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Airlines' profits rise and expected to take off next year

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Profits for the nation's airlines has more than doubled in the third quarter of 2013, compared to the same period last year. (Allen J. Schaben / Los Angeles Times / May 28, 2010)

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By Hugo Martin
December 16, 2013 | 10:24 a.m.

The nation's largest airlines recorded a combined net profit of \$3.2 billion in the July-through-September period, more than double the profits from the same period last year, according to the U.S. Department of Transportation.

And the industry's profits are expected to continue to grow, according to a trade group for the world's airlines, which predicted record profits in 2014.

The rising profit margins are attributed to steadily growing demand and stable fuel prices, which now represent nearly a third of the industry's operating costs, according to industry experts. In response to the recession, airlines have also cut excess capacity through mergers and by replacing small, older planes with new, larger planes that make fewer trips.



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In contrast to the \$3.2 billion in net profits earned in the third quarter of 2013, the nation's airlines earned \$1.4 billion in the same period last year, the U.S. Department of Transportation reported Monday.

Helping boost profits was a 13.5% increase in revenue derived from fees airlines charge passengers to change reservations and a 0.7% drop in fuel costs, according to the federal agency.

The higher profits are expected to continue into 2014.

The International Air Transportation Assn. announced last week an upward revision to its profit forecasts for the world's airlines from \$11.7 billion to \$12.9 billion for 2013. It also announced an upward revision for 2014, from \$16.4 billion to a record \$19.7 billion in net profits.

"Overall, the industry's fortunes are moving in the right direction," said Tony Tyler, director general and chief

executive of the trade group. "We must temper our optimism with an appropriate dose of caution. It's a tough environment in which to run an airline. Competition is intense and yields are deteriorating."

He noted that projected profit margins remain thin, at 1.8% in 2013 and 2.6% in 2014.

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