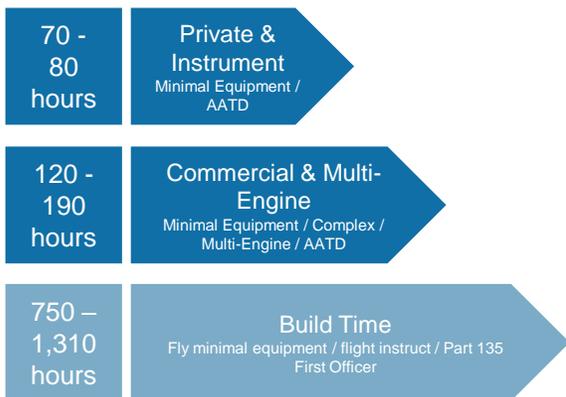


Source: Airline Schedules from DIIO

Pathways to pilot career



U.S.A Status Quo (61,141,142)

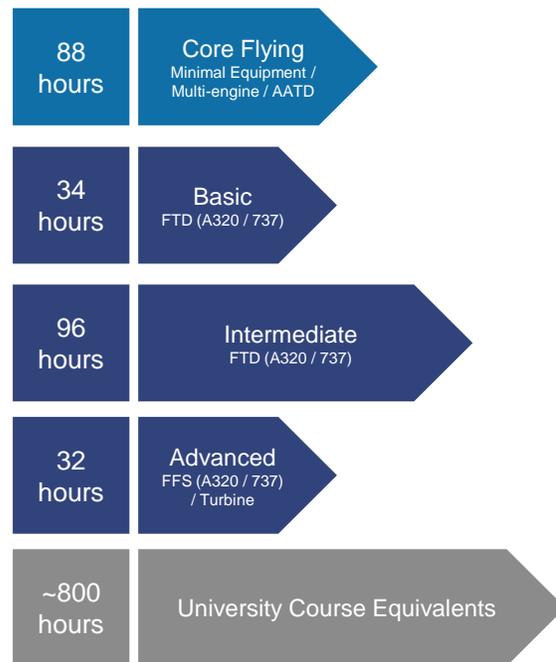


Time to student 1,000 – 1,500 hours / credits

Cost to student \$75k - \$420k

- Requires students to take on large sums of debt or be able to pay significant up-front costs
- Take second jobs while building time to 1,500 hours
- Risk – financial & time
- No straight pathways

MPL Program (Most others)

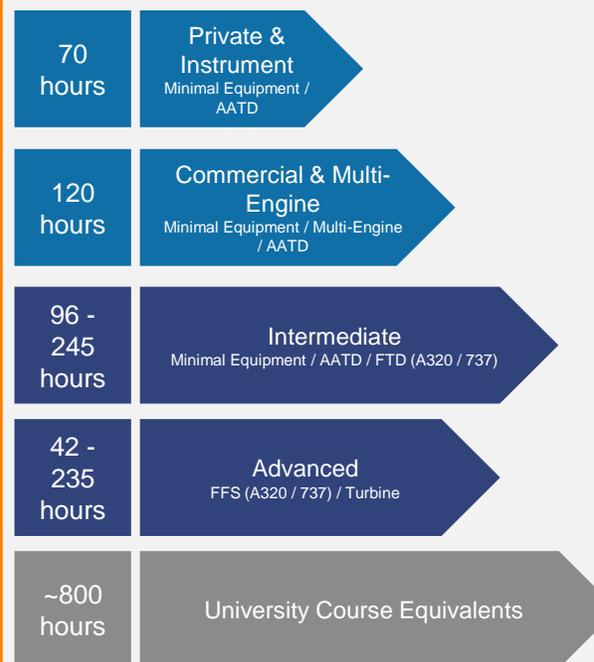


Time to student 252 hours / 476 credits

Cost to student \$0*

- \$75k - \$110k but guaranteed job with earnout
- Significant amount of ground instruction time
- Provides significant experience in actual airline operations beyond what you get in existing US programs

Carrier Extension Training Program New Proposed Method



Time to student 398-740 hours / 726-1498 credits

Cost to student \$0*

- Airline takes on the cost of training with employment opportunities afterwards to “repay the debt”
- Less focus on financials and more on high quality training & learning
- Helps de-risk career path
- Produces safer pilots

