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FAA Aviation Forecasts
Fiscal Years 2003-2014





Topics for Discussion

- **Review of 2002**
- **Economic Outlook and Industry Assumptions**
- **Aviation Forecasts**
- **Risks to Forecast**



Review of 2002

- **Domestic and International Traffic**
- **Air Carrier Finances**
- **General Aviation Activity**
- **Demand for FAA Services**



Economic Outlook and Industry Assumptions



Economic Outlook

- **U.S.**

- Modest recovery in 2003, strong growth in 2004/05
- Long run growth in excess of 3%
- Energy prices rise less than inflation
- Inflation remains under control

- **World**

- Rebound in 03 coinciding with U.S. recovery
- Long run growth averages 3.3%
 - Highest growth in Asia and Latin America



Industry Assumptions - FY 2003/04

- **Security/Confidence - No more attacks in U.S.; confidence grows**
- **All major carriers continue to operate => no consolidation**
- **Capacity**
 - **Domestic up 0.5% in 03, 4.2% in 04**
 - **International up 3.2% in 03, 2.1% in 04**
- **Load factor improvement greater in 03 than in 04**
- **Pricing environment**
 - **Domestic - soft in 03, firmer in 04**
 - **International - soft in 03, weaker in 04**



Industry Assumptions 2005-14

- **No change in long run relationship between traffic, GDP, and yield**
- **Capacity-Large Carriers**
 - **Domestic ASM growth averages 3.2%**
 - **Seats per aircraft increase to 159**
 - **International ASM growth of 4.9%**
 - **Latin highest at 5.7% , Atlantic lowest at 4.6%**
- **Load Factor**
 - **Domestic up modestly; International peaks then falls slightly**
- **Network carriers successful in reducing unit costs => profitable with lower yield**

