Operator

Good day, and welcome to the American Airlines Group Fourth Quarter 2014 Earnings Call. Today’s call is being recorded. At this time, all lines are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. [Operator Instructions]

And now, I would like to turn the conference over to your moderator, Managing Director of Investor Relations, Mr. Dan Cravens.

Dan Cravens

Thanks, Lisa, and good morning, everybody, and welcome to the American Airlines Fourth Quarter 2014 Earnings Conference Call.

Joining us on the call today is Doug Parker, our Chairman and CEO; Scott Kirby, President; and Derek Kerr, our Chief Financial Officer. Also in the room for question-and-answer session is Robert Isom, our Chief Operating Officer; Elise Eberwein, EVP of People and Communications; Bev Goulet, Chief Integration Officer; Maya Leibman, our Chief Information Officer; and Steve Johnson, our EVP of Corporate Affairs.

We’re going to start the call today with Doug, and he will provide an overview of our financial results. Derek will then walk us through the details on the quarter and provide some color on our guidance for 2015. Scott will then follow with commentary on the revenue environment and our operational performance; and then after we hear from those comments, we’ll open the call for analysts’ questions and lastly questions from the media.

Before we begin, we must state that today’s call does contain forward-looking statements, including statements concerning future revenues and costs, forecast for capacity, traffic, load factor, fleet plans and fuel prices. These statements represent our predictions and expectations as to future events, but there are numerous risks and uncertainties that could cause actual results to differ from those projected. Information about some of those risks and uncertainties can be found in our earnings press release issued this morning and our last Form 10-Q for the quarter ended September 30.

In addition, we’ll be discussing certain non-GAAP financial measures this morning, such as net profit and CASM, excluding unusual items. A reconciliation of those numbers to the GAAP financial measures is included in the earnings release, and that can be found on our website at aa.com under the More About American Airlines Investor Relations section. Webcast of this call also will be 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. And at this point, I'd like to turn the call over to our Chairman and CEO, Doug Parker.

Doug Parker

Thanks, Dan, and thanks everyone for being on. We are here to talk about our fourth quarter and full-year 2014 earnings. We announced this morning record earnings for the fourth quarter of $1.1 billion. That's up 153% over the prior year. And for the full-year 2014, record earnings of $4.2 billion. That's up 115% versus 2013. This is the best year in the long proud history of American Airlines, and the best year by a long shot, more than double the prior record. And we're extremely pleased to being reporting results like this just one year into our merger. It's the result of 100,000 hardworking team members, who have done just a phenomenal job of working together and taking care of our customers.

So we're grateful for them, and all that they are doing and continuing to do and will continue to do in the years ahead. These results allow us to do a number of important things; invest in our people, invest in our customers and return capital to our shareholders.

As to investing in our people, we hired over 7,000 new team members in 2014, including 2,300 flight attendants, 800 pilots, 300 mechanics. And in recognition of the outstanding performance, the company has done and our people have done, we instituted a 4% pay increase for all non-union employees below the director level, as well as for all of our contract employees that have reached joint contracts, joint collective bargaining agreements.

Our flight attendants have indeed reached a five-year joint collective bargaining agreement, which includes industry-leading wage rates. Our pilots are currently voting on a tentative agreement for a five-year joint collective bargaining agreement, also including industry-leading wage rates.

During the year, we prepaid our pension obligations by over $600 million. And based on current funding assumptions, we now have no required contributions until 2019.

As to investing in our customers, we've continued our fleet modernization program. We added 132 new aircraft to the fleet in 2014 and retired 111 older ones. That will continue in 2015 as we plan to take delivery of 128 new airplanes and retire 126 older ones. American now has the youngest most modern fleet amongst our global network peers and that gap is widening every day.

We also announced a $2 billion product enhancement initiative, including fully lie-flat seats on our long-haul international fleet, satellite-based internet access on international flights, a refreshed and modern design for our Admirals Club lounges worldwide, and an improved and updated airport check-in experience.

And then we've used the returns after investing in our product and our people to return to our shareholders. Earlier this year, we announced the first shareholder dividend at American Airlines since 1980. We've continued that dividend in each quarter since the initial announcement including in today's quarterly results. We also completed our previously announced $1 billion share repurchase program, more than a year before its expiration. And today, we announced the authorization of an additional $2 billion share repurchase program to be completed by the end of 2016.

So when you can do all these things well, you generally see stock appreciation. That's certainly been the case here. Now we at American Airlines, AAL, is not yet in the S&P 500, but we know that we will be one day.

And if you look at our results, we produced a total shareholder return of 113% in 2014, and had we been in the S&P 500, that have been the second best amongst all the S&P 500, behind by the way only Southwest Airlines, our competitor. So it was a good year to invest in Dallas-based airlines.

But this is not our first year of really strong returns. Our predecessor ticker, LCC, was up nearly 90% in 2013 and over 170% in 2012. So on a three-year basis, we produced a TSR of over 1000%. And that is by far the best of S&P 500 stocks and far in excess of anyone else, second place again actually. First in the S&P 500, but second if we were in it as a company with us with a 600% return. So we're really proud of that record. We understand we work for all of you and we intend to work hard to continue building upon as we look to the years ahead.

As to the outlook for 2015, we're really pleased with where we are, but we know we have a lot more to do. 2015 is going to be a key year for our integration; getting to single operating certificate; merging into single frequent-flyer programs; integrating our reservation system; achieving joint collective bargaining agreements with our remaining workgroups, all those things need to be done in 2015. And our goal is to accomplish all of those in the year. It won't be easy, but the incredible things our team has accomplished by working together thus far, gives us the confidence that we're on the right track with the right team.

As to our financial outlook, Derek will give you some guidance, but sufficed to say that we believe 2015 will be yet another record year, exceeding the results of 2014. We also expect our pre-tax earnings margins will be the best of our global network peers. It will be only our second year post-merger.

And then lastly from me, we are well aware that much of the tailwind pushing our industry in 2015 is due to a significant and recent drop in oil prices. Our perspective is that Brent was over $100 a barrel for nearly four years and it's been under $100 a barrel for merely four months. So we're going to continue to run American as though we're still operating with $100 per barrel oil. We think that's best for our investors, out team members and our customers in how we plan to keep running the business.

So with that, I'll turn it over to Derek, and then Scott and then we'll get back to questions.

Derek Kerr

Thanks, Doug, and good morning, everyone. In our earnings release filed earlier this morning you'll find information pertaining to our fourth quarter and full-year 2014 results.

As we talked about last quarter, please note that on a GAAP basis results for the fourth quarter and full-year 2014 shown today compares our post-merger performance to the 2013 GAAP financials for American Airlines Corporation, which includes results for U.S. Airways only for the period from the completion of the merger on December 9, 2013 through the end of 2013.

This makes the year-over-year comparisons not meaningful. As such, for the fourth quarter and full-year 2013, we have provided our financial results on a non-GAAP combined basis, which is the sum of American Airlines' and US Airways' results for the 2013 periods. We believe this is the best way to review our financial results.

You will be happy to know that this is the last quarter of these types of comparisons. Unless otherwise noted, all my comments will be based on the comparisons to the 2013 non-GAAP-combined results, which can be found in the press tables under the heading American Airlines GAAP Inc. Non-GAAP Combined Consolidated Statement of Operations.

