Operator

Good day, ladies and gentleman. And welcome to the Fourth Quarter American Airlines Group earnings conference call. At this time, all participants are in a listen only mode. Later we will conduct the question-and-answer session and instructions will be given at that time [Operator Instructions]. As a reminder, today's conference maybe recorded.

I would now like to turn the call over to Mr. Dan Cravens, Managing Director Investor Relations. Sir you may begin.

Dan Cravens

Thank you. Good morning, everyone. And welcome to the American Airlines Group's fourth quarter 2018 earnings conference call. With us in the room this morning is Doug Parker, our Chairman and CEO; Robert Isom, President; and Derek Kerr, our Chief Finance Officer. Also in the room for our Q&A session are several of our senior exes, including Maya Leibman, our Chief Information Officer; Steve Johnson, our EVP of Corporate Affairs and Don Casey, our Senior Vice President of Revenue Management.

Like we normally do, Doug will start the call with an overview of our financial results. Derek will then walk us through the details on the fourth quarter and provide some additional information on our 2019 guidance. Robert will then follow with commentary on the operational performance and revenue environment. And then, after we hear from those comments, we'll open the call for analysts' 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 and costs, forecast or capacity, traffic, load factor, fleet plans and fuel prices. These statements represent our predictions and expectations as to future events, but numerous risks and uncertainties that could cause actual results to differ from those projected. Information about some of these risks and uncertainties can be found in our earnings press release issued this morning in our Form 10-Q for the quarter ended September 30, 2018.

In addition, we will be discussing certain non-GAAP financial measures this morning, such as pre-tax 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 also be found on the Investor Relations section of our website. A webcast of this call will be archived on the Web site, and 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. At this point, I would like to the turn the call over to our Chairman and CEO, Doug Parker.

Doug Parker

Thanks, Dan. Thanks everyone. We reported fourth quarter and full-year 2018 earnings this morning. For 2018, we had pretax profit excluding special items of $2.8 billion for the year. 2018 was a challenging year for us financially, higher fuel prices per gallon drove an increase in our total fuel expense by $2.2 billion versus 2017, and that led to about $1.4 billion reduction in our pretax earnings. I guess we had difficult operations environment during the summer. But we entered 2019 with the great momentum and excitement. Derek and Robert will cover this in lot more detail, but we are dedicated in improving our operations liability and that work has already taken hold, and we are excited about how we will perform going throughout 2019. We have over $1 billion of revenue and cost initiatives that are well underway that we know are going to help us to improve our earnings in 2019 versus '18. We're growing where we have a competitive advantage, thanks in large part to our ability to grow our largest job in Dallas-Fort Worth. And we are nearing the end of our unprecedented post merger capital expenditure, capital requirements which Derek will talk a little more about.

So we feel great about where we are positioned. Our teams are doing a great job. And we couldn't be more proud of the work they are doing to take care of our customers. And we are really looking forward to 2019. Consistent with that optimism, we provided some 2019 EPS guidance this morning that has -- Derek can talk more about it, so there's relatively wide range but the middle of that range would have our EPS up about little over 40% higher than what we announced for 2018.

So with that said, I'll turn over to Derek to give you a lot more detail.

Derek Kerr

Thanks Doug and good morning everybody. I'd like to start by recognizing our team who did a great job of taking care of our customers during the busy holiday travel period. Despite challenging weather conditions in some of our hubs, the preparation and teamwork of our operations group was evident and it made a real difference for our customers. So from all of us, I want to thank you all for all your efforts.

We filed our fourth-quarter and full-year 2018 earnings press release this morning. While fuel prices fell during the quarter, our average fuel cost per gallon was 17.5% higher than the same period last year. Excluding net special items, we reported a fourth-quarter net profit of $481 million in 2018 versus 2017 fourth-quarter net profit of $444 million. For the full year, our net income, excluding net special items, was $2.1 billion, down 18% versus 17% on a 29% increase in average fuel price.

Our diluted earnings per share, excluding net special items in the fourth quarter was $1.04 per share, up from $0.93 per diluted share in the fourth quarter last year. And for the full year of 2018, our earnings per diluted share excluding net special items was $4.55. Our fourth quarter pretax profit excluding net special items was $634 million with a pretax margin of 5.8%. And on a full-year basis also excluding net special items, we earned pretax income of $2.8 billion on a pretax margin of 6.3%.

The fourth quarter of 2018 was American Airlines' ninth consecutive quarter of year-over-year total operating revenue growth, which was up 3.1% to $10.9 billion. This represents the highest fourth quarter total operating revenue in American Airlines' history. For the full year, total operating revenues were also a record, up 4.5% to $44.5 billion. On a unit revenue basis, total RASM was up 1.7% for the fourth quarter and up 2.4% for the year. This growth was driven by the continued enhancements of our revenue management system, as well as the positive impact of our basic and premium economy products, which help drive 2.9% improvement in passenger revenues for the fourth quarter to $10 billion.