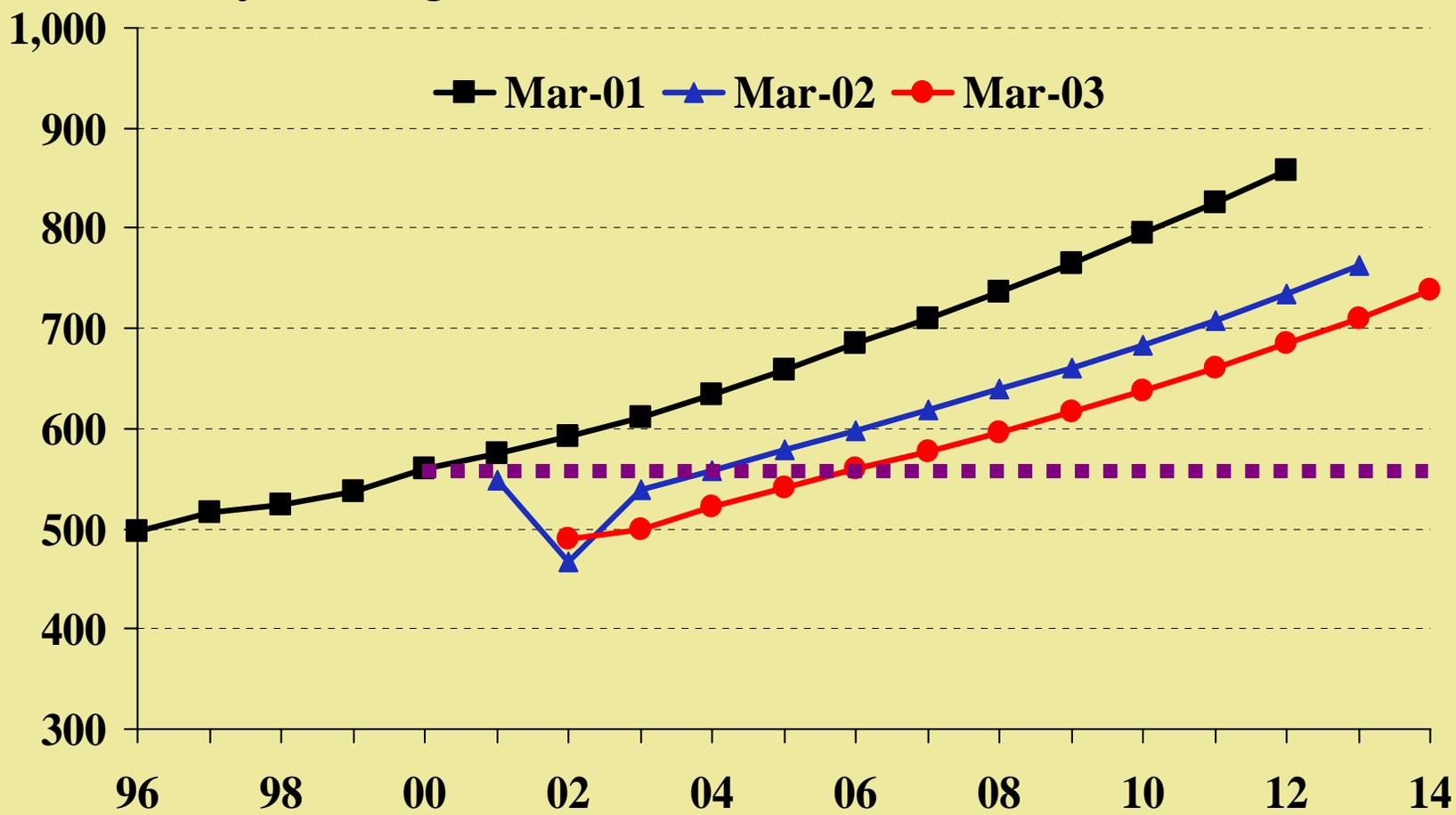


Aviation Forecasts



Domestic Large Carrier Enplanements return to pre 9/11 levels in 2006

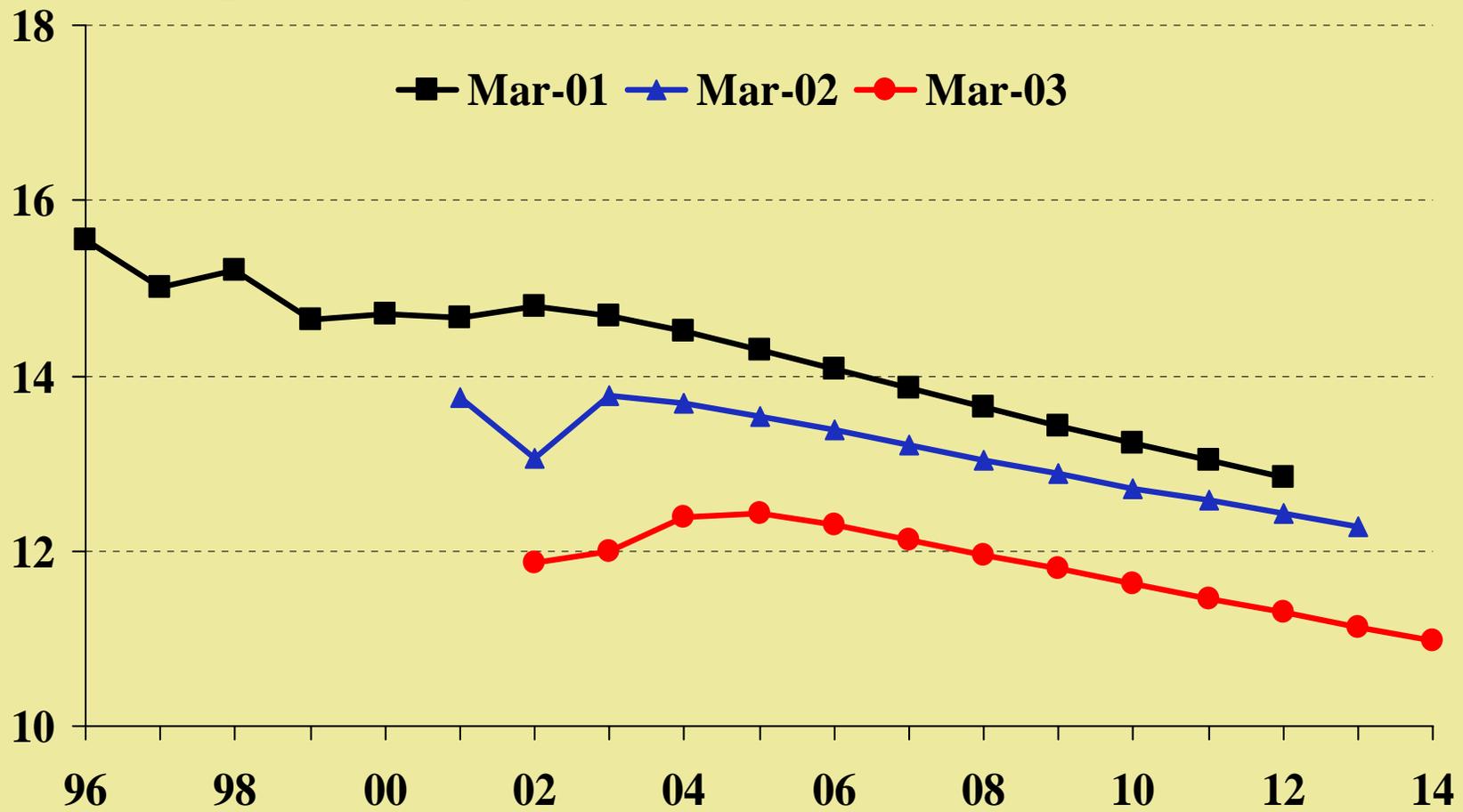