For the fourth quarter, the company recorded a record GAAP net profit of $597 million. This compares to a non-GAAP combined fourth quarter 2013 net loss of $1.9 billion. Excluding net special charges, we reported a record net profit of $1.1 billion in the fourth quarter of 2014. This represents 153% improvement over the combined non-GAAP net profit, excluding net special charges of $436 million for the same period in 2013. Using 724.8 million diluted shares outstanding, we reported earnings, excluding net special charges of $1.52 per diluted share for the fourth quarter of 2014. Our pre-tax margin, excluding net special charges, improved by 570 basis points year-over-year to 10.6%.

Total capacity for the fourth quarter of 2014 was 65.1 billion ASMs, up 1.7%. Mainline capacity for the quarter was 57.8 billion, up 1.5%, while regional capacity for the quarter was up 3.8 % to 7.21 ASMs.

As Doug said, in the fourth quarter, we took delivery of 20 mainline aircraft and retired 15 aircraft. On the regional side, we removed and parked 8 Embraer 140 aircraft and took delivery of 17 aircraft. We expect to end 2015 with close to flat aircraft count while we continue our fleet replacement program. We do expect to take delivery of 74 mainline aircraft and 50 regional aircraft, and plan to retire or park 104 mainline aircraft and 22 regional aircraft.

Total operating revenues were a record $10.2 billion in the fourth quarter of 2014, up 2.1% from the same period last year. Passenger revenues for the quarter were $8.8 billion, up 0.7%, with yields up 0.9% on a 1.7% increase in system capacity. Cargo revenues were up 2% to $232 million, due primarily to higher freight volumes. Other operating revenues were $1.1 billion, up 14.4%, primarily due to higher frequent-flyer revenue, driven by our affinity card deal with Citibank announced in late 2013.

Versus the fourth quarter 2013, Passenger RASM was down 1% to $0.135. Total RASM in the fourth quarter of 2014 was $0.1562, up 0.4%, and Scott will provide more detail on our revenue performance and demand environment after my comments.

Airlines' operating expenses, excluding net special charges for the fourth quarter of 2014 were $8.8 billion, down 4.1% year-over-year. Mainline operating cost per ASM, excluding net special charges, was $0.1251, down 5.9% year-over-year on a 1.5% increase of mainline ASMs. We have seen a material financial benefit resulting from the recent decline in crude oil prices as we haven't hedged fuel.

Our average mainline fuel price, including taxes for the fourth quarter of 2014 was $2.52 per gallon, on a 17.5% decline, versus $3.06 in the fourth quarter of 2013. Excluding net special charges and fuel, our mainline cost per ASM was $0.0867 in the fourth quarter of 2014, up 1.1% when compared to the same period in 2013. Regional operating cost per ASM, excluding net charges and fuel was higher by 0.9%. Excluding net special charges and fuel, our consolidated fourth quarter CASM was up 1.3% year-over-year.

We ended 2014 with $8.1 billion in total cash and investments, of which, $774 million was restricted. The company also has an undrawn revolving credit facility of $1.8 billion, bringing our total unrestricted liquidity to $9.1 billion.

As of December 31, 2014, approximately $656 million of the company's unrestricted cash and investments balance was held in Venezuelan bolivars, which decreased $65 million from the September 30, 2014 balance of $721 million.

During the quarter, the company returned $959 million to shareholders through the payment of $72 million in quarterly dividend and the purchase of $887 million of common stock or 20.5 million shares.

As Doug said, the company's $1 billion share repurchase program announced in July 2014 is now complete more than one year ahead of its scheduled expiration. When combined with $113 million spent in share repurchases in third quarter of 2014, the company repurchased a total of 23.4 million shares at an average price of $42.72 per share. As a result of these share repurchases, the net settlement of shares withheld in satisfaction of certain employee payroll tax obligations and the settlement in cash of our 7.25% convert, the company's fully diluted share count has been reduced from $756 million at the time of merger close to $719 million today, or a reduction of approximately 5%.

Company's Board of Directors has declared a $0.10 per share dividend for the first quarter of 2015 and also authorized an additional $2 billion share repurchase program to be completed by the end of 2016. For the full-year, we have prepaid $2.7 billion in high-cost debt and lease obligations, thereby lowering our overall cost to capital. We also contributed $781 million to our defined pension plans. And based on airline funding rules, we are over 100% funded, which is better than our network peers. Based on current assumptions, we are forecasting no recorded contributions until 2019.

Turning now to our 2015 guidance. We have lowered our full-year overall system capacity by half of a point and are now forecasting it to be up approximately 2% to 3%. This increase in capacity is primarily driven by increased gauge from aircraft deliveries, higher seat density through aircraft reconfigurations, higher completion factor and an increased stage length. Domestic capacity is expected to be up approximately 3% in 2015, while international capacity is expected to be up approximately 1.5%.

By quarter, mainline capacity breaks down as follows; 56.5 billion in the first quarter, 62.4 billion in the second quarter; 63.6 billion in the third quarter and 58.2 billion in the fourth quarter. Regional capacity breaks down by quarters as follows; 7.27 billion in the first, 8.01 billion in the second, 8.19 billion in the third and 8.11 billion in the fourth.

There has been a lot of talk of capacity changes in response to lower fuel price. You won't see any changes from us in the near future since we continue to run the airline as though high fuel prices will return. Even if we were inclined to be less discipline about expansion, our infrastructure is not set up to handle additional capacity increases above our current plans for at least 18 to 24 months.

Given our expected retirements and all of the additional trainings that has to occur as we take new deliveries to replace MD80s, 757s and 767s, we are using 100% of our training resources for the foreseeable future. Even if we wanted to increase utilization, we have to add simulators, hire and train new instructors, etcetera, and that's just not something that is practical to do just because oil prices are lower today.

For the full-year 2015, we're forecasting total CASM, ex-special items and fuel to be up approximately 3% in 2014. This increase is driven primarily by the cost of new labor contracts for both, flight attendants and pilots. In the event the pilots do not ratify the tentative agreement this week, then our cost would be approximately $600 million lower than today's guidance, which would be about 2.5 points of consolidated CASM.

Mainline CASM excluding special items and fuel is projected to be up approximately 4%, while regional CASM excluding special items and fuel is projected to be down approximately 5%.

By quarter, our mainline CASM ex-fuel and special items is as follows. First quarter is up between 5% and 7%, slightly higher than full-year due to maintenance timing and lower year-over-year capacity; second and third quarters are up between 2% and 4%; fourth quarter up between 3% and 5%.

Regional CASM excluding special items and fuel by quarter breaks down as; first and second quarters will be down 4% to 6%, third quarter down 3% to 5% and fourth quarter down 4% to 6%.

As I mentioned earlier, we’re seeing substantial financial benefit as a result of the recent drop in crude oil prices. With no fuel hedges in place, the entire change in fuel price goes straight to our bottom line. Using the January 22nd fuel curve, we are forecasting our 2015 consolidate fuel price to be in the range of $1.73 to $1.78 per gallon. Based on these prices, we expect our 2015 consolidated fuel expense to improve by more than $5 billion year-over-year.

By quarter, our forecast for mainline price breaks down as; first quarter $1.71 to $1.76, second $1.67 to $1.71, third quarter $1.74 to $1.79, fourth quarter $1.76 to $1.81. On the regional side; the first quarter is $1.75 to $1.80, second quarter is $1.71 to $1.76, third quarter $1.78 to $1.83, and the fourth quarter $1.80 to $1.85.