For the year, total passenger revenue was up 3.9% to $40.7 billion. Our cargo team finished the year with an excellent fourth quarter, increasing revenues by 3% or $264 million. This growth was due primarily to higher cargo yields. And for the first time ever, our cargo revenue exceeded $1 billion for the full year. So congratulations to the cargo team. They worked hard to reach this milestone and we look forward to growing this segment of our business in 2019 and beyond.

We've seen strength in our loyalty program all year and that trend continued in the fourth quarter, driving other revenues higher by 6.3% to $712 million for the quarter. Full year 2018 other revenues were $2.9 billion, an increase of 9.7%. Total operating expenses in the fourth quarter of 2018 were $10.4 billion, up 4.2% due primarily to 19.6% increase in consolidated fuel expense. For the full year 2018, fuel costs were up nearly 32% or $2.4 billion, which drove 9.1% increase in total annual operating expenses. When fuel and special items are excluded, our unit costs decreased in the fourth quarter by 0.2% compared to 2017. This was due in part to the success of our one-airline cost initiatives. This project gained momentum during the year and as a result, our full year 2018 CASM, excluding fuel and special items, was up only 1.4% as compared to the projected increase of 2% that was guided to at the beginning of the year. It's worth noting that we were able to beat our unit cost projections despite lowering our capacity growth by more than 50 basis points from our initial expectations at the beginning of the year.

Turning to the balance sheet. We ended the quarter with approximately $7.6 billion in total available liquidity. During the quarter, our treasury team completed several transactions, including upsizing and expanding our existing $2.5 billion to $2.8 billion, while improving the undrawn economics. We have committed financing for all mainline aircraft deliveries through June 2019, and continue to evaluate financing options for our remaining mainline and regional aircraft deliveries in 2019.

In 2018, we made contributions of $467 million to our defined benefit pension plans. For 2019, we now intend to make contributions of $800 million, up slightly from the $780 million that we projected in our last earnings call. Rising interest rates have helped our pension liability and brought it down by $1.4 billion. However, the sell-off in risk assets in the fourth quarter resulted in negative asset return for the year, driving the increased contribution in order to maintain our desired funding status for all of our plans.

During 2018, we lowered our adjusted debt including pensions by approximately $760 million. We anticipate our 2019 year-end adjusted debt will be lower by more than $1 billion compared to year end 2018. Over the next few years this trend is planned to continue as we pay down our existing obligations, and our new aircraft deliveries slowed significantly after 2019. During the quarter, we did adapt early the new lease accounting standard, which requires leases to be recognized on the balance sheet as liabilities with corresponding right of use assets. That early adoption of this standard benefited pretax income excluding net special items in the fourth quarter by $54 million. Of which a significant portion relates to prior quarters in 2018. We will recast 2018 quarters for the adoption of the new lease accounting standard in our 2018 10-K filing.

We did not purchase any stock during the quarter of 2018, leaving our available authorization for stock buybacks unchanged at $1.65 billion. We continue to believe our stock is undervalued. Unfortunately, the fall of oil prices, which improved our liquidity outlook at the end of the year occurred during a close trading window. And as a result, we were unable to resume stock repurchases during the fourth quarter despite ending the quarter at $600 million above our threshold. However, our plan is still to return excess cash above our $7 billion liquidity threshold to our shareholders as we have done in the past.

We filed our Investor Relations update this morning, which includes our guidance for the first quarter and full year 2019. We anticipate our capacity will grow approximately 3% during 2019 with growth of approximately 1% in the first quarter. The full year capacity growth will come primarily from incremental flying out of our new gates at DFW our most profitable hub to be worth about 2% of that growth, as well as our fleet harmonization project that is adding seats to our existing narrow body aircraft, that's about 0.5% and allows us to grow capacity in an extremely efficient way. Given the timing of these two initiatives, we expect that our capacity growth will be weighted more towards the back half of 2019.

For the full year, we expect our cost per ASM excluding fuel and special items and new labor deals will grow at the top end of the 1% to 2% range that we gave previously. This is higher than previous guidance due to an increase in sale leaseback transactions on our aircraft and higher-than-expected growth in profit sharing on larger expected earnings improvement.

Overall, CASM growth in 2019 is primarily driven by increased maintenance expense from required engine overhauls, increased airport rent expense at our hubs and higher earnings related salaries and expenses primarily from the increased profit sharing. Due to the ASM growth weighted in the back half of the year, our annual CASM increase will not be spread evenly throughout the year and will be front end loaded. For the first quarter, our CASM expected to be up approximately 4% year-over-year. This rate of growth is the highest of the year due to the lower ASM growth, as well as the timing of aircraft maintenance, salaries and benefits and selling expenses throughout the year. CASM growth is expected to decelerate to approximately 2.5% in the second quarter and further decline to approximately 1% in the third and 0.5% in the fourth for 2019.

