Operator

Good morning and welcome to the American Airlines Group Second Quarter 2020 Earnings Call. Today's conference call is being recorded. At this time, all participant lines are in a listen-only mode. Following the presentation, we will conduct the question and answer session. [Operator Instructions].

And now, I'd like to turn the conference over to your moderator, Managing Director of Investor Relations, Mr. Dan Cravens. Please go ahead.

Dan Cravens

Thanks Sarah. Good morning everyone and welcome to the American Airlines Group second quarter earnings conference call. Joining us on the call this morning, we have Doug Parker, Chairman and CEO; Robert Isom, President; and Derek Kerr, our Chief Financial Officer. Also on the call for our Q&A session are several of our Senior Executives, including Maya Liebman, Chief Information Officer; Elise Eberwein, EVP of People and Communications; Steve Johnson, our EVP of Corporate Affairs; Vasu Raja, Chief Revenue Officer; and David Seymour, our Chief Operating Officer.

Like we normally do, Doug will start the call with an overview of our quarter and the actions we're taking during this pandemic. And Doug will follow with details on our liquidity and cost outlook. After Derek's comments, we will open the call for analyst questions and lastly questions from the media. To get in as many questions as possible, please limit yourself to one question and a follow-up.

Before we begin, we must state that today's call does contain forward-looking statements, including statements concerning future revenues, costs, forecasts of capacity, fleet plans, and liquidity.

These statements represent our predictions and expectations as to future events, but numerous risks and uncertainties could cause actual results to differ from those projected. Information about some of these risks and uncertainties can be found in our earnings release issued this morning and our Form 10-Q for the quarter ended June, 30, 2020.

In addition, we will be discussing certain non-GAAP financial measures this morning which exclude the impact of unusual items. A reconciliation of those numbers to the GAAP financial measures is included in the earnings release, and that can be found in the Investor Relations section of our website.

The webcast of this call will be also archived on our website. The information that we're giving you on the call is as of today's date, and we undertake no obligation to update the information subsequently.

So thanks again for joining us this morning. And at this point, I'd like to turn the call over to our Chairman and CEO, Doug Parker.

Doug Parker

Thank you, Dan. Good morning everyone. Thanks for joining us today. I'm going to give some color on the work we're doing to manage the current environment, ensure that we are well positioned when we come out of this crisis. Derek is going to provide an update on our liquidity and cash burn. And then as Dan noted, we have several Executives in the room, including our President Robert Isom and our Chief Revenue Officer Vasu Raja, here to answer any questions you may have.

So to begin, I need to acknowledge and applaud the entire America West Airlines team. Thus past the past five months have been more than difficult, and our team has consistently risen to the challenge, taking care of customers and each other, as the stability of the of their own employment remains uncertain. Our team does this and much more each and every day.

Say, they're leading this -- leading to this crisis with grace is an understatement of enormous proportions. And we're all humbled by their work ethic and professionalism.

Till now the actions we're taking to face the COVID-19, the resulting severe instruction to global demand for air travel. In short, the crisis continues. Our team has done an exceptional job of managing through that crisis, as evidenced by the trends we saw throughout the second quarter. And we're prepared to weather the storm ahead and be in a position to succeed when demand recovers.

In the near-term, our actions are centered on three pillars, building up our cash reserves, conserving the cash we do use, and adjusting the way we fly, so that when our customers return to the skies, they can do so with complete confidence, confidence they are safe and they enjoyable to do so. And moreover, we're flying when and where they want to go.

So first of on cash, we have the second quarter with $10.2 billion of available liquidity, which included an important net $3.6 billion that we raised during the course of the Capital Markets. We also have a sign term sheet with the U.S. Department of Treasury for an additional $4.75 billion secured loan under the CARES Act. And we expect that loan to close in the third quarter.

In addition, we announced this morning two senior secured note transaction with both transactions with Goldman Sachs Merchant Bank, totaling $1.2 million. So, when those transactions are combined with our quarter ending liquidity balance of $10.2 million, we would have a Pro Forma liquidity balance of approximately $16.2 million. And we'll have flexibility to raise more if needed and Derek will talk about that in a few minutes.

With regard to conserving cash and our cash burn, our daily cash burn rate for the quarter was around $55 million, which was better than our prior guidance of $70 million per day. We were particularly pleased with the rate of improvements [indiscernible].

That daily burn was nearly $100 million per day in April, then around $56 million in May, and was $30 million for -- per day for the month of June. That improvement was driven by both aggressive cost management which Derek will discuss in more detail and significant revenue growth throughout the period.

As to revenue, demand was at its lowest point in April, of course, and we had a remarkably low system load factor of 15% and a remarkably low passenger revenue price at [$1.08].

But as several States began to reopen, we began to see demand increase, particularly in some markets where we had a network advantage. So, with some aircraft ownership and labor costs we made a tactical decision to file a larger schedule than some of our competitors, competitors then keeping our large connecting hubs in Dallas/Fort Worth in Charlotte larger than the rest of our network.

So anymore that larger schedule we saw increasing loads and unit revenues across the system. Our load factors jumped from 15% in April to 45% in May, and 64% in June. And our passenger revenue per ASM increased from that [$1.08] in April to [$6.09] in May and [$10.03] in June. How's the DFW in Charlotte performed particularly well, with 80% of our flights operating in over 60% load factors throughout the month of June?

Now this rate of approval is going to slow as we head into a seasonally softer travel season. And certainly as demand growth is planned sort of late due to increasing infection rates and State and City quarantine restrictions. We've modified our schedules accordingly. And we now expect our third quarter system capacity to be down approximately 60% year-over-year.

As to cash burn trends, we expect our third quarter burn rates to be well below our second quarter rates and our fourth quarter rates to be lower than the third. Our goal is to be cash positive in 2021, as demand for air travel gradually improves.

Regarding liquidity, we expect in the third quarter of approximately $13 billion and that assumes no additional financing activity in addition to -- other than those transactions I already mentioned.

As to restoring cost of consumer demand. One of the best things we can do during this crisis is to put our energy toward winning customer confidence. To that end, we've established a travel Health Advisory Panel comprised of internal leaders from our operations teams, and outside experts to advise us on health and cleaning matters throughout our operation.

We've also started working with the global Bio Risk Advisory Council on Accreditation for the cleaning and disinfection practices for our aircraft [air landings]. These steps along with more generous change fee waivers and rebooking opportunities for full flights had helped our customers feel good about flying and feel very good about choosing America.

Looking outlook, we're building an even more robust network for our customers. Last week, we announced a new partnership with JetBlue that will provide seamless connectivity for travelers in the Northeast, and create more choice for customers across our complimentary domestic international network.

The JetBlue partnership and the West Coast alliance with Alaska that we announced earlier this year will further strengthen our network and will help to ensure we're positioned for success over the long-term.