Using the midpoints of the guidance we have provided along with the PRASM guidance that Scott will give, we expect our first quarter pre-tax margin to be between 13% and 15%, an improvement of approximately 1000 basis points as compared to first quarter 2014.

While we expect to have a large increase in cash flow this year, resulting from lower fuel prices and merger synergies, we will continue to remain disciplined in our capital allocation process with a bias towards investing in the airline, paying down high-cost debt above our average cost to debt and returning excess cash to our shareholders.

Looking at CapEx, our focus continues to be on integrating the airline, while also making key investments in the fleet, product, operations and our people. We are forecasting total gross aircraft CapEx to be approximately $5.2 billion in 2015, with a capital markets as strong as they are today, I expect we will advantage of low financing rates to fund a greater portion of our aircraft deliveries, than the $1 billion in commitments that are currently in place for 2015.

In addition, we expect to invest a $1 billion for non-aircraft CapEx. We also expect $2.1 billion in debt repayments in 2015, which includes $800 million in prepayments of high cost debt.

So in summary, we’re extremely pleased with our record financial results. Our more than 100,000 team members are the best in the industry and it’s their efforts that make 2014 such an outstanding year. While lot of hard work remains as we complete our integration, we have made great strides in our first year following the merger, which we believe puts us on the right track towards our goal of restoring American to the world’s greatest airline.

Now I’ll turn it over to Scott to go through the revenue line.

Scott Kirby

Thanks, Derek, and I'd like to start by thanking all the people of American Airlines for the great job they continue to do operationally during the fourth quarter and again today as we're dealing with the winter storm in the Northeast.

On the revenue front, our fourth quarter PRASM was down 1%, which was worse than our original forecast for flat to up 2%. We can't really point to single event that causes to miss the forecast other than to say if there is a lot of change going on in our network, both from us doing things like increasing density on existing aircraft and from our competitors who have large competitive capacity growth in many AA markets during the fourth quarter.

In particular, there was significant capacity growth in some of our markets during the fourth quarter. We got new non-stop city pair competition in 50 new markets and 44 of those new entrants were low-cost carriers. While there are always competitive capacity changes, that's an unusually high and concentrated number of new starts that in hindsight we didn't accurately forecast.

Despite the growth in new domestic competitive capacity, however our domestic PRASM was still up 4%. We continue to do well across the Pacific with a 1% decline in PRASM despite 23% ASM growth. Our Atlantic PRASM was down 2% as industry capacity growth still exceeded demand in fourth quarter. And of course Latin America remained the most challenging region for us with RASM down 11%, though excluding Venezuela Latin RASM would have been down only 2%.

We're still making solid progress on our integration efforts and are pleased with the progress thus far. Some of the recent integration highlights that are included as Doug said, reaching a final joint collective bargaining agreement with our flight attendants, reaching a tentative JCBA with our pilots. We completed the eight of nine revision cycles on our way to achieving a single operating certificate, which we expect to complete in the first half of this year.

We completed additional airport collocations that are now combined in 75% of the airports where we have joint operations; launched Match My Account to help our customers combine their AAdvantage and Dividend Miles account in preparation for converting to a single frequent-flyer program in the first half of this year. We completed the reconfiguration of 221 737 800s moving them from 150 to 160 seats. We moved to single revenue accounting system in fourth quarter and we also continued to be excited about our progress with wining important corporate accounts.

We continue to see significant strength in New York from combining the two networks, and that helped us generate double-digit PRASM increases again in New York in the fourth quarter.

We know that 2015 is a big year for integration, but consistent with what we've said previously, all the work we're doing leaves us confident that we'll be able to meet or exceed our prior synergy guidance.

Turning to the outlook, going forward, we continue to feel good about the demand environment, though there are some specific headwinds. With the possible exception of South America, demand remains good, though PRASM is being pressured in a number of markets where capacity is growing faster than demand.

Higher year-over-year completion factor will be an earnings positive that will negatively impact PRASM, and we expect currency headwinds in all international regions from the strengthening dollar.

As I said earlier, we saw some large competitive capacity growth in the AA markets during the fourth quarter. In the first quarter, we have new competition in five more markets, but we'll still feel the impact of the 50 new markets that started in the fourth quarter.

Internationally, AA has reduced capacity by 8% across the Atlantic and by 7% to Latin America. The total industry growth is still high in all international regions. Given the capacity issues, we expect Q1 PRASM to be down in all regions except for the Atlantic, where we expect modest PRASM growth on the back of our capacity clutch.

Including all of the effects described above, we expect system PRASM to be down 2% to 4% in the first quarter. As we move forward, the comps, particularly the international comps get easier in the third and fourth quarter as we overlap the Venezuela situation and the challenges in Brazil and Argentina. And of course we expect to begin realizing the benefits of rebanking Dallas and Chicago in the second quarter, and to be able to realize the bulk of the revenue synergies once we move to a single reservation system in the fourth quarter.

In conclusion, we're very encouraged with the operating and integration results at American Airlines. And while there are some near-term capacity headwinds, the demand environment remains strong, and we're positive about long-term demand trends. With that, Doug.

Doug Parker

Thanks Derek. Thanks Scott. Operator, we are ready to begin taking questions.

Question-and-Answer Session

Operator

Thank you sir. [Operator Instructions] And we'll pause for just a moment to give everybody the opportunity to signal. And we will take our first question from Bill Greene from Morgan Stanley.

Bill Greene

Hi, good morning. Doug, I wanted to ask you about your views on the revenue side, because for a long time you've sort of said, look, there is no point in hedging because fuel goes down, revenues eventually follow. So I realize demand plays a pretty big role in this question, but when you think about it, what's your best guess about when we start to see an impact on RASM from falling fuel, or is this time different and we may not in fact see that?

Doug Parker

I'll let Scott chime in behind me with more detail, but to be clear, I don't think we ever said Bill, it doesn't make any sense to hedge because pricing follows cost. Indeed what we said was for a number of reasons, not the least of which is the cost of hedging, but also the fact that it doesn't de-risk the firm, we didn't think it made sense to hedge. Events like we've seen lately, large drops in fuel prices are really costly to companies that have locked in prices. And this time it happened to occur not because of a decline in the economy but they often times do, which gets you actually a more risky situation than others, but again if I said that Bill, that I'd like to go back and clarify because the fact of the matter is if we felt that our prices were always tied to fuel prices, we wouldn't have been working at airlines that were losing billions of dollars when fuel prices went up and we couldn't raise prices.

What we believe is that, pricing is tied to demand, and that demand, as Scott said, remains strong and that's what we should base our pricing on, not based on our cost structure. Scott, why don't you…

Scott Kirby

Yes. I think Bill what you maybe referring to is commentary we've said where we talked about a natural hedge between a demand-driven decline in oil prices and our revenues. So the world economy got weak. That would lead - or the U.S. economy got weak that would lead to lower oil prices.

The difference now is this is a supply-driven decline in demand, we always have and always intend to, price to demand as opposed to cost, but this decline in oil prices is supply-driven event as opposed to a demand-driven event. And because of that, you see a disconnect between that oil and that airline revenue relationship that existed when it was - when the oil prices was being driven by demand.

Bill Greene

That makes sense. Let me just ask you one another question. Derek mentioned there is limited ability to flex up on capacity. In the event that we saw demand start to follow oil for whatever reason, or it just disappointed us for whatever reason, how much downside flexibility would you have on capacity?