Fuel prices fell sharply at the end of the fourth quarter 2018 and we anticipate lower fuel expenses during 2019 based on the forward curve as of January 22nd. We are forecasting a decrease in consolidated fuel expense of 8.4% or approximately $830 million for the full year 2019 as compared to '18. We expect our average fuel price will be between $1.97 and $2.02 per gallon in the first quarter and be around $1.99 to $2.04 for the full year. We also guided to our first quarter 2019 TRASM increase of flat to up 2% and Robert will provide more details on our revenue guidance in his remarks. With this revenue and cost guidance, we expect our first quarter 2019 pretax margin excluding net special items to be between 2.5% and 4.5%.

Finally, we anticipate that our earnings per diluted share excluding net special items will be between $5.50 and $7.50 in 2019 and as Doug said, an increase of approximately 40% at the midpoint over our 2018 adjusted earnings per share. This forecast includes our expectations of an incremental $1 billion in revenue improvement and $300 million in cost reductions from the one airline initiative I talked about earlier. We expect total capital expenditures for 2019 of $4.7 billion. This will include $3 billion in aircraft CapEx as we take delivery of 31 new large regional jets to replace 50 seaters along with 37 narrow body aircraft to replace our MD-80 fleet that will retire after the summer and also an additional 287 aircraft. In line with previous guidance, we continue to expect that our non-aircraft CapEx will be $1.7 billion in 2019. Total CapEx is presently expected to fall to $3.3 billion in 2020 and $2.2 billion in 2021 as our fleet renewal program winds down.

So looking forward, 2019 will be exciting year for American Airlines. We're executing more than $1.3 billion of annual revenue improvement and cost revenue initiatives and when combined that with the additional of high margin growth at our most profitable hubs and planned operational improvements, we expect significant earnings growth in 2019.

And with that, I will turn it over to Robert.

Robert Isomand

Thanks, Derek and good morning, everyone. Before I begin, I too would like to thank our team. 2018 was a challenging year for our company as we face rising fuel prices, difficult weather conditions, the uncertainty of trade wars and the early stages of government shutdown. Despite these challenges, our team did a fantastic job of taking care of customers and each other. These are actions most certainly made the difference and demonstrated our resiliency. We're a team that collaborates, adapts and continues to move forward. So from all of us, thank you again for a job well done.

Operationally since the merger, we've been making steady progress in improving our core operating metrics but we fell short in 2018 of our targets. On our last earnings call, we highlighted some of the initiatives we are undertaking, including making the fleet ready to go each morning, making sure that we resource our team to turn aircraft throughout the day. We also continued to evaluate and fine-tune our planning processes to ensure that we are ready to deliver better service during peak schedule periods. These efforts are starting to pay off. During the December holiday period, our system-level on-time departure performance improved by 4.5 points year-over-year and our completion factor improved by 1.3 points.

At the hub level, we saw double-digit improvements in on-time departures at Reagan National, New York JFK and LaGuardia and Philadelphia. We also saw 25% improvement in mainline aircraft out of service during that same period. We’re encouraged with the progress we've made thus far and look forward to keeping that going in 2019. We also completed another major integration project in the fourth quarter, the integration of our 27,000 flight attendants. This is an important milestone and our largest and most complicated integration project to-date. It involves program and new work rules and managing complicated pay processes in line with those work rules.

Importantly, training schedules and a multitude of other pieces have to work perfectly for this very important team. We’re starting to see the benefits of our flight attendance now that they can fly on any aircraft at our fleet and they also have the flexibility to transfer to different bases. For our customers, we'll be able to recover much more quickly during regular operations as we can inter-mix crews. And for about the company and product attendants, we'll get a lot more efficient with scheduling our aircraft and team members.

Switching gears from integration work to product. Throughout 2018, we made great progress improving the overall experience for our customers. We’ve invested $25 billion in our team in our facilities and our product and fleet since we merged five years ago. That $25 billion represents the largest investment of any carrier in the history of commercial aviation in such a short time period. These investments are transforming our product and creating a consistent and reliable airline for this coming year and long into the future.

On the product side, we've now activated free live TV on 270 aircraft and we continue to be the only U.S. carrier to offer live television on international flights. We believe our customers want faster and more consistent connectivity for work and to stream entertainment to their mobile devices. Our installations of high-speed Wi-Fi and in-seat power throughout our long-term domestic fleet are on track with 570 mainline narrow body aircraft already complete. All planned narrow bodies will be done by the middle of this year. And if you haven’t experienced the ease and speed of this connectivity, you're in for a terrific experience.

In addition, we launched new fresh food items from Zoe's kitchen in our main cabin, and the uptake has been extremely positive. We're also growing our network of flagship first dining and flagship lounges with DFW opening in the second quarter. Our most club network updates are also underway with facility refresh projects in Boston, Charlotte, B Concourse and Pittsburg in the first half of 2019.