Learning Blocks

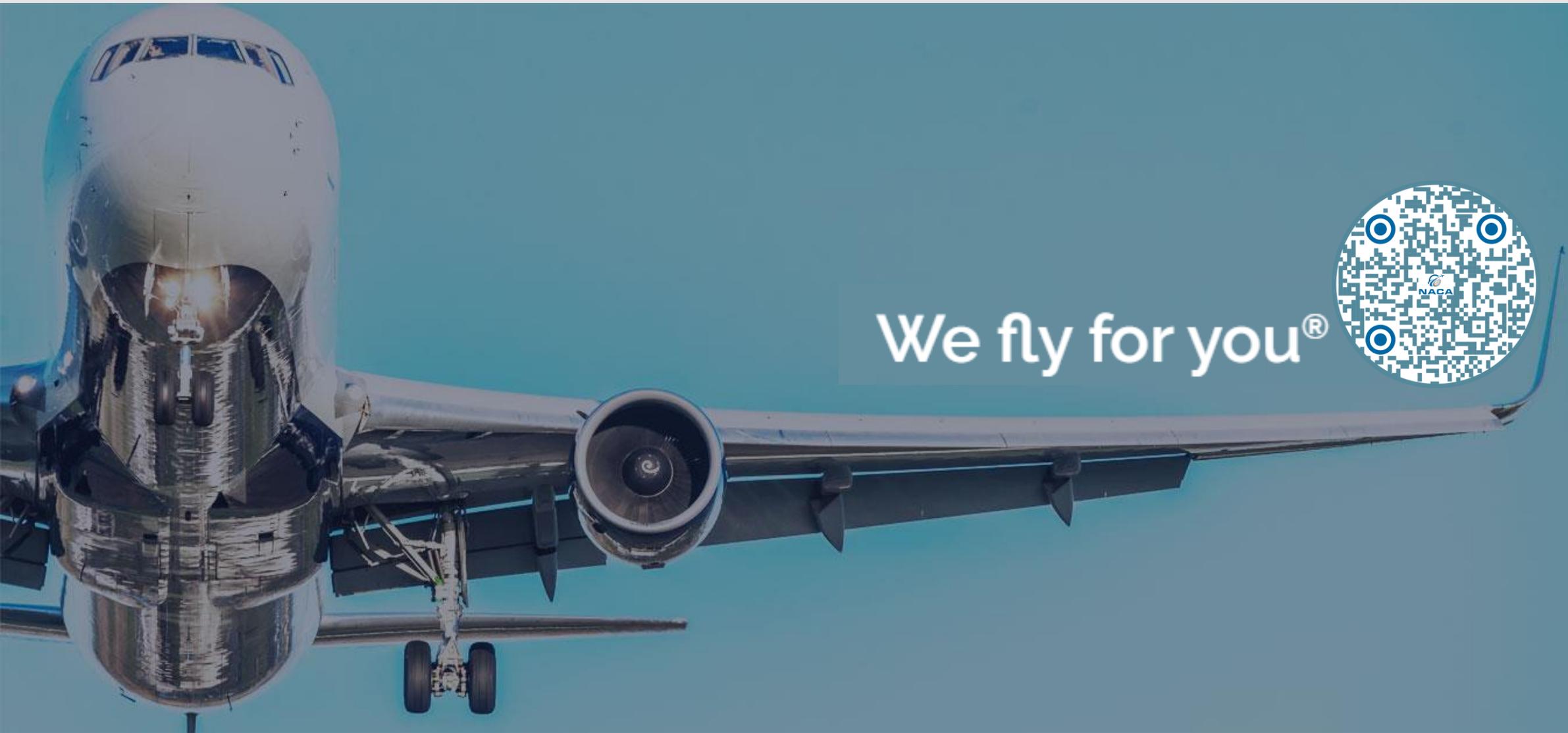
- ▶ Core Flying
- ▶ Time Building
- ▶ Specialized Jet Airline Training
- ▶ Knowledge Building

Not relative hours/sizes between programs

Takeaway: We believe our approach will provide both safety and opportunity for Pilots and Airlines.

Even as evident in the Latest Top Gun movie VR is heavily used to train the best of the best.

Policymakers should also provide financial incentives to encourage more Americans to pursue careers as pilots



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