So as good as we feel that our management is in this pandemic and our prospects for future success, we feel terribly about the impact it's having on much of our team. We know we will be a smaller airline going forward.

But we've worked to right size all aspects of the organization to that reality. Approximately [5,100] management and support staff positions were eliminated this summer, in a manner consistent with the CARES Act. And last week, we sent warn letters to 25,000 American Airlines frontline team members.

We're doing everything we can to mitigate the impacts and by working with our union partners, we put forward new voluntary leave and early out programs for our frontline team. There's also an effort underway by our union partners to extend the current payroll support program into 2021.

We're proud to support this union led initiative as we believe our entire industry has a shared goal of keeping hard working frontline team members [indiscernible].

With that, I'll turn over to Derek who will give more detail on liquidity and cash burn. Derek.

Derek Kerr

Thanks, Doug and good morning everyone. Before I begin my remarks, I would also like to thank our entire team and acknowledge what they have endured in recent months. Their continued professionalism toward our customers and fellow team members is a model for all of us, and we are proud to serve alongside them.

We reported a GAAP net loss of $2.1 billion or $4.82 per share in the second quarter. And during the second quarter, we did recognize $1.7 billion of pre-tax net special items primarily a $2 billion credit resulting from the payroll support program financial assistance. Excluding those net special items, we reported a net loss of $3.4 billion or $7.82 per share.

With this historic decline in the -- in passenger demand, our primary focus has been to ensure we have sufficient liquidity to make it through a weak recovery. We have moved quickly to raise incremental liquidity and reduced our cash burn.

We have also taken steps to drive efficiencies in our operation by further accelerating our fleet simplification plan and aligning our cost structure to the new world we find ourselves in.

We will continue to leverage the flexibility we have in our scheduling process, and we'll let demand serve as a guidepost for our future capacity levels. We will continue to be relentless in identifying additional ways to improve our cash burn rate going forward.

As far as the fleet, as we announced in April, our fleet simplification plan went into high gear during the quarter as we officially retired the Embraer 190s, Boeing 757s, Boeing 767s, and Airbus A330-300 aircraft as well as a number of regional jets. In addition, we put the Atria 3200s and several of our older Boeing 737s into temporary storage programs.

These changes have reduced our active fleet count by more than 150 aircraft and accelerated our fleet simplification strategy. Removing these aircraft will also have a material impact on our cost structure going forward, as it means we will avoid significant future maintenance expense, future training costs and future aircraft sparing costs associated with operating a more fragmented fleet mix.

These changes alone are expected to bring about significant fleet related maintenance savings to the P&L through 2021.

On the expense front, we have taken a fresh look at how our -- how we budget the airline and have taken a zero based approach to our planning for the remainder of 2020 and 2021. These actions have reduced our estimated 2020 operating and capital expenditures by more than $15 billion.

Beyond the fuel and environment related savings that were achieved through our capacity reductions we have removed or deferred non-essential expenses throughout the business.

We have had great success with our voluntary leave and early out programs, with more than 41,000 employees stepping up to help by opting into a leave or early retirement. And as Doug mentioned earlier, we just completed a 30% right sizing of our management and support staff resulting in annual estimated savings of more than a $0.5 billion.

Well, this will -- was a difficult process to go through. We are grateful to those who have -- who are leaving the company for the many contributions they have made to our airline. With regard to capital expenditures, we currently have committed financing on nearly all of our 2020 aircraft deliveries and do not intend to take any deliveries without committed financing. Beyond this, we have removed $700 million from our projected non-aircraft capital spending plan in 2020.

And that's $200 million more than we announced last quarter, and another $300 million in 2021. We will continue to aggressively pursue other opportunities to conserve working capital. But we are moving quickly to pull down our costs. We are not done and will continue to take the necessary steps to right size our cost structure for the future.

Finally, on liquidity, we have moved quickly to reduce our daily cash burn and strengthen our liquidity position. Well, there are several burn rate definitions out there. We define it as the sum of all net cash receipts less all cash disbursements that includes all debt payments and interest payments. But it does exclude the effect of new financings and new aircraft purchases.

Using that definition, our second quarter average cash burn rate was approximately $55 million per day, which was down from our original guidance of $70 million per day. And as Doug said, we ended the month of June at $30 million per day.

We ended the second quarter with $10.2 billion of liquidity. During the quarter we raised net $3.6 billion through the issuance of $2.5 billion of secured bonds, of which $1 billion was used to refinance our 364-day delayed draw facility, $1.1 billion in equity and $1 billion in convertible bonds.

We also raised $360 million in JFK Municipal Bonds, which the net proceeds are in our restricted cash balance until construction spending occurs. Importantly, we do not have any large non-aircraft debt maturities until our $750 million unsecured bonds mature in June 2022.

During the quarter we received 90% of our allotted payroll support program funds and we expect to receive the remainder in July. Separately, we have reached initial terms with the Treasury Department for the approximately $4.75 billion secured loan, which we expect to close in the third quarter.

In addition, we announced in a separate 8-K issued this morning $1.2 billion of committed financing subject to final documentation and other closing conditions in the form of two senior secured note transactions with Goldman Sachs Merchant Bank. $1 billion of the notes will be secured by a first lien -- first priority lien against the American Airlines brand and related trademarks and IP.

And $200 million will be in secured by existing incremental capacity under our [indiscernible] national collateral. The IP notes allow us to incur up to another additional $4 billion of first lien debt using that collateral. We expect this transaction to close in the third quarter.

And as Doug mentioned, when these transactions are combined with our quarter ending cash balance of $10.2 billion, we have a Pro Forma liquidity balance of approximately $16.2 billion.

The outlook we have raised thus far based on recent appraisals we have approximately $4 billion of unencumbered assets at our disposal. These consist of aircrafts spare parts, equipment and real estate. This number excludes accounts receivable and any additional borrowing capacity under our secured debt or loyalty program beyond the CARES Act loan. This morning we provided an 8-K, which included an update on our collateral position as detailed in that filing.

While we are happy these transactions have improved our liquidity position, we recognize they have come at a cost of increasing the debt load of the company and diluting our shareholders.

However, it is important to note that even after these transactions our weighted average cost of debt is slightly above 4%. Investors should know that we did not take these steps lightly and improving our balance sheet as our imperative once we get through this pandemic.

As for future cash burn, given that recent uptick in COVID-19 cases, and new quarantine restrictions in some areas, we have adjusted our revenue recovery forecast accordingly. Based on our current forecasts, we expect the third quarter will with -- to end the third quarter with approximately $13 billion of available liquidity assuming no other financing activity in addition to those I've mentioned already.

The team has done an incredible job of reducing costs in this environment and shutting down all discretionary spending. As we have said previously, our goal is to get our daily cash burn rate to zero as quickly as possible so that we don't burn cash in 2021. However, the timing of reaching this goal will be greatly impacted by the demand recovery timeline, as the benefits from the majority of the cost cut have already been realized.