Scott Kirby

Well, I mean we have a pretty fair amount because we're retiring aircrafts and we can just accelerate those retirements. We actually accelerated some of those retirements in 2015, but we've got a couple of hundred aircraft that are scheduled to be retired over the next few years. We could always accelerate that if we want. Though obviously with our current outlook we don't have any plans to change that. We continue to look at demand - or continue to look at the environment and work on our capacity. And you can see that even as we came into this year just as we fine-tune the schedule, we lowered capacity by half a point. There is nothing systematic about that. That's just fine-tuning and going through market-by-market and allocating capacity.

But we have flexibility though, obviously if the environment stays like it is today and like we like we expect it to be, we don't intend to reduce beyond where we are right now.

Bill Greene

Right. That's great. Thanks for the time guys. I appreciate it.

Doug Parker

Thanks Bill.

Operator

And we'll go now to Jamie Baker from JP Morgan.

Jamie Baker

Hi, good morning, everybody.

Doug Parker

Hi Jamie.

Jamie Baker

Derek, are both operating entities fully harmonized in terms of frequent flyer accounting, or are there some other potential RASM implications as that process plays out down the road this year?

Derek Kerr

No, they are fully harmonized.

Jamie Baker

Okay. And I think you said Bev was in the room. Bev, could you outline what some of the, I guess, more material integration challenges and timings are that we should be aware of this year in particular, both in terms of what the passengers can come to expect, but equally if not more importantly, what the owners should be looking for?

Bev Goulet

Yes, sure, hi Jamie. We do have a number of big events coming at us this year. Scott mentioned a couple of them. You'll see us harmonize the frequent flyer program later this spring. We will be migrating the Dividend Miles program into AAdvantage. So that will be obviously something - it will be front and center with our customers, particularly the members of both of those programs.

Scott also mentioned we're in rev cycle eight of nine now, and we are well on the way and very much on track to single operating certificate also this spring. And then probably the biggest event is the migration of our res program and we have that scheduled towards the back of the year. A whole lot of planning going on there, because as we know from other experiences, the systems can work just fine, but if we don't have our employees fully prepared for all of those changes, things can still get muddled up. So, a lot of emphasis goes on IT preparedness as well as business readiness.

In terms of our owners, a lot of progress has been made on things like aligning sales contracts, GDS agreements and so forth, but clearly those efforts will continue as will alignment of supply contracts and things that will drop right to the bottom line. But we think we got a good plan. The whole company is really impacted by it as you know, so a lot of time communicating with our employees and giving them all the tools they need to really be fully prepared to make it as seamless as possible.

Jamie Baker

Excellent. Very thorough. I appreciate it Bev. Take care.

Bev Goulet

You too.

Doug Parker

Thanks Jamie.

Operator

And we'll go now to Julie Yates with Credit Suisse.

Julie Yates

Good morning. Thanks for taking my question. On the PRASM guide for the first quarter of down 2% to down 4%, have you changed anything in your forecasting process to eliminate some of the errors that impacted Q4's progression, or is this a case with two reservations systems, it's going to be a little bit tougher to be accurate until the systems are merged?

Scott Kirby

I don't know that we always try to improve our forecasting process and we always try to give you guys a 50/50 forecast. I think it is fair in the fourth quarter. I think the biggest thing we probably messed was the impact of 50 new routes starting up. And while we knew that those - we could have known that those routes were starting up, we don't really built that into our normal forecasting process just because it's unusual.

And so we think we've given you the best forecast we can, or you know we've given you the best forecast we can. We think it's the right forecast. There is more volatility in our process right now than there will be at steady state, because we just have a lot of change going on. There is some of that that's between two different systems, but also we just have enough change going on that our volatility is higher than it will, than it would normally be or than it will be once we've settled out and once we've merged everything and are in more of a steady state performance, but we gave you the best forecast we could for the fourth quarter and we turned out to missed it. We've given you the best forecast we can for this quarter and we'll continue to update you every month as we get better.

Julie Yates

Okay, understood. And then on the transatlantic, you mentioned that this is going to be the only positive region in the first quarter on unit revenues. Is there a risk to this given some of the competitive capacity addition from Delta and Virgin Atlantic? I believe they're increasing capacity about 10% on some of the route?

Scott Kirby

Well, there is always a risk to it. We feel pretty good about that forecast. The U.K. remains relatively strong, which is where we have the bulk of our capacity. And we cut capacity a lot. So while we said PRASM is going to be up, that's on the back of 7%, 8% - I think it's 8% across the Atlantic production in capacity. So PRASM is going to be up based on that. So we think that's what will happen, but obviously we can't know for sure until we get through the quarter.

Julie Yates

Okay. Thank you very much.

Operator

And we'll take our next question from Hunter Keay from Wolfe Research.

Hunter Keay

Hi, good morning, everybody.

Doug Parker

Hi Hunter.

Hunter Keay

So I don't have the cash flow statement in front of me, but I think ballpark, you guys are going to return about $1 billion of cash to shareholders despite maybe generating free cash flow of negative roughly $1 billion? You probably have about, I don't know, $1 billion to $2 billion is too much cash on the balance sheet. You're probably going to do, let's say, $1 billion to $2 billion of free cash flow. And Derek said you are going to raise at least $1 billion, maybe $3 billion of cash in the capital markets. Is there a scenario where if the market continues to penalize your stock with the amount of multiple compression that we've seen over the last few months, where you return all of the $5 billion of fuel windfall to your shareholders this year even in the absence of, let's say, $5 billion of free cash flow?

Doug Parker

We're not going to get into those scenarios now.

Hunter Keay

Totally understand. Maybe let me put the question differently, Doug. I mean, did the market penalizing your stock because your stock did not go up as much as it should have based on EPS going higher. Did that factor in your decision to deploy an enormous amount of cash in the fourth quarter?

Doug Parker

Okay, let me try this. Let's see if this helps. We look to use our cash as follows. First, ensure that we have enough cash on hand to withstand any sort of unforeseen outcome, and more so than our other large competitors at this point in time given what we're going through, which is integration. So we look first to ensure that we have more than ample cash on hand. And then for cash - as for the uses of cash, that we have an excess so that we look to first invest in the business. We're doing that, and I think both in terms of the integration, as well as things like the $2 billion and customer improvements we talked about.

And then having done that - and then look to reduce any high cost debt, we've done virtually all of that. I mean, Derek can tell you if there is more comment, but so far we are at the point now where we've paid down everything that we could have at least that's above our cost of capital. And now we look to going forward, do you actually as you have airplanes coming in, do you go and actually pay cash for those, or do you finance them? And the reality is, at least in the current environment, it's definitely in our shareholders' best interest for us to at least go and invest some large percentage of the cost of those airplanes because you can do so at investment grade rates below 4%.

And we obviously believe we can use that cash better and get higher returns on that. So long way me saying, you get through all that, and I think the math you were going through, you end up with still cash left over if indeed we continue to produce earnings like we have in '14 like we're looking for '15. And that cash is yours and our job is to make sure we get it back to you as efficiently as possible. And we will continue to try to do that. I don't - frequently the biggest conversations we have is, what the most efficient way of doing that is? And what we certainly saw - now getting to your question. What we certainly believed as we were headed through the fourth quarter of 2014 was that our stock was undervalued, and we therefore thought it was in the best interest of our shareholders to use that excess cash to repurchase shares and we did that.

