



## Airline Travel Since 9/11

- Airline capacity (expressed in available seats) has increased more slowly than the increase in airline passenger travel.
- Low-cost carriers represent a growing portion of the domestic aviation market. This change has been accompanied by decreasing fares.
- Network carriers have responded by shifting capacity to international markets and by reducing employment to cut costs

Today's airline industry presents a different picture than it did prior to the events of September 11, 2001 (9/11), with more passengers flying low-cost carriers, fewer empty seats, and a smaller workforce.

Airline passenger travel and capacity (measured in terms of available seats) fell drastically after the terrorist attacks of September 11th, when our national air space was temporarily closed. The numbers of airline passenger and seats remained low in subsequent months, but have recovered in the following years. Available seats have increased more slowly than air passenger travel, and have only recently reached the pre-9/11 peaks; in contrast, air passenger travel reached its pre-9/11 peak in July 2004 and has continued to grow. Thus the aviation industry has accommodated passenger growth with few additional seats, which means fuller planes.

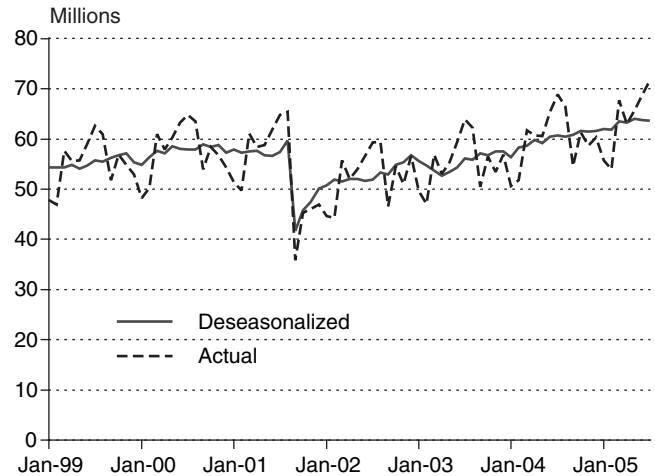
At the same time that the industry was facing this large-scale drop and subsequent recovery in the number of passengers, there were shifts in the size of different segments of the industry. In particular, the low-cost carriers grew significantly and air fares decreased through this period.

Network carriers responded to the pressures on the domestic market by reducing available seats and shifting some capacity to the international market. They also dramatically cut employment in order to reduce costs.

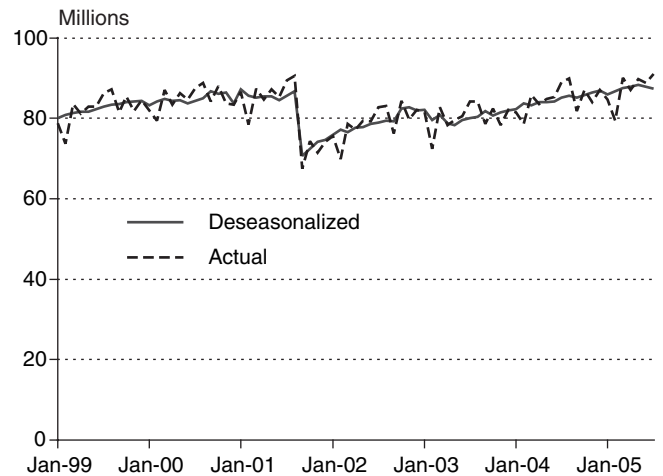
### Passengers Return

In the August preceding 9/11, the airline industry experienced what was then a record high in the number of airline passengers for a given month when 65.4 million travelers took to the air. After 9/11, that number trailed off dramatically, and it took nearly 3 years, until July 2004, for the

**U.S. Airline Passengers**  
Actual & Deseasonalized



**U.S. Airline Available Seats**  
Actual & Deseasonalized



Note: These graphs present both actual data, and data that have been seasonally adjusted in order to clarify the trends over time. The data cited in the text represent actual (unadjusted) values.

Source: U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, T100 SEGMENT data Nov. 21, 2005.

industry to match and finally surpass the pre 9/11 levels. But the number of available seats—an industry measure of capacity—in July 2004 was just 98.3 % of its August 2001 peak. By July 2005, the number of airline passengers had reached 71 million.

## Fewer Empty Seats

In the comeback from post 9/11 lows, capacity has risen more slowly than growth in passenger numbers. Available seats hit a peak of 90.6 million in August 2001. But after 9/11, capacity dropped dramatically as airlines grounded planes and reduced flights to match falling demand. Only 67.5 million seats were available in September 2001. In July 2005, the number of available seats exceeded the pre 9/11 level for the first time at 91.1 million—an increase of about 0.6 percent compared with an increase of about 9.7 percent in passengers over the pre 9/11 high.