In summary, it's very -- in a very short period of time, we've taken swift action to bolster our liquidity manager near-term maturities and capital requirements, and fortify our balance sheet to withstand what may be a protracted recovery.

With that, I'll hand it back to Doug for closing comments before we take questions.

Doug Parker

Thanks, Derek. Before we get to questions, mistakenly think the America West team as [indiscernible] instead of the entire American Airlines team that's clearly 40 on this crisis certainly feels like the old American West days at that times. Hey, Derek thanks to the entire team, of course. And on that note, before we get to questions, I do want to again acknowledge the amazing work of our team. Although we certainly did not none of us could foresee a pandemic like this.

The fact is, here we are living that exact reality. And if a pandemic wasn't enough to test our mettle, we've also experienced the sad and stark reality of how far we have yet to go in this country and our quest for inclusion and equality. This summer, we along with the rest of the world, have seen the brutal murders of our fellow citizens and brought to light the reality and persistence of systemic racism in our country.

In the wake up the passing of our friends, Civil Rights Leader Congressman John Lewis, is fitting to State clearly once again, black lives matter. While all of us have a responsibility to create a better world for our black neighbors, coworkers, friends and fellow citizens, I can assure you that in American Airlines we stand proud and ready to do our part to support and lead in the areas of diversity, equity and inclusion.

On that note, operator, we are ready for questions.

Question-and-Answer Session

Operator

Thank you. [Operator instructions]. Our first question comes from the line of Helane Becker with Cowen. Your line is now open.

Helane Becker

Thank you very much operator. Hi, Doug.

Doug Parker

Hi, Helane. You remember the America West Day?

Helane Becker

I do. So, I remember a lot Doug just a lot. So, okay, this is not something to laugh over because we are experiencing something really horrible. In our industry, something I thought honestly, between now and retirement, I would never see again. And so I'm going to kind of be a jerk and I ask this question. You have a lot of aircraft debt on the balance sheet.

Because -- and obviously, you have to be a smaller airline for some period of time until we recover [cholesterol] level. So, does it make sense to figure out a way to return those aircraft or somehow figure out a way to get out from under this $50 billion in debt that you have on the balance sheet that at some point has to be repaid?

Doug Parker

I'm sure, I'll start Helane. You're not being a jerk at all. It's a fair question. We -- as you know, we built up a good bit of debt on the balance sheet as we as we modernize our fleets. The good news is we do have the most modern fleet industry and we don't need to continue do that work?

We're happy with the fleet air we've used this opportunity to accelerate the retirement of a lot of our older aircraft, which will make us even more efficient as we emerge in this crisis.

We believe the aircraft that we have remaining in our fleet is about the right size or the network, we're going to need as we move, into 2021. If indeed that was not -- turns out not to be the case. We will adjust accordingly of course, but it's that more about the right size of the network as opposed to the debt levels. The answer the debt levels is to get the airline to be cash positive. As I said again, our goal is to do in 2021.

And to use all the cash we generate to reduce the debt level, which we will do over time. All of us have increased our debt burden to this crisis to fund the losses and you're right method was higher than the others.

I would note, first half, we do have the maturity profile is in our favor, at least as relates to the crisis. As Derek stated, we don't have other than $750 million term loans due in the middle of 2022 is our next large non-aircraft in debt payment, which helps of course.

As to what it's done to -- as opposed to a recession, obviously, increasing interest expense. As we look at our interest expense in 2021, at least right now.

The interest expenses would be about $300 million higher than what we spent interest expense in 2019. Aircraft debt I think a couple of hundred million more so total, $500 million of additional expense. That's, that's certainly not something we like, but the reduction in management specialist headcounts we talked about saving is more than that.

And on top of that all the other efficiencies that Derek talked about add savings in addition to that. So, we are highly confident that as demand returns and as we return to taking care of customers we will be able to service the debt reduce the debt load as we as we go forward as we intended it.

Helane Becker

Can you just say why interest expense declined in the quarter without net interest expense number Derek maybe?

Derek Kerr

In the quarter?

Doug Parker

Sequentially or year-over-year.

Helane Becker

No, year-over-year?

Derek Kerr

Yes, I'll look Helane, but I don't see it, it's got to be interest rates going down in our variable debt is over 60%, 70% of our debt so it's got to be driven by that.

Helane Becker

All right, that makes sense. All right. Well, thanks and thanks, Doug, for that very detailed answer. I really appreciate it.

Doug Parker

Thank you Helane.

Operator

Thank you. Our next question comes from the line of David Vernon with Bernstein. Your line is now open.

David Vernon

Hey, good morning, guys. So, I wanted to ask you a little bit about the sequential trends kind of into the third quarter and the back half of the year, if we're going from, the $100 million a day to $30 million a day. Should we expect that number to continue to come down sort of at a steady state level of demand?

I guess, I'm trying to figure out, what level of impact the actions you've taken would have as their fully implemented and run through the P&L. So, if you give us some color on the trajectory of that burn rate at a constant demand level that would be helpful?

Doug Parker

Yes, Vernon. We tried I think in our comments that much of the -- as Derek said, the cost reductions are largely in place. And there's some that occurs into the third and fourth quarter. And then certainly with the October 1 day we are -- we have the ability to reduce our labor costs, somewhat -- those are enormous numbers in terms of daily cash burn, that’s a kind of $3 million or $4 million a day [exact] numbers on that.

The bulk of what would be required to get to improvement is demand improvement. So, what we've said again was that we expect the sequential improvement in the third quarter, fourth quarter – third quarter and then our fourth quarter the third quarter and then into 2021 to be have a goal of being cash positive. So, but those trends are much more about demand -- gradual demand improvement than they are about cost improvement.

Derek Kerr

Yes, and David, I mean, just from a cost perspective, we were down 46% in the second quarter, that trended even tighter was 41 in April, 49 in May, 48 in June. So, in that area where we were from a capacity perspective, so that could change just depending on if you add back capacity don't add back capacity.

But that's kind of a trend we were running from a cost perspective throughout the second quarter, those will stay -- those will remain and only increased by capacity, because all of the costs have been taken out. And as Doug talked about, there might be another little step function in October depending on where we go from that -- from a cost perspective in October.

David Vernon

All right, thank you.

Doug Parker

Thanks David.

Operator

Thank you. Our next question comes from the line of Savi Syth with Raymond James. Your line is now open.

Savi Syth

Okay, good morning. Just a little bit more on the cash burn and actually related to the plans for this kind of severance or voluntary severance that you've provided. Just how much of that do you can expect to execute and I think, Doug, you mentioned maybe \$3 million to \$4 million a day savings, is that how we should look at it? And then if the PSP grant is extended, how does that impact the planning process?

Derek Kerr

Hey, Savi. Just on the severance, we did not do -- we've spread it out over time period. So, there is no big cash outflow from a severance perspective. So, everybody's getting paid through October timeframe. So, that the number that Doug talked about \$2 million to \$3 million is pretty good.