For network, we had a new international service in 2018 to Reykjavik, Budapest and Prague, which were all very well received by our travel agent and cruise partners. This year we'll continue to play to our network strengths with high margin growth plan for Dallas-Fort Worth and Charlotte hubs. At DFW, we're adding 15 new gates and roughly 100 departures per day. These additional departures will begin in April. And importantly, this capacity will be added into a robust and in first local economy here in Texas, which is one of the fastest growing U.S. markets, both in terms of GDP and wages. We'll also add new transatlantic service to the Tuscany region of Italy, Berlin, Germany and Dubrovnik, Croatia, out of our hub in Philadelphia.

And lastly in Washington DC, construction continues on the new regional terminal in DCA. We're expecting completion of that regional terminal in 2021, sounds like a far update it will come quickly and will be ready. Our plans include up-gauging aircraft to further grow this important market. Our global sales and distribution team is executing well in their initiatives, producing overall corporate revenue growth that is outpaced to system revenue growth. We will continue to build and diversify our portfolio of small business accounts that have historic pace, and we're seeing a record number of these small business accounts graduate into entry-level corporate contracts at a rate that is nearly 10 times that of last year.

In growing our small business programs, we are not only delivering strong results today but we are also establishing a foundation for growth in the long-term. In addition, we have launched both TripLink and additional international forms of payment to grow direct bookings. For our loyalty program, 2018 marked another year of revenue growth, which grew by high-single digits on a year-over-year basis. We continue to see strong year-over-year growth in advantage program enrollments and cobranded credit card acquisitions.

Our 2018 improvements in the Citi Advantage platinum select MasterCard and the launch of the no fee AAdvantage MileUp card provide added value to customers and we're really seeing the revenue benefits of this expanded portfolio. Our Citi platinum and Aviator Red MasterCards remain our most popular cards and the new AAdvantage MileUp card is exceeding our expectations. And our Citi AAdvantage executive card acquisition saw growth as well, reflecting strength across range of card segments. With a record number of co-branded AAdvantage MasterCard acquisitions in 2018, we believe our dual issuer model is delivering attractive choices for our customers. We expect these strong results to continue for our program in 2019.

Product segmentation has added another dimension to our business, and our strategy continues to perform very well. In 2018, we added premium economy to more than 100 aircraft out of a total of 124 planned aircraft. American has more aircrafts with premium economies than any other U.S. airline. The average fare for premium economy continues to be twice the coach fare. And when we look at the booking profile for this product, it is clear that customers are buying up from the main cabin. Installations remain on track and we expect them to be complete by this summer. Looking forward, we will further monetize premium economy with new revenue management and merchandising capabilities.

Basic economy has also been expanded and we now offer this option across the entire domestic network, as well as most the Atlantic, Caribbean, Mexico and Central America. We have made a number of refinements to the program to ensure that we are competitively considered, including eliminating the carry-on bag restriction. With this change, we are now able to roll out our full range of fares to more than twice as many customers as before. Since this change, the average up-sell rate continues to be around 60%, which has exceeded our initial expectations. In addition, the sell-up amount is increased by $5 and is now approximately $26.

All of this is resulted in record fourth quarter revenue of $10.9 billion, up 3% year-over-year. As Derek mentioned, we saw solid growth in other revenues, driven in part by continued strength in co-brand credit card acquisitions and cardholder spend. At our unit revenue basis, total revenue per available seat mile improved 1.7% year-over-year. This marks the ninth consecutive quarter of positive revenue growth for American. When looking across the regions, the Atlantic was the best performing entity for the third consecutive quarter as we are able to grow load factors with only a minor impact on yield. Basic economy is doing well as is premium economy, and we see no impact from Brexit at this point.

Moving to land, although slightly negative, we did see quarter to quarter improvements in Argentina, Brazil and Mexico, which is encouraging. Foreign exchange had a negative impact on the quarter of 1.6 points. In the Pacific, the weaker markets got better while the better markets, Japan and Korea, got a little bit worse. We are negatively impacted by the timing of joint business settlements by approximately 2 point and foreign exchange by half of point. Despite very difficult comps, we saw improvements during the quarter in domestic yields, in part due to selling basic economy higher up the fare ladder and expanding into more markets.

Looking forward, we are head on load factor each month as we see strong build further from departure. We are excited about our planned growth in DFW, which marks our first opportunity for sizable growth at one of our most profitable hubs since the merger. We faced headwinds in the March quarter of 0.5 point due to Easter shift, 0.7 points due to foreign exchange and 0.7

points from our advantage program, which is due to the big investments we have made over the past year in the program, making it much more valuable to our customers.