Millions of Passengers





Domestic Real Yield up slightly in near term then resumes long run decline

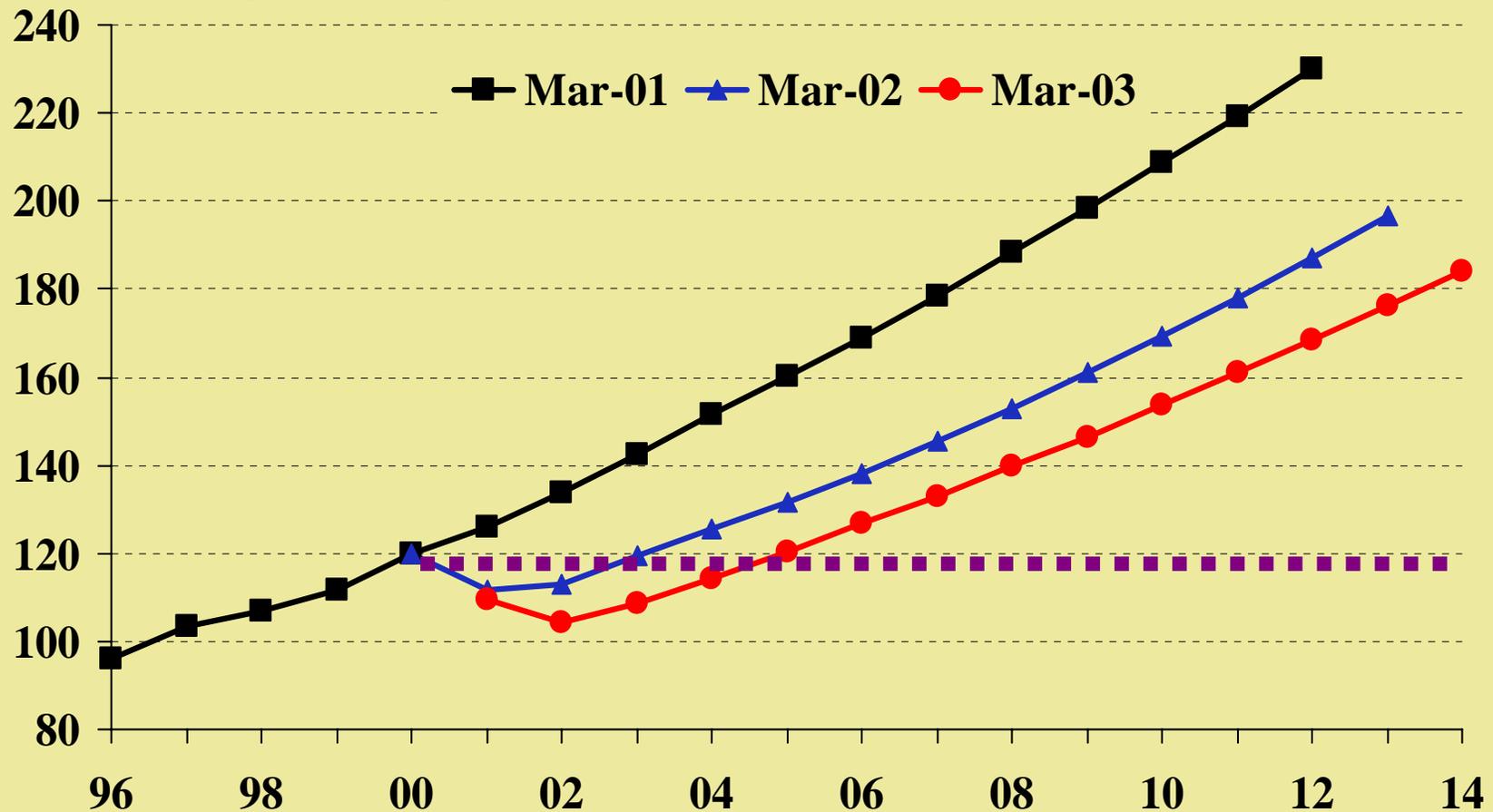
Revenue per Passenger Mile (in 2002 cents)