And, that includes the severance that people get today for that are leaving and any other adjustments that we can do from an efficiency standpoint in the third quarter. So, those are the key as we get into the third quarter, but the severance is that's not a lump sum. It’s spread out over time. That helped?

Savi Syth

That's helpful. And what's -- like what's the savings that you expect and those that can offset them that completely?

Derek Kerr

That's the $2 million to $3 million we talked about, that is the same.

Savi Syth

Okay. Okay. So, severance is not much.

Derek Kerr

Yes.

Savi Syth

Okay. And then just a follow up to that is like if the PSP grant gets extended, how does that impact the planning process given? I'm guessing this is a something that has happened -- to happen -- has to happen over a couple of months in advance?

Doug Parker

Yes, I mean, the legislation as proposed by our Unions, just as a simple extension of the PSP program, so the dates change from October 1 to March 31. That would I mean that our commitment to in voluntarily separate anyone would be extended till March 31.

And the funds that the -- funds that were allocated in Case 1 of $25 billion to compensate airlines for retaining, for paying our team that would be reallocated. So, you wouldn't have that savings and you'd have funds that come in to offset the savings.

Savi Syth

Helpful, thank you.

Operator

Thank you. Our next question comes on the line as Catherine O'Brien with Goldman Sachs. Your line is now open.

Catherine O'Brien

Good morning, everyone. Thanks so much for the time.

Doug Parker

Hi, Catherine**.**

Catherine O'Brien

Hey, guys. There is a couple of questions on the recent demand downturn, hoping you could help us frame the magnitude of that. Any color on what gross bookings were in June versus July, or just anyway to think about the fall offs we've seen as new cases spike?

And then could you just walk us through what actions you are taking to address this weaker demand? Was that third quarter capacity outlook down 60 different a couple weeks ago or maybe there's more downside risk now a couple of there but really to try to get a better sense of the magnitude of the slowdown?

Vasu Raja

Hey, this is Vasu. Thanks for the question. I'll start into that. Look what we're seeing are pretty consistent trends with what you've heard reported, we're seeing right now net bookings down 75% to 80%. This is a market difference from where we were certainly in the month of June and even in May.

What American Airlines saw and what we've probably disproportionately benefited from was that a number of States across the Sunbelt started reopening in May and June. With every phase of reopening, we saw steady improvement of net bookings, both among our leisure segments and among the business segments, added probably high watermark is net bookings across the system were down 50% the Sunbelt, they were down, net 35% to 40%.

Now we're seeing that down net 75% to 80%. Still our Sunbelt bookings outpaced the rest of the system. As we go forward, we anticipate many of those trends to continue. We see really a minimal -- really a token amount of business travel out there and not a lot of indicators that that's likely to improve.

So unsurprisingly we're -- here we’re building the airlines capacity around that that demand projection, so, you see us taking down Q3 more and we're continuing to evaluate Q4 and beyond.

Catherine O'Brien

Okay, understood. And then maybe just a question on the cash burn outlook. If I just take your second quarter liquidity adjusts out to new $6 billion in debt rates including everything announced this morning to get that

$13 billion expected third quarter and liquidity, that gets me to about $35 million daily burn, I guess maybe a little bit north of that, if I include the -- that last 10% of the PSP funds.

I guess, first, am I missing anything in that math? And then can you walk us through what type of revenue assumptions are underlying that? And then, to get to fourth quarter being lower than that what kind of revenue assumption or improvement we have to see to drive that lower? Thanks, appreciate the time guys.

Doug Parker

Sure, [indiscernible]. Never on the matter and just please note that those are the in number is approximate. So, we want to try to imply a certain level of precision around that number that you should put precise numbers on these daily cash burn numbers. But so I think -- I'm sure you did the math right.

We have very limited demand growth in that $13 billion quarter end number, so not much at all and in our -- real -- much increase in the fourth quarter not really consistent with all of us we just described.

So anyway, we at our conservative as it relates to demand. And as we said on the expenses where it is I'll just give a little commentary on these just these daily cash burn numbers, but which I know are important to our investors.

They vary so much certainly by month and therefore by quarter sometimes, we need to be careful about looking at those as real trends as long as you understand that. And as far as you understand how they compare to others and all others exclude different things than we do.

It's not a GAAP measure. I know we also have important measure that's why we give you a quarter ended estimated liquidity balance but less. But we try to have less focus on that actual number, because there's just so much variability around it.

Catherine O'Brien

Understood. Thanks appreciate that.

Doug Parker

Thank you Catherine.

Operator

Thank you. Our next question comes from the line of Mike Linenberg with Deutsche Bank. Your line is not open.

Doug Parker

Hey, Mike.

Mike Linenberg

Hey. Hey, Doug. Hey, everyone. Thanks. Good morning. I guess two quick ones here. Derek, I know that I believe under the CARES Act, we can defer social security taxes, I guess the portion this year.

I think you can defer your minimum pension contribution. I think there's some benefit on payroll. Do you have a sense of how that maybe collectively those other various initiatives that we don't spend too much time on, but how much that could boost your liquidity in 2020?

Derek Kerr

Yes, on the one item, I know for sure on the pension side of things, we do have to make a pension payment on January 1, which is a holiday. So, we ended up having to do it on December 31. So, there's not a -- it's not a zero number in 2020. But, we had originally thought it would be around 500 now it's down to 140. So, there's a significant savings there.

The -- we have gotten some tax refunds in the $170 million range which have been positive and one of them is $85 million, we're getting this quarter in the third quarter. And then the deferral of those other taxes, we have them all in 2021 anyway so that you're going have to pay them back in 2021. So, the net impact over ‘20 and ‘21 is zero.

Mike Linenberg

Okay, okay, that's helpful. And then just my second question, really to Vasu. Look, you announced the JetBlue recently, the JetBlue agreement recently, and it seems very similar to what you announced with Alaska back in February. And I realized it's a really tough backdrop to start noticing any sort of benefits from the Alaska deal, I guess, since it is initially only up and running in a few months.

Is there anything that you can tell us with respect to maybe quick wins and things that you've seen as you started to work more closely with Alaska that you think will materialize will materialize with under the JetBlue agreement? Thank you.

Vasu Raja

Yes. Yes, thanks for the question, Mike. I'm happy to do it. In fact, let me put my answer in some context here. That -- in American Airlines we have sort of a unique problems we look all across our hubs.

Our hubs excluding the Northeast that is New York and Boston and the West Coast produce unit revenue premiums of 10% to 12% higher than the industry, indeed has grown since the time of our mergers, we've up gage rebuilt the regional network, improved connectivity and grown in Dallas/Fort Worth. In the Northeast and the West Coast, however, we produce a 10% [rather] deficit to the industry.