We significantly increased the inventory available for redemptions in 2018, giving our customers more flexibility to use their miles. The net result of this change is that we'll be deferring more revenue from 2019 for recognition in later years. For the year, we expect the non-cash impact of 0.7. Even with these headwinds, we expect our first quarter year-over-year system TRASM to be up between zero and 2%. As we look forward into 2019, we are excited about what the future holds for American Airlines. Now that most of the distractions of integration are behind us, we are intently focused on running the best operations in America's history, improving our product and capitalizing on our network.

We have more than $1 billion in revenue initiatives that we are confident that we will deliver, and we feel really good about how these are shaping up. We will continue to expand premium economy and fine tune how we offer basic economy across our network. We also expect to continue our fleet harmonization project and further optimize how we sell that product. And we expect to become more efficient with more than $300 million in cost initiatives in our plan. All of these initiatives are on track and expected to be earnings accretive this year. We're excited about the future and look forward to sharing these results as the year progresses.

And with that, I would like to turn the call back over to the operator to begin our Q&A session. But first, we are going to give it to Doug.

Doug Parker

Just before that operator, I just want to let everybody know that in addition to me and Derek and Robert and Dan here, we have a number of handful members of the best leadership team in the world and which include we have Ben Mimmack, Kenji Hashimoto, Elise Eberwein, Maya Leibman, Steve Johnson, Don Casey, Devon May, all here.

Question-and-Answer Session

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. We will take questions from analysts first and then we will take questions from the media [Operator Instructions]. Our first question will come from the line of Michael Linenberg with Deutsche Bank. Your line is open.

Michael Linenberg

Two questions here. Robert, just you were talking about basic economy and slowing it up, further up the fare ladder. And I'm just curious what that means? I think in the past, it was in a lower maybe four or five fare buckets. And the $5 improvement in the sell up deference to $26, typically you're dealing with a very price sensitive customer base at that part of the passenger segment base. Are you finding that that elasticity of demand maybe is less elastic and there's willingness to move up, because it's a much better product, you saw some of those?

Don Casey

It's Donald Casey. High up the fair ladder just means we get where -- I guess we're just going to up the fare ladder higher. So it does vary from market but we're up about two -- on average about two inventories from we were about four months ago. As for elasticity at $5 fare increase that's we have in market right now. With that $5 fare increase, we've actually seen the sell up remain quite constant. So we don't think we've hit a point where the sell up amount is deterring people from buying up.

Michael Linenberg

And then just second question on cost when you talk about your cost outlook for 2019, you call out that it doesn't include any labor agreements. What is it, are we down -- what is it one other labor group that has to get done. Is that -- I just want an update on that?

Don Casey

Our IAM TWU negotiations, which represent a number of workers, largest of those are mechanics and fleet service works. Those are with the NMB right now and mediatory conversations, that's the only joint collected bargaining still to be done, Mike. It's been long enough into the merger that we're getting close to amendable dates on our products, employees, and as both of those become amendable toward one of them, one of them in December of this year and the other in January of 2020.

Operator

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

Joseph DeNardi

Robert, you mentioned the growth strategy focus in DFW and that's your highest margin hub. I'm wondering if you guys could maybe quantify that a little bit more, you've quantified it before by lumping it in with DCA and

Charlotte. But can you get more granular and just tell us what the operating margin at DFW was or pretax margin was in 2018? I think that would help investors better appreciate why your growth is doing what it's doing?

Derek Kerr

Just first off in terms of a little bit more granularity of our planned growth for this next year the roughly 3% growth year-over-year, DFW represents about two thirds of that. And so we're really pleased with that. And when you take a look at hub profitability, DFW, Charlotte, DCA, those are all our most profitable hubs. And so we see ourselves growing into incredible strength, and really look forward to be able take this opportunity. And I mentioned that this is really our first chance to grow one of our most profitable hubs. It's still keyed on having these additional gates. So we're really happy to get to this point and it's going to be mean big things for the company.

Doug Parker

So anyway we don’t make a habit of disclosing profitability by hub, it's one we haven’t done that historically but also it varies a lot by time of year. But nonetheless what Robert said is where we are is certainly one of our more profitable hubs, certainly in terms of size and also the margins are well above the system average. We did at one point but its slide the other, which I know most of our investors have seen. I talked about the margins of those three hubs versus the rest of the system and anyway, that's we're trying keep doing that.

Derek Kerr

DFW is twice the system average.

Doug Parker

So anyways, it is definitely above system average. And again we're going to this -- we like other airlines when you add flights into those types of hubs they tend to come on at above system average margins as opposed to at marginal profitability.

Joseph DeNardi

And then Derek, I don’t want to beat you up too much on this. But I do feel like on the last call, there was some commentary that CapEx in 2020 wouldn’t exceed 3 and wouldn’t exceed 2 and now it seems like it is going to be higher. Can you just talk about what's driving some of that and whether this current CapEx outlook is firm at this point and investors can assume what you guys have guided to is actually going to materialize? Thank you.