International Passengers return to pre 9/11 levels in 2004/05*

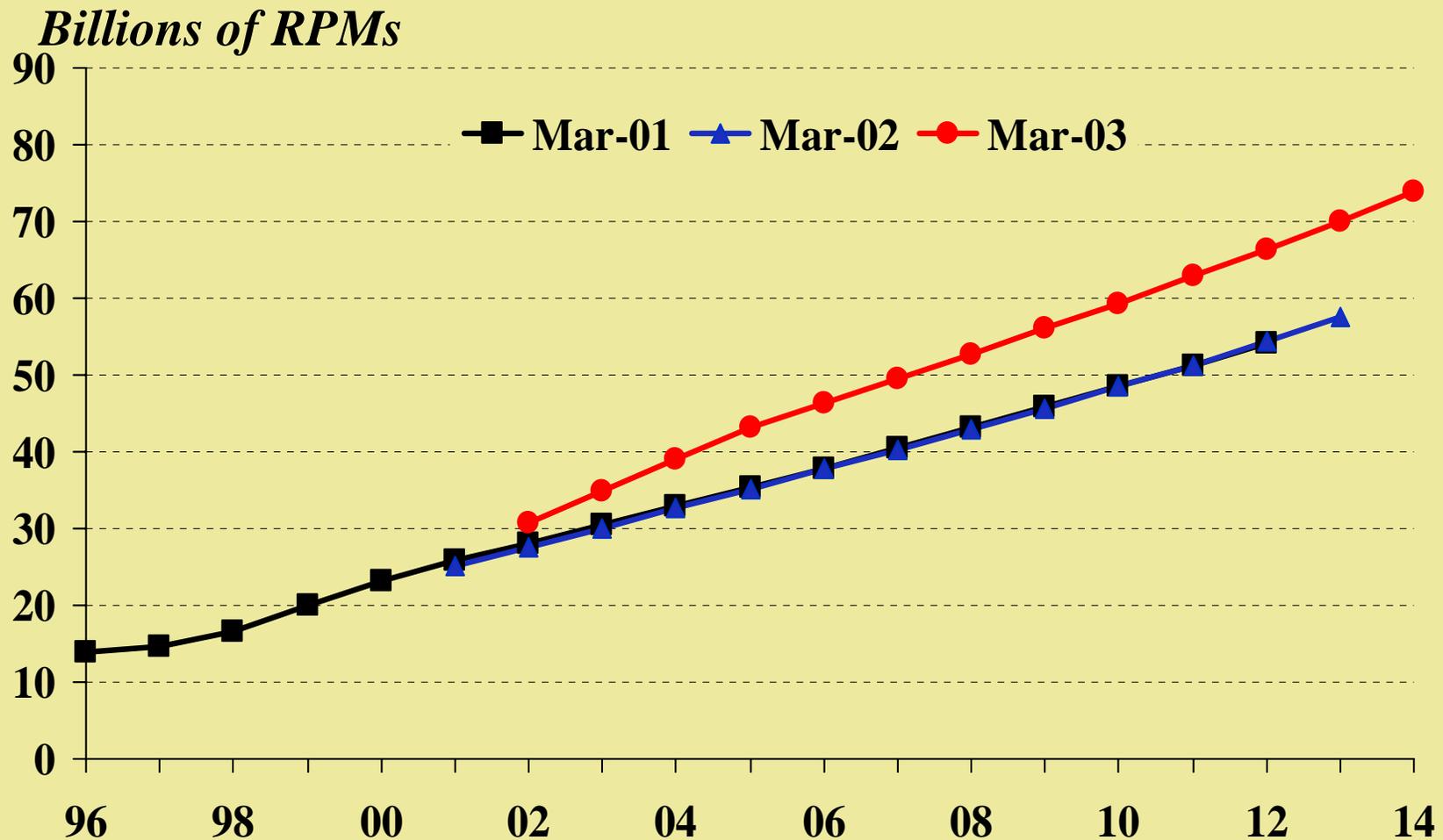
Millions of Passengers



* Excludes Canada



U.S. Regional/Commuter RPMs continue steady growth





Demand for FAA Services Increases Through 2014

- **Tower Ops Up 22%**
- **Instrument Ops Up 25%**
- **ARTCC Activity Up 27%**





Risks to Forecast

- **Security Issues**
- **International Tensions**
- **Can network carriers cut costs enough?**
- **Return of the business traveler?**



Forecast Summary

- **No vigorous recovery in traffic**
 - **Traffic returns to pre 9/11 levels by 2005**
- **Low Fare Carriers increase share => falling fares**
- **Rising Demand for FAA Services**
- **Downside Risks are significant**