This is important because about 22% to 23% of our 2019 capacity is deployed on the West Coast and the Northeast, put that in perspective about DFW in 2019 was about 26%, 27% of the airline, Charlotte was about 12% to 13% of the airline.

So we have a material amount of our capacity in these markets in both of these cases but the West Coast and the Northeast infrastructure is constrained. And we're in a situation where we're really too small to win and too big to go and exit. And so we need to figure out a way and it’s just such a massive customer base that we need to find a way to go and access that revenue.

So in our partnerships both with Alaska and JetBlue what it is entirely about is creating different and creative, competitive alternatives to the larger networks that our competitors offer on those coast. And that's what that was exactly what you see us doing. So, we continue to go and build our Seattle hub and together with Alaska, we will go and create the best of the network on the West Coast with JetBlue.

American Airlines is historically and New York State a great case study for this. Historically, we have a 10% originating share in the largest air travel market in the world. We operate 50 seat jets and some of the most expensive aircrafts and expensive airports in the world. And so by doing this, we leverage the strength of both of these companies. The play here is very much that if we can do this, we go and attract more customers to have our joined up networks, financially that of course rectifies, the very massive revenue problem that we have across our hub system, it creates a really pro competitive outcome.

And very importantly, it keeps these really vibrant and independent competitors, vibrant independent competitors. So, we are really keen about all of them, the big onus is on us to go and execute make these partnerships as seamless as possible. And we're working very ordinately at that.

Indeed, today we're announcing Alaska's formal invitation into one world that will really accelerate the process. And we're envisioning by the end of this year for worst case. Early 2021, we'll have them as a full-fledged member. And we are eager to go and progress the integration with JetBlue as well.

Mike Linenberg

Great. Thanks, Vasu. Thanks for the detail.

Vasu Raja

Yes.

Doug Parker

Thank you, Mike.

Operator

Thank you. Our next question comes on the line of Jamie Baker with JP Morgan. Your line is now open.

Jamie Baker

Hey, good morning, everybody. I guess this means I'll wrap up the cactus triumvirate. David, Helane and Mike have already opined. Derek, can you walk through how the brand in the website is worth enough to support up to $5 billion of additional first lien debt?

Excuse me when loyalty is already pledged elsewhere? I mean, those are pretty material figures. And we don't think that most investors had those in their liquidity models prior to today's disclosures.

Derek Kerr

Right. So, I mean we have an appraisal on both of the transactions. I mean, as we went into this process, as you know we ran appraisals on everything, because we needed to do that as we were looking at the government loan and what we wanted to do with a government loan, so we ran an appraisal just on the frequent flyer program and then we separated out everything else and put it into the brand discussion, I would say.

The value of that is -- it depends on where the value is, but somewhere in the $10 billion range, whereas the frequent flyer program, as we've announced before is somewhere in the $20 billion range.

So we've done appraisals on both, that is a transaction we've been working on for a little bit this recent one. And as we negotiate it got ourselves the ability to do an extra $4 billion underneath that transaction and it's held up by an appraisal that that we've that we've done.

Jamie Baker

And in regards to a potential Ford Mileage sale, are you -- have you reached a conclusion with Treasury yet that they you could speak to that potential phenomenon?

Derek Kerr

We have not reached the conclusion -- we have not reached a conclusion with Treasury yet. We're still working with Treasury on the trans on the $4.75 billion transaction and where we will go there.

But I think it's, as we've seen, it is not a Ford Mileage transaction on top of that as you know our competitor was very successful and did a really nice transaction to take their frequent flyer program and take it to the market that is available.

It probably would take us a little bit of time to do that, just because our company is our, our frequent flyer program is not set up as a separate company, which our competitors was for them the ability to do that transaction.

So that ability is there they you mean we're at $4.75 billion we have a bigger program and I think they raised $6.8 billion $6.9 billion against it. So, I think in the future, that transaction is there. It's not there today for us, but it is there in the future. So, if we cannot utilize the room underneath the government loan that transaction is available in the future.

Jamie Baker

And if I can just squeeze a short third one in. On JetBlue, can you just remind us what you can and can't do in regards to the partnership? What level of coordination pricing scheduling is legally permissible?

Vasu Raja

Yes, I can’t. Thanks for the question, Jamie. The way we've envisioned it, it would be really a pretty broad partnership, where of course, we would have extensive code sharing back and forth, frequent flyer benefits and a big amount of corporate dealing.

A big part of what makes this go certainly as we look at it something that we think will be great for customers back came into, we envision being able to take out things like 50 seat regional jets, which are on a many ways really uncompetitive product and a place like New York or Boston and arrange a number of slot moves within JFK and LaGuardia such that certainly and we can grow its mainline presence. That's where you see us adding more long haul services in New York.

And indeed, over time we anticipate being able to do a whole lot more of that. And then, of course also for our new partner JetBlue, they also get to go and expand. So, in doing that, we see a lot of ways that we can get work together that may be a little unconventional from traditional co-shares in the past that can create a huge benefit for our customers A very big benefit to our team and can help both of these airlines really participate in the recovery as in what happens.

Jamie Baker

Thanks, gentlemen.

Doug Parker

Thanks, Jamie.

Operator

Thank you. Our next question comes from the line of Dan McKenzie with Seaport Global. Your line is now open.

Daniel McKenzie

Hey, thanks. Good morning guys. Just following up on that, that the alliance with JetBlue and Alaska, Vasu I guess if I heard correctly, it's 23% of the flying in 2019 is the goal to get that back pay industry parity really think you can get up with these alliances get to a premium and I guess kind of where I'm going this for investors as they think about 23% of the fine. Is this, revenues that could improve 10% across 23% of the fine if we get back to parity?

Vasu Raja

Yes, that's an excellent question, Dan. And sound way to think of the problem. Yes, look at it to clarify the numbers, in 2019 about 22%, 23% of our capacity base was on the West Coast New York, Boston, right compare that to our two strongest performing markets of DFW and Charlotte, which collectively represented about 48%, 49% of the airline. So, there's a material amount of capacity that and for a long time has been producing [TRASM] below the industry average.

Now, in the perfect back half of 2019, I think a lot of the way you describe that makes sense. The open question is, how the world recovered and how quickly we can achieve steady state. But for that reason, these partnerships are all the more critical to be able to be done now, because the reality is left to everyone's own devices, the third and fourth largest carriers in New York just won't be able to compete for a New York for a diminished New York originating premium customer given the current demand outlook that's there.

So by having this maybe a little bit of time before we're able to we've achieve some of the financial goals that we want from this thing. But for us, as long as we are doing what is right by the customer in New York and Boston, providing real competition to the larger networks that we face there. There's a real path for how we go about doing it.

And as you say, there's probably a lot of upside through this thing that we envision being able to go. And certainly scale the massive fixed expenses of operating in a place like New York over things like wide bodies instead of over things like 50 seat regional jets.