Derek Kerr

No, it’s a fair question. We did right after the call at our last call, we had an option on 15 large RJs that we had not completed at that point in time and we didn't talk about it. So the real increase in 2020 is the 15 large RJs that will pretty close to max out our large RJ scope, so we don't expect any more. They will replace 50 seaters that are out there. So it's not for growth, because we have a number of regional aircraft that we can have. So that is the only one item that is out there that we had left for us. So I think we are pretty firm on 2020, 2021 where we're at from a CapEx number, but that wasn’t an increase from where we said before, and it was 15 regional jets coming in 2020 timeframe.

Operator

Our next question comes from the line of Jamie Baker with JPMorgan. Your line is open.

Jamie Baker

First one for Robert or Don, the comment about outperforming your network competitors on RASM this year, I don’t want to get into a modeling exercise here. But since the first quarter guide is in fact no different than Delta or United. Can you give us some color on what period you do expect to start overtaking the competition? I understand the $1 billion figure I guess. I guess I just don't understand what buckets phase in and when? For example, how much is the credit card step up contributing to that, any additional color?

Doug Parker

We're very confident about the ready initiatives that we have and how that revenue flows in during the course of the year. We're also going to benefit in 2019 from either comps year-over-year, which were a drag on our performance this year. And so I think that goes back to -- and our investment in Dallas, I think it's going to be one of the big drivers of improvement for us and that doesn’t start until we get into the summer.

Jamie Baker

And then for Derek or possibly Doug, can you give us a little bit more color as to how the full year capacity plan emerged. Specifically were you meaningfully above or below the 3% number at any point? What influenced the 3% outcome? Or put differently, did the marketing department or fleet planning potentially wield more influence on that? Just any genesis as to how the 3% came about would be useful.

Doug Parker

I can step in on that. We grow, we take advantage of opportunities that we think are beneficial for the airline overall. As I said before, we're going to take advantage of opportunities, both in DFW and in Charlotte and DFW, two thirds of the overall growth. As you break down the rest of the growth, it's departures and into devices we think make a lot of sense. We have got some gauge that fits into that as well. And the reallocation of international flying as we talked about the restructuring of our international network is what results in the level that we're projecting for this coming year. So we're really confident that this is the right plan for American taking advantage of the assets that we have and well within our ability to execute on.

Jamie Baker

Well, just humor me then. If we were to roll back fuel prices and roll back your thought process to that of let's call the first week of October and where jet fuel has been. Would 3% still what you were thinking for 2019 at that point?

Derek Kerr

This is Derek the level of ops was put together in September, October timeframe has not changed since the fuel prices changed. So that did not impact where we are from a capacity perspective.

Operator

Thank you. And our next question comes from the line of Rajeev Lalwani with Morgan Stanley. Your line is open.

Rajeev Lalwani

Doug, a question for you just on the '19 earnings guide. How do we get comfortable that you're not capturing the best of all worlds' in the guide? I mean, you've got lower fuel but then you've relatively steady RASM going forward, CASM continuing to get better. So I guess overall I mean, I think history shown us sell lower fuel leads to much weaker revenues as timing evolves, but you’re showing that. So just trying to get comfortable with what you’re putting out there I guess.

Doug Parker

First of all, its forecasting airline earnings a year out we all know and we certainly learned. It has a lot of variability on it. So we put some variability and what we did is provided what we believe is for our investors our best guess at this point about where we're going to come in. And we feel quite comfortable with it we wouldn't have done it otherwise, as it relates to the point about fuel prices falling when fuel prices so do revenues. I would just note again what Derek just said. We haven't changed any of our capacity plans, because fuel prices are lower. I think it's important to replay what drives airline changes in capacity driven by fuel prices, and this doesn't feel anything like what maybe you've experienced in recent terms at least to us.

We all know that back in 2015 actually oil prices have been over $100 for five years they fell down to $45, $50. And when they stayed there for a while when you see that kind of a change in the fuel price, you're going to see capacity coming in as you should. The cost of production drop that much, profitability goes up and production goes up. So that doesn't seem irrational, never seen irrational at the time. What's happened here is having stayed that level for whatever it was two and half to three years in the $45 to $50 range, oil prices ramped pretty quickly. Through 2017 and '18, we got at levels around $80 a barrel per Brent and above. And the industry was somewhat getting itself well at those levels, but not all the way and now it's corrected some of it but not nearly all of it. So I'm not suggesting that this is going to correct all the way. What I'm pointing out is simply this fall from -- I know these are rounded number here but from $80 barrel Brent to $60 barrel Brent, I don't think it makes -- I know for American Airlines it doesn't a wit of difference on how much where we are going to fly. I don't think it makes a wit of difference for the industry, frankly, because we hadn't got our self adjusted to run up to 80 and it falls back to 60 I think. I don't think it makes sense to make huge adjustments in revenue, but that's our view.