Because the airlines have accommodated the surge in passengers with only a minimal increase in the number of seats, aircraft are flying with fewer empty seats.

## Fewer Employees

Current employment levels for network and low-cost carriers<sup>1</sup> are 28% below July 2001 levels as many airlines strive to reduce costs. Employment for network and low-cost carriers stood at 534,767 in July 2001.<sup>2</sup> But 4 years later, in July 2005, employment had fallen 28 percent to 383,859. This drop was driven by a decline in employment by the network carriers compared to increased hiring by low-cost carriers. Network carrier employment fell by 34 percent, from 465,198 in July 2001 to 308,714 in July 2005. During this same time period, low-cost carrier employment increased by 8 percent—from 69,569 to 75,145.

## Market Changes

One response U.S. network carriers made to the post 9/11 market conditions was to shift capacity from domestic to international markets. International service represented 12.0% of seats on network carriers in May 2001, increasing to 15.2 % in May 2005.<sup>3</sup> The shift of available seats toward the international market occurred as the network airlines were reacting to the rising dominance of low-cost carriers in the domestic marketplace. The low-cost carriers vigorously added capacity while the network airlines reduced domestic flight operations to reduce costs. Annual available seats on low-cost carriers increased by 24%<sup>4</sup>, from 182 million in 2000 to 226 million, in 2004, and passengers increased by 27%, from 124 million to 158 million, during the same period.

At the same time there have been changes in the domestic aviation pricing structure reflecting the growing impact of low-cost carriers and other factors. Widely available, relatively inexpensive air fares have contributed to the increase in

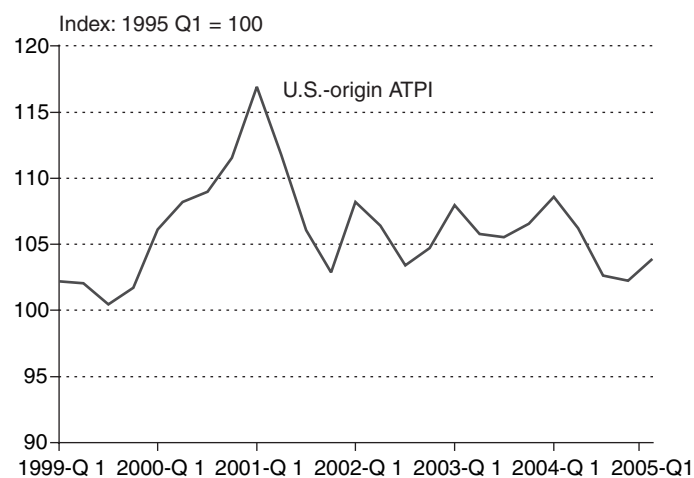
## Number of Employees in July for Passenger Airlines, 2001–2005

July	Network carriers	Low-cost carriers	Total (excluding regional and other carriers)	Regional carriers	Other carriers	Total
2001	465,198	69,569	534,767	—	—	—
2002	394,686	71,263	465,949	—	—	—
2003	332,376	74,025	406,401	44,280	8,277	458,958
2004	325,436	75,994	401,430	58,038	12,668	472,136
2005	308,714	75,145	383,859	60,738	13,631	458,228

Note: Includes the total of full-time and part-time employees. Airlines that operate at least one aircraft with the capacity to carry combined passengers, cargo and fuel of 18,000 pounds must report monthly employment statistics. The “other carrier” category generally reflects those airlines that operate within specific niche markets, such as Aloha and Hawaiian Airlines that serve the Hawaiian Islands.

Source: U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics. [www.bts.gov/press\\_releases/2005/bts042\\_05/html/bts042\\_05.html](http://www.bts.gov/press_releases/2005/bts042_05/html/bts042_05.html) as of Nov. 21, 2005.

## Air Travel Price Index



Source: U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, Nov. 21, 2005.

passenger travel. For example, the Air Travel Price Index (ATPI), which tracks changes in prices paid for airline tickets, showed in the first quarter of 2005 the lowest fare index of any January-to-March period since 1999.

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<sup>1</sup> Network and low-cost carriers do not include regional carriers. Network carriers are the traditional hub-and-spoke carriers.

<sup>2</sup> Employment at network carriers and low-cost carriers, based on data from RITA-BTS, OAI, monthly P-1(a) Form 41. Data are incomplete for regional and other carriers in 2001 and 2002. Regional and other carrier data for years when regional and other carrier data are complete is shown in the accompanying table for July 2003 through July 2005.

<sup>3</sup> U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, T100.SEGMENT data, Nov. 21, 2005.

<sup>4</sup> Ibid.