Hunter Keay

Yes, that's helpful, Doug. Thank you. And a question for Scott. Can you help us understand what the point of sale mix is on some of your international service as we sort of break it down between developed economies and emerging market economy? Like, is it maybe more balanced point of sale to say like a Western Europe than it is to some of your new China service or down in Latin America? At a high level, can you help me understand that relates - I'm thinking about this in the context as FX risk, Scott.

Scott Kirby

Yes. So these numbers won't be exact, but Europe is about 50/50 point of sale, China is more U.S. point of sale and Latin America very - deep South America which is where the challenges are is majority Brazil, Argentina, 70% plus of the revenue is being sold in South America. The Caribbean and Mexico is mostly U.S., particularly the Caribbean.

So, as you think about foreign exchange risk, I'll just give you some numbers. If you just took our mix of sales around the world from the fourth quarter. For those countries where we sell in euros or in foreign currencies, that would - if we just kept the same mix of revenue and nothing else changed, that would be 0.7 percentage point decline in system PRASM, which is baked into our forecast, but that's what it would - that's the impact.

That doesn't include the impact of a place like Brazil, where we sell tickets in dollars. And while we sell them in dollars, a 25% depreciation in the Brazilian currency is obviously going to have an elasticity effect. It also doesn't include that if you're American it's not cheaper to go to Europe for vacation. And so there is some offsets, but I think the currency impact is probably something a little less than 1% on PRASM. We have that offsetting CASM help - we do have some expenses in foreign currencies and obviously the impact on oil prices is even bigger.

So while it's a negative in the PRASM, it's probably an earnings positive to have a strong dollar when you consider all the effects.

Hunter Keay

Thanks a lot.

Doug Parker

Thanks Hunter.

Operator

And we'll go now to Mike Linenberg with Deutsche Bank.

Mike Linenberg

Good morning. Hi, Scott, I just want to go back on - you talked about international capacity down 8% in Atlantic and Latin down 7%. Is that March quarter, or is that full-year? I just…

Scott Kirby

That's first quarter.

Mike Linenberg

Okay. So that's first quarter. And then your point about the international comps getting easier in the third quarter and fourth quarter. I mean, I get the year-over-year impact with Venezuela, but as we've seen things deteriorate in some of the other Latin regions and things like the Japanese yen go through a further depreciation. Like, what's underlying that? Like, what are you seeing, or is it just because you're going to see additional capacity come out? What's driving that view?

Scott Kirby

Well, Venezuela is two points at system level. So that's a huge tailwind. And that's by far the biggest impact in the third and fourth quarter. But we also look at Brazil for example, which the deterioration started in the third quarter - the Brazil and Argentina are two largest Latin geographies, where the deterioration started last year really in the third and fourth quarters.

And we anticipate improvement on a year-over-year basis as we get there, particularly as we started to pull capacity out and we'll continue to do that as we go through the year. So my commentary on the third and fourth quarter getting easier is more focused on Latin America than it is either Asia or Pacific, but particularly for the fourth quarter, we'll also start to have a tailwind across the whole system. Once we get to the single reservation system that will unlock a lot of the synergies that we can't realize until we're onto a single reservation system. That's more across the whole system, but the commentary about the international is more focused on South America.

Mike Linenberg

Great. And if I could just squeeze in a question for Derek on the debt pay down. I think you said $800 million in the last quarter or so. As you look out going forward, what are the opportunities on debt pay down, or is it just - are you at the point where lot of the stuff that was expensive has already either been taken care of, or you have debt out there that's already at pretty attractive rates, I guess there a lot more to do on the debt pay down front?

Derek Kerr

No, I think the $800 million is in '15. So we have two items in '15. One is going to happen in the first quarter and one will happen in the third quarter that are prepayment of debt. And then there is one in '16. But other than that, we have actually cleaned up everything and paid off everything as Doug said below - or above our cost to debt which is in just over 6% range. All of that has been paid off that we can. So there is not much other than the $815 million and then there is one item in '16. Other than that, it will be general just aircraft debt pay offs.

Mike Linenberg

Okay, great. Thanks everyone.

Doug Parker

Thanks Mike.

Operator

And we'll take our next question from Helane Becker from Cowen & Company.

Doug Parker

Hi Helane.

Helane Becker

Hi guys. Thanks for the time. I'm just kind of curious about this seemingly frivolous lawsuit the mechanics filed against you guys. How should we think about that with looming negotiations for the JCBA?

Steve Johnson

This is Steve, Helane. And I echo your characterization of frivolous. This lawsuit is really I think a more effort to get media attention than it is to pursue a real legal initiative, and we expect that the lawsuit will be dismissed in due course. While the motives of this guy, Gary Peterson who is leading this charge are a little confusing. I think it has a lot more to do with his fight for a place in his union or to lead the team of people to a different union.

I don't think that the dispute itself that's in the courtroom is going to have any impact on negotiations once those negotiations start going, but it very likely will have an impact on when we actually get to the negotiating table with these workgroups. And that's disappointing because we would really like to be able to expedite those negotiations and get our mechanics and all of our other ground employees to join collective bargaining agreements quickly.

Helane Becker

Okay. And then - thank you for that. I really appreciate the answer. And then I don't know if you can do this, but is it possible to parse out what percent, or can you say what percent of your business comes from like energy-related travel within Texas versus say the new markets that are competing with you to determine what impact lower energy prices is having on your corporate accounts?

Scott Kirby

I don't know for the whole system, but for corporate accounts that we would know that those are energy-related companies I believe is less than 1%. It's bigger than that, because there are lot of people that aren't on corporate accounts that are involved in the energy business that are flying on us or people that work for energy companies that go on vacation. So I don't know what the overall impact on our revenue and demand will be though. Clearly, that's a trade-off that we're happy to make to have lower energy prices in exchange for a little loss of demand from that segment of our traveler base.

Helane Becker

Great. Thank you for the answers.

Doug Parker

Thanks Helane.

Operator

And we'll go now to Dan McKenzie with Buckingham Research.

Dan McKenzie

Well, hi, good morning guys.

Doug Parker

Hi Dan.

Dan McKenzie

A couple of questions here. Derek, what were the NOLs as of December 31, first of all? And then second of all, is the $65 million drop in the bolivars in the fourth quarter a fair bolivar burn rate looking ahead?

Derek Kerr

Two things. One, the NOLs are still right around $10 billion. So that will not much change from the end. We haven't used any of that yet. So we're still at about $10 billion and then val allowance is at about $4.6 billion. The run rate on the Venezuela, I mean that's just what happened in this quarter. We are going to - we're using up some of them each quarter as we move forward. We did get some return to us during the quarter and we got it returned at - we had the 2012 on it 4.3%, and we got it returned at 6.3%. So we actually wrote a little bit of that off as you can see in the charge.

So we got about $20 million back. We wrote off about $30 million of it. So that makes up to $65 million. So I wouldn't - there is no real run rate on it. It's just going to be as it is and as it comes back to us as we get things returned from Venezuela.

Dan McKenzie

Understood. Okay. And then secondly, it looks like investors are interpreting that the PRASM guide probably this morning just given shares that are down a dollar in pre-market trading. So competitive capacity and overcapacity in international markets factors, but I guess the question is, how much of a PRASM drag is coming from larger incoming deliveries replacing the smaller ND80s? And I guess just tied to that, how effectively can you really revenue manage the additional seats on those planes, just given the mixed fleet composition at this point?