Rajeev Lalwani

And then a quick follow-up on that capacity side, and I think Jamie was asking about this earlier. So previously you had talked about sub GDP capacity growth, I think most of us were assuming 1% to 2% and now you're coming in at 3%, which is guess is GDP plus, maybe my general assumptions are incorrect. But can you just walk me through what changed if something did in fact changed?

Doug Parker

I think Derek just said it doesn't change, and there are GDP estimates out there that certainly 3% and higher. So to the extent we produce the number other than what we announced today and this is right in line with what we've been thinking all along. And again, I would note, given where we're growing, we feel really comfortable with this level of growth.

Operator

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

Hunter Keay

I do want to continue on this line a little bit that Jamie brought up as well. And Dough, before -- you guys just said you're going to grow less than competitors, and now you are saying you're going to grow RASM more than competitors. And I appreciate that shift and that is a change. I'm hoping fuel prices aside for a second. Is there any change to how you guys are thinking about capacity in the context of market share and maybe are you kind of line of sight on better ops, you feel better about maybe, I don't know, let's say, sticking-up for yourself. But maybe being a little bit more tactically aggressive in keeping some share or it does make sense to do it, because again that change the drop of growing less than and now growing RASM than more than, is it changed. I'm wondering kind of what drove that language difference.

Doug Parker

You said RASM, you mean ASMs?

Hunter Keay

Yes, you said you are going to grow ASMs less now you're saying you're going to grow RASM more. So it's a change. And I'm just kind of curious just to know what drove that language difference…

Doug Parker

I don't think that's a change, but anyway I'll try again. So we have I believe consistently we've said that we believe where American Airlines is we have a largely mature network. And you should expect to see us grow at certainly domestically kind of in line with GDP growth. And that's what we've been doing. And this 3% number is not, I don't think dramatically different than that to the extent you assume there was something different in that. And any, we didn't mean to suggest anything other than that. We have not changed that number from the time we started producing level of ops as Derek said, six or nine months ago.

So that hasn't been a change and indeed I think is entirely consistent with what we've said, which is we expect to grow somewhat in line with U.S. GDP growth. And also we did say, we think that's lower than we're seeing at competitor and that's certainly the case, and maybe a competitor that maybe a little bit lower than that, that's how we know if that's the case. But if we're not the lowest we're the second lowest at this number. So all of that seems entirely consistent to me with what we said in the past. We haven't made any changes to our capacity growth based upon anything other than where we see growth capabilities. And I can't stress enough the fact that when you get 10 gates at a hub -- 15 gates at Dallas-Fort Worth that's a huge growth opportunity. But despite that, we're growing in line with or maybe modestly higher depending on what your GDP estimates are in line with GDP.

Derek Kerr

And I'll just add that our growth it's being funded by improved density from up-gauges and improved aircraft utilization.

Doug Parker

And then the piece I was looking, Hunter, in RASM is growing faster. I don't think -- the fact that -- at those levels of capacity growth, we do believe that our unit revenues will still grow faster than the industries, because of the initiatives we have in place. But those are -- I don't think that's inconsistent, Hunter.

Hunter Keay

No, it's not. Again, I didn't mean for the question to be negative. Again, and this is just my -- I guess I'll just ask a true follow-up. Again, I'm just wondering if there's been a change in philosophy about how you're thinking about growth in the context of what's happening in the industry. I'm not saying your plan change, fuel or whatever. Are you just going to say like we're going to sort of start punching a little bit harder here and fight for what's ours and fight for share that we think we deserve? And philosophically, how you are thinking about that in the context of what's going in the broader competitive industry. And it's not that anything has changed with the plan, just philosophically, how you are thinking about capacity growth going forward.

Doug Parker

Hunter, look we go back to look where a global hub and spoke airline, our greatest assets are our hubs and you will see us take advantage of opportunities in our hubs. And we are going to be incredibly competitive everywhere. The one thing I will say as well is I think we are being smart with how we deploy capacity as well and taking advantage of the dynamics of our hubs as well. So some of the things that you may see going forward is that from a seasonal perspective, some of the hubs Phoenix, Chicago performed better at certain points of the year than otherwise. And so you will see us flex to take maximum advantage of those opportunities.

And the good news is that as we push for fleet commonality, as we have rationalized our regional partners and reduced sub fleets, as we have gotten through integration and now can make full use of our team, you are going to see us be very smart about making sure we take advantage of opportunities throughout the year.

Operator

Our next question comes from the line of Duane Pfennigwerth with Evercore. Your line is open.

Duane Pfennigwerth

So just this EPS guidance is a relatively new experience for airlines and I am wondering if you could reflect on 2019, the execution versus that guidance, what are the lessons learned and how did that impact your guidance and your plans for 2019?