So we think that there is a lot of long-term economic benefits there. The current crisis that the pandemic creates the uncertainty and demand makes it a little bit of an uncertain path for how we go from here to there. But the core way in which you're thinking about it is similar to how we think about.

Daniel McKenzie

Very good. I guess the follow up question here. Doug, going back to your commentary this morning, on CNBC to generate cash next year and start paying down debt or maybe this is for Derek, based on what you see and today and what's in the business plan can you give us a balance sheet roadmap from here, what, what's the range of debt you would aspiration layer could prepay next year?

And what do you want the balance sheet to look like realistically at the end of next year and then as we look three years down the road?

Doug Parker

I'll start and Derek will give more specifics, I'll let him. But it's really hard to give any sort of targets at this point into 2021 and 2022 and beyond with any sort of specificity, and so it's so much dependent upon what happens with return to demand with managed return.

What I know is that as again, we have a goal of being cash -- getting ourselves cash positive in 2021. That certainly requires some demand growth, but we don't think unreasonable demand growth.

And we believe we can do that as that happens and as there's more stability, first, as that happens, we will definitely be using all free cash to retire our free cash flow to retire that and as we have more certainty as to what the economic environment looks like going forward, we can give you better indications of kind of calls on debt levels and credit ratios going forward. It's going to be hard for us to do on this call.

Derek Kerr

Yes, and Dan, I'll give you a little bit I mean, just we part of the debt that we took on as a revolver obviously a 2.8. So, as the as the cash balance works out, we would return the revolver. As you know, the CARES Act loan and the PSP loan, which combined our $6.4 billion are pre payable at any point in time.

We have pre payable aircraft mortgages of $3.1 billion, and our SGRs are pre payable, we can pay down in a point in time. So, we have $17 billion to $20 billion that is as long as we get the liquidity and get the cash that we could use that to pay-off the debt that's there.

First thing we would do is a revolver and we would just return the revolver when we're comfortable and that's about $2.8 billion of the debt.

Daniel McKenzie

Very good. Thanks, you guys.

Doug Parker

Thanks Dan.

Operator

Thank you. Our next question comes from the line of Hunter Kay with Wolfe Research. Your line is now open.

Doug Parker

Good morning.

Hunter Kay

Hey, Doug, Derek. Just briefly what is the -- what is your three year vision for American Airlines?

Doug Parker

Well, I guess it's going to be kind of like what at this point in time now describing what the next three years looks like is not the easiest thing to do. But sitting here right now to get first I'd like I can get to the first one pretty easy which was getting through this crisis and continuing this airline back to where we're generating cash.

So, we're talking about burning cash. So, that I know we can do, look they'll pay you this one and it may be helpful. As horrible as this crisis is and there's not much because you can say about one nice one thing. The one opportunity it's given us which I think is more helpful to us than others.

We American and then we cover. And it gave us a chance, post integration to literally start to take the largest airline in the world and start to and shut it down and start it from scratch.

That's a real opportunity that we're using. That allows us to only add back what makes sense. Things that might have taken us a very long time to continue to get through in getting manage our reductions and giving over every time getting more efficient throughout the airlines flying exactly where it makes sense.

Look at network and say in total it makes sense but some routes not doing as well as others. That's going to make us much more efficient, we come out of that. Out of it, we're excited about that. So, we're going to add back only what makes sense.

We'll come through it more efficiently. That looking forward to that day, when we're through all this and we can and we have that advantage. So, that has been helpful to us, and again something that I guess say probably because we had more need to do that coming still through integration.

And that gives us more opportunity to do that. So, anyway as it relates because of that. Once we get to a more steady state environment, what I think you'll see from American is or is relative to our competitors, our relative performance will be improved.

And as the industry improves, we will endeavor to what's reaching to pay down the debt we've had we've all had to incur to fund these lines.

Hunter Kay

Okay, thanks. And then, just my second question, just three very specific ones. Can you just give me your daily cash burn number for 3Q, what are you expecting for revenue in 3Q and how much you're expecting third quarter operating expense to decline?

Doug Parker

Yes. Again, I think the guidance we gave was to give you the liquidity numbers the liquidity and additional finance and so you can calculate from that, from the estimated cash burn. I'm sure there you know the other ones --.

Derek Kerr

While, I think the third quarter cost down is going to be adjusted because with seats shared as we pull the capacity on. So, we ran about 46% in the second quarter down in cost. We believe that we're going to fly, so we fly -- we flew a little bit more in July but we think we're going to pull down August and September.

So, I think that it'll be a little bit lower than that but not too far off. So, in the -- if we're at 46 for the quarter, we're probably going to be in the 40, 42 range for that in the third quarter from an expense standpoint.

And then from a revenue standpoint, we were at 86% down in the second quarter, maybe 80% in the third quarter, 75% to 80% in the third quarter but it's depending on what we do with capacity in August and September which as Vasu said we're looking at that now and with the buyers to bring it down.

Hunter Kay

Thank you, Derek.

Derek Kerr

Okay. Next one?

Operator

Thank you. Our next question comes from the line of Joseph DeNardi with Stifel. Your line is now open.

Joseph DeNardi

Yes, hi. Good morning. Doug or Robert, I think you all are in the window or nearing the window on when you could renegotiate or start talking to Citi and Barclays about an extension. Can you just talk about their willingness to engage their appetite for the business given the challenges the travel industry is facing.

And whether we should assume an improvement in economics even if it's not or the same magnitude as the last contract. But still an improvement in economics if and when you can get a new contract. Thank you.

Robert Isom

So, just Joe, its Robert. We have the ability to renegotiate in 2020 the contracts come due. We obviously are working, we have been working with both Citi and in Barclays. I could tell you from the work with both partners that there is tremendous interest.

We know that the American Airlines, our customer base, and our loyalty program are credible assets to both Barclays and the Citi. We have every intent to continue those relationships and expect a tremendous amount of value to come back to American.

Now obviously, the current environment is not the best in which to be talking about increasing values but as we take a look to the stabilization of the business and take a look at the future, I'm quite confident that the economics are going to be equal to and better than what they are today.

Joseph DeNardi

Thank you. Then Derek, I think your NOLs are getting bigger. So, you've got back to 140 which is nice. Can you just remind us how that works and then your ability to use those, I think you had some that began to expire in 2023, so just how that works. Thank you.

Derek Kerr

Yes. I mean, right now we have Federal at 90.1 billion stated about three. We believe we can use them, we're still as we look at forecast out we believe that they will all be used in the ones in 2023 will be used.

If not, we will as put up and evaluate each an allowance for them if you look at the forecast and assume that they can be used. But as of right now, with the cash ability and changes we can do, we believe we will use all that point one that we're on prior to prior at the beginning of this year.

And that and all will be used by 2023. We've got enough room to be able to use them all.

Joseph DeNardi

Okay, thank you.

Derek Kerr

Okay.

Operator

Thank you. Our next question comes from the line of Stephen Trent with Citi. Your line is now open.