Scott Kirby

So the easier way to think about that, the bigger capacity impact I think is the 737s having 10 more seats on them. It's a more straight forward analysis. And that's we had 221 737s that got 10 more seats on them in the fourth quarter. And so all of the extra seats would be flying in the third quarter. We think that those seats will come in at about 65% of the average

PRASM. So the marginal PRASM will be about 65%, which means that at a system level, effects PRASM by about 0.4 points. It's P&L positive because our marginal CASM on those extra seats is a lot less than 65%. So it's P&L positive, but it is about 0.4 percentage point drag on system PRASM.

Dan McKenzie

Understood. Thanks Scott.

Operator

We'll go now to Thomas Kim with Goldman Sachs.

Thomas Kim

Good morning. With regard to international, the yields on Atlantic and Pacific were certainly encouraging. Obviously we look to see PRASM up as well, but I'm wondering, is this yield improvement any sign of an early inflection, or is it too early to say?

Scott Kirby

I think it's probably too early to say. We at American have taken a lot of steps to try to improve yield and we spent a lot of time focusing on - we spent more time actually focusing on looking at the yield environments as opposed to load factor, because you can always keep the load factor up by lowering prices. And so there are a number of efforts underway. We have opportunity to increase the load factor, but we wanted to find ways to increase the load factor without negatively impacting those yield numbers, but I wouldn't interpret it as some inflection point. It's just a continued evolution of the market and the demand environment.

Thomas Kim

Okay. Fair enough. And based on your outlook and what you're seeing in LatAm, is there any reason why you couldn't be more aggressive in cutting capacity?

Scott Kirby

I think we feel pretty good about how far we've gone. And of all the carriers we track, we're the only ones that have cut capacity. And so I think we're probably - at least our plan is we're done in cutting.

Thomas Kim

Okay, and if I could just add a follow-on. Where does this extra capacity go?

Scott Kirby

What extra capacity?

Thomas Kim

As you reduce capacity, where does that incremental capacity go within the system?

Scott Kirby

We wound up - we in 2015 have retired more airplanes than we originally planned to.

Thomas Kim

Okay, great. Thank you.

Doug Parker

Thank you.

Operator

And we'll take our next question from Duane Pfennigwerth from Evercore ISI.

Duane Pfennigwerth

Hi, good morning.

Doug Parker

Good morning, Duane.

Duane Pfennigwerth

Most of my questions have been asked, but I just wanted to ask you for some thoughts around hedging. Can you talk about any work you've done to sort of analyze whether now is the right time? And if you won't bite on that, I guess, can you describe a scenario where price or situation where your answer might change and where it might make sense?

Scott Kirby

So we get questions like that a lot. I'll note that I first started getting those questions first time when oil declined from $115 to $103. So you get it lot every decline. Look, you still have the same challenges with the deciding that you want to speculate on oil prices. And one, you've got to - you can't buy oil at today's prices far out into the future. The market is in pretty steep contango, so it's hard thing to go do. And the only rationale for putting a position on systematic hedging we've talked about on calls like this just doesn't make sense is to put a big position on.

And you're buying at a really steep contango. You got really high expenses, and somehow you've got to convince yourself that you know better than all the professionals in the oil market here out trading in the market. So that's a really hard hurdle for us to overcome. It doesn't mean we never will, but we haven't done anything yet. And all the rationale that we've had for not hedging in the past still exists today. Oil prices are lower, so the downside of hedging is less. If you're wrong, you're going to lose less money than if you hedge when oil was $115 a barrel. But the theoretical rationale for not hedging really hasn't changed. It's just that the downside has gotten less.

Duane Pfennigwerth

Okay. Thank you.

Doug Parker

Thanks Duane.

Operator

[Operator Instructions] And we will now take our next question from Glenn Engel from Bank of America.

Glenn Engel

Good morning. Question on cost and revenue. On the cost side, if I look at how much wages are going up, it would cause the costs to go up more than maybe 3% to 4%. So, what's the good guys that are offsetting the big labor cost pressures? And on the revenue side, the Atlantic down 1.7% was worse than Delta and United. Why was there a gap, and why does the PRASM gap between what you and Delta and United seem to be getting wider in the first quarter? Why hasn't it stabilized?

Derek Kerr

Okay. On the cost side, we're seeing some of the synergies already come in. So the selling expenses are down a good point, even the other expenses are down. Landing fees and aircraft rents are pretty flat. So really the increases on the year for the quarter are salaries and benefits as we talked about, maintenance and depreciation are the other two increases during the quarter. But for the full-year, we’re going to see salaries and benefits up, but we do see selling expenses and maintenance decreasing year-over-year, primarily due to fewer engine overhaul. So those are the primary areas from a full-year perspective. Just the difference in the first quarter is just the maintenance timing is negative in the first quarter, but for a full-year, it’s almost half a point better as are the selling expenses as you get through the year. So those are the two biggies that offset the salaries and benefits and the depreciation increases.

Scott Kirby

And on the revenue front, I think the simple explanation is more competitive capacity in our markets, 50 markets, some of those are across the Atlantic, Dallas and Washington National are the two largest, those are well known, but there is also been pretty significant growth from Frontier in Philadelphia and to some degree Chicago. So I think we just have more markets that are now have LCC pricing in them and that really ramped up and started in the fourth quarter and ramps up even more into the first quarter.

Glenn Engel

And the Atlantic?

Scott Kirby

It’s same issue. There is - you got more capacity, some of the new markets are out of the U.K. Virgin and Delta and reorient and fly more out of Heathrow.

Glenn Engel

Thanks.

Doug Parker

Thanks Glenn.

Operator

And we’ll take our next question from Darryl Genovesi from UBS.

Darryl Genovesi

Hi guys.

Doug Parker

Hi Darryl.

Darryl Genovesi

Thanks for the update on your synergy targets. I just wondered if you can put a little meat on the bones that you have, your 3% CASM and fuel guidance out there now. So wondering specifically if you could quantify the cost synergies are already baked into that as opposed to what you think is yet to come through in 2016 and beyond, as you cut over to single reservation system, and generally target the legacy cost structure?

Scott Kirby

I would say from a cost perspective, most of the synergies - I would say 75% of the synergy is already built-in. So the increase is due to labor offset by some of the synergies that we talked about on the sale side and those are - there are other areas that we will see as synergies going into 2016 after integration, which are some areas - and examples are the maintenance area today and the IT area today are all, we have not had any synergies in either one of those areas from a people perspective, but we may see some of those as we go forward.

And as we retire systems down the road, we will continue to see some synergies in those areas. So I would say about from a cost perspective, 75% of those synergies are built-in already into the forecast through 2015 and there is about 25% more to come. And then on the revenue side, I think we might be at about 50% now with more to come in 2016 and ‘17.

Darryl Genovesi

Great. Thanks very much.

Doug Parker

Thanks Darryl.

Operator

And we’ll take our next question from Savi Syth from Raymond James.

Savi Syth

Hi, good morning. Just as far as - I believe most of competitive capacity issues are probably surrounded around Dallas. And I’m just wondering if the pressure that you’re seeing and some of it is introductory fares. I was wondering if there is any improvement in the fares in Dallas? And then also if you can help us understand maybe how the rebanking might help that as you get into 2Q and 3Q?

