



# THIS WEEK'S PROGRAM

March 29, 2022

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## American Airlines and the CLT Hub

By Rick Handford

**Stuart Hair** introduced Tracy Montross, the Regional Director of Governmental Affairs for American Airlines. Tracy's areas of responsibility include regulatory and legislative proposals, operational efficiency strategies, tax relief, noise abatement, labor relations, corporate real estate, environmental goals, and corporate philanthropy. She represents the airline with state and local governments, economic development agencies, airports and aviation divisions, and industry associations. Additionally, she is working with Stuart and others on the *Aviation Academy*, an initiative to teach individuals about the Airport to a level where they could be described as "subject matter experts". This is one very busy person!

Tracy assumed her role here in January of 2014, about a year before Stuart started at the Airport as the City's Aviation Department Director of Economic & Community Affairs. She has a bachelor's degree from UNCC and also holds a master's degree from Appalachian State University. Before joining American Airlines, she was chief of staff for Charlotte mayors Anthony Foxx and Patsy Kinsey.

This is the second time that Tracy has spoken to Charlotte Rotary, and she moved right into her presentation. As it contained over 40 slides, the amount of information covered is too much to replicate here, but the entire talk is available on the Charlotte Rotary Vimeo page. Tracy was an enthusiastic and interesting speaker with lots of good information, and I encourage you to watch the entire presentation.

American Airlines is Charlotte's principal airline, operating some 664 daily flights and moving more than 45 million customers per year through their Charlotte Hub, which is the second largest of their nine US hub airports. The Airline is headquartered in Fort Worth, TX (812 daily flights and 64 million customers), and employs 100,000 people worldwide, with 340 destinations across 55 countries. With their 13 global partners, they cover

1,000 destinations in 170 countries. Their cargo operation includes 6,200 employees and moves 715,000 pounds of cargo (mostly USPS mail) each day over 324 markets.

In North Carolina, American has 15,000 team members providing 73% of all passenger seats available in the state. The airline spends some \$3.4 billion dollars in the state each year, including \$26 million for hotel accommodations, and American's operations in NC result in \$14.9 billion of total economic output annually.

The CLT hub is home to American's east coast training facility, which includes 13 flight simulators, covers more than 200,000 square feet, and trains pilots, flight crews, and ground crews for American and their regional subsidiaries, Piedmont and PSA airlines. It is also home to the 405,000-sf heavy maintenance hangar, where 700 mechanics repair and maintain the aircraft, and of a parts distribution center that employs 100 clerks routing parts to American's various operations on the east coast.

Charlotte has the lowest 'Cost Per Enplanement' of any hub airport in the US. CLT's \$2.23 is more than 40% lower than the next lowest (SLC at \$3.90) and is only 5% of the CPE of the JFK hub. Interestingly, your ticket price is made up of 21% federal taxes, 26% fuel cost, 23% labor cost, 28% all other costs, and 2% of airline net profit.

The airline industry was hit hard by the government reaction to the COVID-19 virus, with passenger traffic off by 66% domestically and 84% internationally, reducing revenues by 80%, grounding over one-third of all aircraft (1,200 parked), and resulting in \$46 billion in losses over the period from Q1 2020 through Q4 2021. American lost their share, going from \$2.9 billion of profit in 2019 to \$20 billion of losses over the following two years. During that period, CLT had the highest load factor (69%) of any hub in the country, while the majority of hubs in the country were under 50%.

While CLT recovered faster than any other hub in the country there are still constraints resulting from Regional Pilot shortages, Aircraft delivery delays, a competitive labor market, and continued COVID-19 mandates, notably masks and vaccinations, that are limiting the airlines' ability to get back to pre-pandemic levels. In response to a question, Tracy noted that the HEPA filtration systems on American's planes make the air on the plane safer from viruses than your grocery store and that enhanced disinfection protocols for passenger cabin surfaces are continuing and will likely be retained indefinitely. She is hoping that the mask mandates will be ended on April 18<sup>th</sup> (with the ban on alcohol sales following closely behind).

To find out about American's strategies going forward to meet its guiding principles of: (1) Creating a world-class customer experience; (2) Making culture a competitive advantage; and (3) Building American Airlines to thrive forever; I refer you to the video of the remainder of the presentation at <https://vimeo.com/user24733153>

Many thanks to Tracy Montross for a most interesting presentation.

\*A recording of the program is available here: <https://vimeo.com/694030578>  
The program begins at 20:14 minutes.