Stephen Trent

Thank you, everybody. And I appreciate you taking my question. Just curious in terms of your longer-term thinking. What's the view with respect to maintaining New York and Philadelphia hubs and I'm know you're cancelling some international destinations?

But just trying to think in terms of how you're thinking about the optimization of those assets?

Vasu Raja

Hi Stephen, this is Vasu, thanks for the question. We're additionally keeping both the Philadelphia and the New York hub. And we've seen this before. Look what when we put the merger together, there is a lot of worry that DFW Charlotte and the DFW Phoenix which are overlapping and contradictory purposes.

Indeed, as we grown anyone, we've seen the RASM performance of all of them grow by having multiple how does it that have similar purposes you can go in and create a lot of value for the customer.

And we see the same footprint not just with New York and Philadelphia but the three hubs at New York, London and Philadelphia. That we're going to go into a world where international is going to have a much longer recovery path.

And frankly, American Airline already was producing less than industry RASMs in international. So, we envision Philadelphia as being the primary connecting point. In Philadelphia, we can connect between 90% of the country through there. The low exceptions being New York and Boston and Upstate New York.

In New York City, we will focus it very heavily around O&D Markets out in New York and a major connecting market that be it things like Vegas, Orlando, things like that. And in London, we have a great market and with our partner IAG the opportunity to go and expand London where we can go provide more current activity not just in the Europe but in the places like Middle East, Africa and India.

Between the three, even though we go into a world where demand is more competed, where next year we will be a materially smaller carrier and an extremely smaller carrier internationally. This enables us to go and take a bigger share of what demand is there, provide a maximum amount of connectivity to the customers in the process.

Stephen Trent

Okay, very helpful. Let me leave it there and everybody stay healthy and safe.

Vasu Raja

Thanks, Stephen.

Operator

[Operator Instructions] Our first question comes from the line of David Koenig with The Associated Press. Your line is now open.

Robert Isom

Hi, David.

David Koenig

There's a guy who used to work at America West and he said yesterday that his current airline specs that revenue is going to rise about 50% of pre-COVID and stay there until there is a vaccine that's widely available.

I wondered if Doug, if you agree with that view or if you have a different idea about how the recovery on solds and how you're going to get to even to 50%?

Doug Parker

Yes. There I know that guy too. And I also know he said it's anyone's guess and now what's your guess. So, it's reasonable, I don’t have any reason to tell you that we disagree with that and certainly kind of what we're planning or is a look forward is consistent with that type of recovery.

I don’t think any of us believe that we're going to get anything close to. I mean, the old demand until there is a vaccine, it's widely spread. So, anyway until that point, on that point I hope he's right that once it happens, demand returns quickly.

David Koenig

Or is it, this current wall is just kind of a temporary stall here with the recent surge in cases?

Doug Parker

Oh yes, there again what we've seen with certain cases we saw some -- we saw what was a continual growth in demand sequentially month-to-month plateau. And so, that certainly happened.

And as cases hopefully fall in the future, one would expect that you see what we saw through April, May, and June, as demand recover somewhat. But again, nothing that we would anticipate, really gets back to the kind of demand we talked 2019.

And how the country's moving. And I mean, this is the last of our peoples concern about flying and much more about having a reason to travel. And having business open and moving and having places to go when you travel and not needing the quarantine.

And as those things happen, more and more people will travel but clearly in some cases all that's not going to happen until we get to a vaccine.

David Koenig

Okay, thank you.

Doug Parker

Thanks, David.

Operator

Thank you. Our next question comes from the line of Tracy Rucinski with Reuters. Your line is now open.

Doug Parker

Hi, Tracy.

Tracy Rucinski

Hi, good morning.

Doug Parker

Good morning.

Tracy Rucinski

I was wondering what your deals are on how business travel is going to evolve. Do you see any permanent changes?

Vasu Raja

Hey Tracy, this is Vasu. Thanks for the question. Look, it remains to be seen. So, much of what this crisis is, it's not just the demand as well but it's such uncertainty about it.

Yes, we do see evolutions that are out there but in many ways we're already seeing as that the customer segmentation is changing a little bit from business and leisure which airlines and historically defined and in different kinds of transactions and much more what customers are keen to regain.

So, to resume their economic flights and which customers are less ready to. And often times the differences between those are a function of people's confidence in resuming it and necessity.

So, a great example of this is whenever we were in the first week of April which is probably our lowest point for booking small-and-medium sized book -- business bookings out of Texas were almost zero.

They were like 10,000 a week which is not even single-digit percentages. By June the 15th, after Texas went through phase III reopening, they had increased 300% to 45,000 or so which is still relatively small but far from -- they are far from where we would like them to be.

And that same period corporate books didn’t really change it all. So, it is likely to think that for a period of time, one business bookings as we historically call them is going to be very different and companies are unlikely to go and resume their economic life.

So, it's bigger companies. And there is a lot of uncertainty around what and how smaller companies might be. So, we are planning certainly for some very conservative assumption and in many ways is continuing to adapt the airline for the change in customer base had become.

Doug Parker

Thanks Vasu, thanks Tracy.

Robert Isom

So, we're ready to go on to next question.

Operator

Thank you. Our next question comes from the line of Alison Sider with Wall Street Journal. Your line is now open.

Doug Parker

Hello, Ali.

Alison Sider

Hi, good morning. Doug, can you is there anything you can share about sort of how many flights were in terms of capacity what the change will be from July to August? It looks like you're still trying to fly more than some of your peers, is that kind of how you see it?

Vasu Raja

Hi Ali, this is Vasu, thanks for the question, good to speak again. Look, we haven't finished loading all of that changes in the August or even in the September. And how we load that change is probably going to occur over multiple periods of time.

As we've kind of described before, we've changed a lot of our internal processes around is whimsical. In this environment of uncertain demand, we will have to adapt and we have to be flexible.

So, we describe ourselves as being nimble or adaptable, it's not using this and we're flying more, it means exactly that. That in the pace of uncertain demand, the airline has to evolve.

And so, while we envision viewing really in August you'll see it pretty consistent with our comments on this call that we continue to see our biggest hub DFW and Charlotte building, we anticipate keeping the connectivity there but doing a lot of other adjustments because markets are a much more dependent on business style traffic are likely to not come in.

To put a finer point on it, once we cross Labor Day, historically in this airline about 40% of our revenues come up off business and it's pretty unreasonable at this point to think that we'll get anywhere close to that. And so, we really said we're more dependent on business or likely to come out.

But rather than making a single blanket call and taking it all at one time, you'll see us make this cut over a period of time. So, we envision really in August where we're still taking bookings that are lot more of our capacity, we'll sit in the biggest hubs than not.

And as we mentioned earlier, we'll take some pretty material reductions to what we're out there selling both in the second-half of August and post-Labor Day, such that Q3 capacity will be at a minimum down about 60%.