Derek Kerr

Sure. So I don't think there has been any real change in the pricing environment in Dallas. Rebanking will help - I'll take one step back. What has happened in those Dallas market is there has been a decline in the local yields as prices have come down. Our local volumes have actually stayed about the same. So the load factor contribution from local traffic has stayed about the same. But we've managed to improve the connecting RASM to counteract some of the decline in loss of the local RASM. So rebanking will help with that, because we'll have even more connecting opportunities in those markets.

So rebanking will help. It will just help of course - of course it will just help the markets that have new competition from Love Field will help all the markets, but it will help all those markets in Dallas on March 29th when we get it rebanked.

Savi Syth

Got it. And then just on the LatAm PRASM. How much of impact from Venezuela is reflected in 1Q, and what's the expected trend as you go forward in the next few quarters?

Derek Kerr

Well, it was 2 points in the fourth quarter and it's only about 0.5 point in the first and second quarter of this year. And then it's essentially nothing in the third and fourth quarter.

Savi Syth

Got it. And if I might ask one last ask questions on New York, its strong unit revenue growth. Is that coming from kind of market share gains on the corporate side, or is it better pricing, or what's driving that strength?

Scott Kirby

I think it is mostly market share gain with corporates and pretty new customers.

Savi Syth

All right, great. Thank you.

Doug Parker

And before the next question operator, the question about Dallas gives me the opportunity to correct something I said earlier. In my unscripted remarks, I said to Dallas-based airlines performed at the top of the industry. We of course are based in Fort Worth here at American. So I should have said Dallas/Fort Worth-based airline and I apologize to Mayor Price and all of our friends in Fort Worth who remind me all the time. We are proud to be here at Fort Worth. So anyway, Dallas/Fort Worth-based airlines and Scott's comments were about Dallas/Fort Worth-based pricing. All right, next.

Operator

Okay. And we'll go now to Joe DeNardi with Stifel.

Joe DeNardi

Thanks. Good morning. Scott, on the strength of the other revenue line, the ancillary side, what's driving that? Does that going to continue into 2015? And then as you combine the two frequent-flyer programs, do you think that the economics you're getting from that from your credit card partners are reflected in kind of how strong that's going to be on a combined platform?

Scott Kirby

So some of what you're seeing is improvement in the frequent flyer and in the deals we negotiate. That's a lot of it. A lot of it is harmonizing policies. So for example, we have bag fees on the American Airlines network in Mexico now when we did in last year. So those items won't continue to have the same kind of growth as we overlap when those events happened, and there is about bunch of those things. The biggest one is the frequent flyer program, which will already be overlapping in the first quarter, but a lot of those rolled out Mexico bags and other things rolled out throughout the year.

So there will be some of that. More of the upside now will be driven from new initiatives and new programs. We have a lot going on with choice seats for example in how we're selling seats on the airplane. And so those will continue to grow, but we had a step function increase up from the merger as you just consolidated and realize synergies from that. And those mostly are already in the books. And going forward, it will just be kind of core improvement that aren't synergies but that are just things that apply to whole airline.

Joe DeNardi

Okay, thank you.

Operator

[Operator Instructions] And we'll take our next question from Bob McAdoo with Imperial Capital.

Bob McAdoo

Hi guys.

Doug Parker

Hi Bob.

Bob McAdoo

You've added quite a few Pacific routes out of Dallas recently. And it doesn't show up as a problem area because maybe it's the prior year the RASM was so low that even now the new stuff looks better. So can you just talk about how the spool-up of Pacific route out of Dallas works relative to other international routes? And when do we - do we really think if those things are profitable in the short run, does it take a year for those things to develop? Just give us some color on that, if you would, please.

Scott Kirby

Sure. When we enter a new city in Asia, it typically takes longer to spool-up. Some of that is because we're smaller there. And particularly when you enter a completely new city like we went into Seoul, Korea. When we're going to start flying Dallas, Beijing the spool-up will be shorter, because we already fly to Beijing. That's why the spool-up is shorter, but we typically think of an Asian route as taking a couple of years to spool-up.

And in 2014, some of those new routes weren't profitable at the time, though they were executing our forecasts and we felt actually really good about the start-ups that we had in 2014. If we look that today, I don't have a specific forecast that goes route-by-route, but I'm pretty sure that with fuel prices where they are today, we'd expect all of our - even our Asian route to be profitable in 2015, but we felt really good about how all the routes have started. You're right, they take a longer time to spool-up than other routes, but we felt really good. And you can look at our numbers. Asia is the one area that we've been outperforming the industry by a pretty wide margin for the past, for the full year last year.

And so we're making good progress. Some of that is because we started from a lower base and so we have more room to make progress, but we are making good progress and feel good about the trajectory that we're on.

Bob McAdoo

Are we getting close to the end of all the new Asian routes for a while. Are all the obvious getting about discovered?

Scott Kirby

No. We are probably at the end of the new Dallas route, but we'll still be looking and pursuing opportunities probably particularly out of Los Angeles.

Bob McAdoo

Okay. Thanks.

Doug Parker

Thanks Bob.

Operator

And ladies and gentlemen, this does conclude the analysts' portion of the question-and-answer session. We will now move to the media portion. [Operator Instructions] We'll pause for just a moment to give everybody the opportunity to signal. [Operator Instructions] And we'll go now to Mary Schlangenstein with Bloomberg News.

Mary Schlangenstein

Good morning.

Doug Parker

Hi, Mary Schlangenstein.

Mary Schlangenstein

Thank you very much. Scott, you talked about some of the domestic markets where you said PRASM was under pressure because of increasing capacity. Beyond the four that you specifically mentioned, are there any others where you're seeing a big impact, and are there any international markets where you're specifically seeing an impact?

Scott Kirby

What four did I mention?

Mary Schlangenstein

You mentioned Philadelphia from Frontier and little bit Chicago, DCA and Love Field.

Scott Kirby

There is not - okay. Yes, there is 15 markets and they are concentrated in, I've said those four cities. I think probably the other place that there is some significant growth is South Florida.

Mary Schlangenstein

Okay. And I would assume that you're working on ways to try to offset some of that, or what are you doing in response?

Scott Kirby

We're competing aggressively. We have a great product. We have great people at the airline. We have a great frequent flyer program. We are matching the fares with our low-cost competitors and we're competing aggressively.

Mary Schlangenstein

Great. All right, thank you.

Operator

And we will take our next question from Terry Maxon from Dallas Morning News.

Terry Maxon

Guys let me ask the Fort Worth question, not whether you've offended Betsy Price, but are you - were you considering whether or not to move out of your current headquarters to a new building or perhaps remodeling, revamping your existing building?

Doug Parker

Yes. We're not basically far long at all, Terry. We again haven't even made the decision that's something we want to do. We're studying the possibility as to what might be available, but we have an perfectly acceptable facility that we're working in today. To the extent there is something that makes more sense we'll - we want to at least look to see if that makes sense and that's where we are. We are in the studying phase, certainly not in the announcement phase.

Terry Maxon

All right. When do you think you might complete that study, first half of 2015 or…

Doug Parker

It is not high on the integration timeline. So I don't even know a date.

Terry Maxon

Right. Thank you.

Operator

And we'll go now to David Koenig with The Associated Press.

David Koenig

Hi guys. Derek talked about using cash invest in the airline and he mentioned that even before paying down debt and paying shareholders. Doug, I wondered to look at it another way, are you saying to passengers, hey, we're improving the product and passenger should be happy about that instead of just getting a temporary lower fares because of cheaper fuel. Is that a fair characterization?

Doug Parker

We're not trying to ask our customers to be happy with anything. We think - indeed what our job is to go make sure we're giving the best product we possibly can to our customers. We, in some areas, I think all airlines had underinvested through very difficult times, and we are using the profits we're producing to invest in product that matters our customers. Most notably lie-flat seats, international Wi-Fi, improving the Admirals Clubs, improving the airport check-in experience, things that are really important to our customers, all of which take a lot of capital because we're profitable we can do it now and things that airlines couldn't do in the past. So that's our first priority is ensuring we have a product that meets the standards of our customers, which are very high at American Airlines. And we have a little bit of catch-up to do. We're doing that - we believe we will be leapfrogging our competitors shortly. And not to mention all the new aircrafts we're bringing in to retire older airplanes.

You put it all together and we are on our way to having a product that we believe will be as good or better as anyone in the sky and that's our objective. So anyways - and pricing simply goes with demand as we keep saying. So when demand is strong, you see price move accordingly. When demand drops, you see pricing move accordingly.

David Koenig

Okay. Thanks very much.

Doug Parker

Thank you.

Operator

And we'll go now to Andrea Ahles with Fort Worth Star-Telegram.

Andrea Ahles

All right. So since I have a Fort Worth question at ask, I think I will ask a little bit about, could you expand a little bit more on the Wright Amendment effect, and just do you think you're out of that promotional pricing aspect of the new routes that were introduced, are you seeing a more normalized airfares on those new routes that Southwest introduced that you're competing against DFW?

Scott Kirby

I don't know, is the short answer. We haven't really seen a change. It's about what we expected when you have that much new capacity in markets. It's going to put pressure on price. That's just Econ 101 with supply curve moves that much it lowers the price. And it's about what we expected. I haven't really - we haven't noticed any change one way or another in the recent past.

Andrea Ahles

So how do you foresee rebanking? Is that more - do you think rebanking effect is just going to be more for the connecting traffic and not so much effecting your O&D traffic out of DFW?

Scott Kirby

It will largely impact connecting traffic, yes.

Andrea Ahles

Okay. Thank you.

Operator

And we'll go now to Dawn Gilbertson with Arizona Republic.

Dawn Gilbertson

All right, good morning. I have a question about the storm and Super Bowl. How are you guys re-accommodating passengers whose flights were cancelled Monday, Tuesday and sometimes into Wednesday later in the week given sold-out flights to Phoenix?

Scott Kirby

Dawn, I'm not sure I understand the question. Just in terms of Super Bowl preparations, I got to tell you that it's an event that we've been working on for the last year. And so everything from preparing for really the biggest day in history of departures, the Monday following, we're going to have remote check-in sites at a number of different places for passengers and also ability for passengers to check baggage. We're going to make sure that we've got staffing that is beyond holiday and peak levels. And we think we're as prepared as we can possibly be.

In terms of flight cancellations and things like that, we run a really high completion factor so we don't anticipate that that's going to be an issue, especially out of Sky Harbor. And in terms of re-accommodations, the great news is that the Sky Harbor and the American Airlines is now connects to the biggest airline network in the world. And so if there are any disruptions or issues, we have many ways to get passengers out and back on their way.

Dawn Gilbertson

I guess, well what I meant was the storms in the Northeast. If you've got patriots fans coming from Boston and they haven't been able to fly yesterday afternoon, today and in some cases tomorrow, and you're trying to rebook them to get to Phoenix. So you having to add extra flight since the flights that are already scheduled for Thursday and Friday and Saturday out here are full?

Scott Kirby

Dawn, we take a look at that kind of stuff, but right now we're anticipating that we're through the mess by the 28th and back to normal.

Derek Kerr

Yes, Dawn, I think we're still in planning mode and we've got - we will have thousands of customers to try to get to their destination both to Phoenix and to everywhere. And it’s too early for us to tell what’s going to happen from the schedule for the next week [indiscernible] those customers.

Dawn Gilbertson

Okay, thanks.

Doug Parker

Thanks Dawn.

Operator

And we’ll go now to Jeffrey Dastin with Thomson Reuters.

Jeffrey Dastin

Thank you and hello. So would American consider announcing commercial service to Cuba, pending government approval like United has done from New York and Houston? And if so, what benefits might Cuba have for American?

Scott Kirby

So we already - we currently fly 20 times a week with the charter program to Cuba. We obviously with the hub in Miami in particular, will serve Cuba on a scheduled flight basis when it’s allowed. We don’t have anything to announce today, but we will be anxious to start serving Cuba as soon as it’s legally allowed.

Jeffrey Dastin

Great. And if I may follow-up separately. How crucial is a slot at Tokyo Haneda to American’s expansion in Asia?

Scott Kirby

Well, it’s really important. Haneda is the preferred airport for customers flying to and from Tokyo. It’s the number one destination at Tokyo and Japan, this is the number one destination for us and it’s the preferred airport. And it’s important for us to get in there. It’s also important for our customers and that’s a valuable asset, a slot at the premier airport in Japan and to have it be used 10% of the time that it could be used, which is what Delta has used it is an inefficient use of that, scarce resource, and we will put it to much better use.

Jeffrey Dastin

Thank you very much.

Operator

And we'll go now to Ely Portillo from Charlotte Observer.

Ely Portillo

Hello, I just had a question about, now that you have the 787 coming in, and that's part of the fleet. Does that change your thinking about what kind of flights might be possible from a hub like Charlotte internationally and how might that impact service going forward?

Scott Kirby

The 787 and then the A350, when we get those two open up a new set of markets to us and a new set of economics. In the near-term, it's not going to have any change in Charlotte.

Ely Portillo

Got you. And just out of curiosity, does it come into Charlotte at any time in the near future just on a hub-to-hub flight?

Scott Kirby

Not that I'm aware of. I don't think so actually.

Ely Portillo

Well darn. Thanks guys.

Scott Kirby

You can travel to Dallas, Ely.

Ely Portillo

Okay. Now I have an excuse. Thanks.

Doug Parker

Dallas/Fort Worth that is.

Operator

And we will take our final question from Ted Reed from The Street.

Doug Parker

Hi Ted.

Ted Reed

I also wanted to ask about 787 deployment, what do you have in mind for it? And I recall that Gerard Arpey once said it was going to be used New York/Heathrow. Is that still the case, or are you more looking at Asia, or new routes or existing routes or what?

Scott Kirby

We don't have anything to announce yet. It's going to be a while before it starts flying commercially. It's doing improving runs and then initial training runs with pilots and so it's always before starts flying. When it does start flying, it's going to initially fly domestically anyway to break the airplane in. So no announcement yet on the permanent international route that it will fly.

Ted Reed

All right. Thank you.

Operator

And ladies and gentlemen, this does conclude today's question-and-answer session. I would like to turn the conference back over to management for any additional or closing remarks.

End of Q&A

Doug Parker

Well, thank you all very much. Just in closing again, we couldn't be happy with the results and the outlook as if we hit those margin numbers that Derek suggested, we believe those will be leading amongst our large competitive peer group since we're the largest airline in the world, we have higher margins. That means we're the most profitable, which was one of our objectives. So we still have to go produce that, but it appears that we're on our way and we're excited about that and mostly excited about the great job our team has done. So thank you all very much for your interest, and look forward to continuing to produce record results as we move forward. Thank you.