Alison Sider

Got it. And yes, just trying to get my mind on how much of this is seasonal, does this have to look sort of never going to come back in the fall and how much of it is sort of a change in thinking about the demand trajectory?

Vasu Raja

Well, what I say there has been definitely some seasonality to it. And really it's not very much of a change of thinking about keeping the airline schedule and operating fact that's really flexible so we can adapt to the change in demand landscape.

And that's what we've been doing throughout the crisis, we'll continue to do along the way.

Alison Sider

Alright, thank you.

Vasu Raja

Thanks, Ali.

Operator

Thank you. Our next question comes from the line of Claire Bushey with Financial Times. Your line is now open.

Claire Bushey

Hey. Have you ever seen the response from the Vice President or the European Commission of the Home Affairs regarding that letter you sent about transatlantic COVID testing and what sort of would this testing regime look like?

Vasu Raja

Hey, this is Vasu. I'm starting with the question. We've and the candid answer is that we are still looking at it and evaluating it, discussing heavily with our partner IAG. And then, so we don’t have a lot of insight yet but in the next few days and weeks we expect it.

Doug Parker

And we've not had responses yet, just since we went out last week.

Claire Bushey

Thank you.

Doug Parker

Thank you.

Operator

Thank you. Our next question comes from the line of Justin Bachman with Bloomberg L.P. Your line is now open.

Justin Bachman

Hi, good morning and thanks for the time today. I wanted to ask about there were 12 or so Boeing Max aircraft that you were looking for additional help in financing that would be delivered this year.

Do you have any updates on where that stands and if those there planes are coming to American or if you've decided to move on or differ those?

Derek Kerr

Hey Justin, this is Derek. The plan is to take those aircraft while we're working with Boeing is a firm upset financing and make sure that with the delays in the aircraft that that financing is firm.

We are having really good discussions with the Boeing team, working hard, they're a great partner for us. We totally plan on taking those aircraft, there's 13 that are built that haven’t come to us yet and there is another four that are supposed to come by the end of the year; so another 17.

So, we're going to Boeing to make sure that those are financed as we said in the comments that we don’t plan on taking any aircraft that are financed. But we're working well and we're also looking at the 21 and 22 aircraft.

So, we're not done, we're in we're talking with them and all conversations are good and our plan would be to still take all 100 aircraft we have on order over time and just when we take them is the discussions that we're having.

But good discussions, not done yet, will be done pretty soon I think.

Justin Bachman

So, all of those 17 that you just mentioned, will that be this year or does some of those slip into '21?

Derek Kerr

We hope all 17 is this year but it all depends on when you when the aircraft is back up in the air and how quick they can get them and deliver them. But we would be okay to have them all this year.

Some of them may slip into next year but I would assume by early part of next year they would all be here.

Justin Bachman

Great, thank you.

Derek Kerr

Yes.

Operator

Thank you. Our next question comes from the line of Leslie Josephs with CNBC. Your line is now open.

Doug Parker

Hi, Leslie.

Leslie Josephs

Okay, hi good morning everybody. A quick question on the salaries and the labor bill looks like it's down close to 21% compared with last year. Are you going to have any money left over if it kind of continues on that trajectory there we do signed schedules or other revoked leave.

And are you can you use the Paris payroll support for severance packages or do you have other plans if that happens, and you do have a left over from the PSP?

Derek Kerr

We will not have any left over from the PSP. I think the amount of PSP there we received was about 76% of the salary over the second and third quarter. So, there won't be any money left and we can't use that PSP money for severance and other things; that's other cash.

Leslie Josephs

Okay, thanks.

Doug Parker

Thanks, Leslie.

Operator

Thank you. Our last question comes from the line of Edward Russell with PPG. Your line is now open.

Edward Russell

Hi, thank you for taking my question. I just wanted to add getting your own words. If you think that American strategy deploy more capacity in the second quarter especially in June was worth it and if you just you have to explain why you're thinking behind that?

Doug Parker

Sure. And I'll start, then Vasu you can chime in. And what this -- we did indeed why more is in my view anyway we're got into somewhat made it to a bigger issue than certainly the way we think of it.

This is a tactic in crisis management. As we're all managing through a crisis trying to scale with as individual airlines. I think it's accurate to say that we will twice as much as some other airlines but it's also accurate to say that we put 40% of our prior schedule and other airlines 20% of their prior schedule.

And so, the real story there is that we're down 60% and they're down 80%. This is the crisis. We all work to figure out what's best for our airlines. Our network team did a phenomenal job.

Seeing that while as we all had pulled down schedules, that connectivity in particular had then reduced throughout the country and that we could by focusing on our DFW and Charlotte hubs have the ability to have more connectivity than others and give us advantage on the limited demand that was there to carry more than we would otherwise.

So, that absolutely worked in June as in my comments in our revenue per ASM in June was six times what it was in April. And we that would not have been the case that we found only 20% of our capacity and in many ways of finding more and having that kind of increase in RASMs.

We're extremely happy with it. It's worked well into July and we're happy with the results we've seen in July. Our low factors remain high and higher than our competitor airlines even though we're flying more.

So, we're really happy with that tactics. It's not going to make a big difference six months from now is we did some and we have others that are trying to be bigger than everyone else over time. It's just a tactic during this crisis which's worked out really well for us.

And we're really proud of us and what it sees is network to clients and orders and other came -- it's more just in team with counter strategy to manage the crisis. It's worked really well for us.

Anything to add, Vasu?

Vasu Raja

Yes. The only thing I would add to that matter is that as Doug said it did very much work well for us. Simple way to think of it is we have come 60% more than our primary competitors and generated 60% more passenger revenue.

So, by any means, being able to have that come in was big and a big part for what our cash burn looks the way it does. But also require finer point on few things that Doug just mentioned.

Look, it taught us a lot too along the way as we went through June. Fewer than 2% of our flights were flying below 25% but very too strong with our DFW and Charlotte were 60% at the airline and produced 11 and 12 set RASMs which even in a normal June would be a really good June for many of the airlines all around the world.

So, that were very instructive to it and also by flying that big, we got to get a really we have to try a lot of things across the commercial organization that has taught us a lot about how our customer base is evolving and those are all things we're putting into practice.

And like Doug said, this was a tactic of managing and it was really a one-time thing that we did knowing that June and July would be months where if there were discretionary leisure travelers, that's the time to get them.

And clearly in the fall where the airlines becomes more dependent on business travel that is no longer a planning reality for us. And so, we're adjusting that we're taking the insights we learned along the way with us.

Edward Russell

Great. Thank you, very much.

Vasu Raja

Okay.

Operator

Thank you. This concludes today's question and answer session. I would now like to turn the call back to Chairman and CEO, Doug Parker for closing remarks.

Doug Parker

Thank you very much for your interest and we appreciate if you have any questions, either contact Investor Relations or Cravens. Call the Investor Relations department. We appreciate your time. Thanks, bye.