Doug Parker

I don't think it's a secret, we reluctantly --. We were reluctant participants in this exercise, feeling really strongly that we think the best thing for us to do for our shareholders is not to try and project what the earnings are going to be but rather go run our business best we can and tell you what our plans are and let you do that. But also understand that it's important to a number of our shareholders that we at least give them more guidance in that. And as other airlines started giving full year EPS guidance, we chose to do as well. So we like you are somewhat -- as you say are somewhat new to this. Our experience last year was we ended up having to, which we adjusted downward a couple of times, which of course you don't like to do that was each time there was a reason. Given that again it seems logical, at the time had we known it, we wouldn't have the numbers as high as they were.

So anyway, that's -- I don't know how other to explain it other than to say we are our best given the experience, I'll tell you this. We've certainly worked to make sure that we have a wide enough range that we feel comfortable, because we don't want to actually adjust it again and hope that we don't need to so we come up with a pretty wide range, but also done our best to give you a number that we feel really confident. And certainly last years' experience weighed on where we decided to set that guidance, because we don't want to have that experience again, no guarantee we won't but we don’t want to.

Duane Pfennigwerth

And then just for my follow-up, one of your peers has started to break out percent of revenue generated from premium products, and basically revenue away from the main cabin and the implied higher growth embedded in those initiatives. Have you studied that disclosure at all and would it make sense for American also? Thanks for taking the questions.

Doug Parker

We have looked at it. We in the fourth quarter I think had a slightly different metric just looking at premium cabin performance. Premium cabin performance actually drove about a third of our overall unit revenue growth in the fourth quarter.

Derek Kerr

And Duran, this is Derek. We looked at it as we go into 2019. And maybe something that we break out further, it's not easy to put things in all these buckets. But we will look at it more in 2019 to determine whether we want to break out the P&L little bit further.

Operator

Thank you. Our next question comes from the line of Helane Becker with Cowen. Your line is open.

Helane Becker

So two questions. One, can you say what the biggest bucket is in terms of the billion dollars in incremental revenue this year. And my second question if you pulled your customers, what would there number one compliant be about the airline and how are you addressing that?

Doug Parker

So the biggest bucket is really what we're doing in terms of segmentation, so basic and premium economy are the two largest drivers. Then as we take a look in that billion dollars, we've talked about big opportunities within segmentation. We've talked about big opportunities within merchandising. Those we hope are willing to start kicking in later in the year. And the final bucket that we see a lot of opportunities is network, and we've talk about DFW and getting to 900 departures but as well that involves restructuring the network and making sure that we're putting aircraft where they want to go.

In terms of the customer feedback, we know what the biggest point of concerning issue with our customers and that is they want a reliable airline, they want to be certain that they are getting what they paid for. And so from that perspective as we take a look at our goals for the coming year that is top of mind everywhere. And for us its upside, we didn’t perform as well as we wanted to in 2018. We expect to reverse that very quickly. And we're pleased with the kind of things were seeing, especially over the holiday season and as we get into January.

Helane Becker

So can you say, Robert, if your net promoter score again proved, let’s say if you did it in January of '19 versus maybe July of '18?

Doug Parker

No. So we have a lot of internal metrics and we have likelihood to recommend scores. And we weren’t pleased with our likelihood to recommend scores. As a matter of fact, our own internal measures show they fell year-over-year for the first time in a number of years. And when you trace that back, it's certainly not due to the product that we've -- the investments that we've made in the product. People are very pleased with what they're getting in terms of service and in terms of the amenities and fleet and airports. But if you’re not as reliable as you should be, as you want to be that has a negative impact overall. And so the good news on that and what we have seen is that when you do get back to the reliability that we aspire to things turn really quickly and we'll be able to take advantage of all those investments that we've made.

Operator

Thank you. Our next question Catherine O' Brian with Goldman Sachs. Your line is open.

Catherine O' Brian

Maybe just one more on your comments about outperforming your peers on RASM this year. Could you talk about maybe like the one or two biggest drivers of that, help us size and help us to think about how they ran through the year. Is a lot of Dallas? Are we thinking more about premium economy? Just any color there would be really helpful.

Don Casey

The two big things that are going to drive through really is DFW and the investment we're going to make in DFW in terms of the incremental flying and the relative revenue performance in DFW versus the rest of the system. The second one is just the merchandising capabilities, which we're going to be bringing online during the course of the year, which is one of our big revenue initiatives for 2019. And the reality is we're going to be helped a little bit this year on comps, they were a headwind in 2018 they'll be a bit of a tailwind in 2019.

Catherine O' Brian

So it sounds like maybe we will start to see that outperformance pick-up starting second quarter on?

Don Casey

That's correct.

Catherine O' Brian

And then maybe just one more. So some of your peers know they were incorporating weakness across the Atlantic into their March quarter guide. Are you seeing the same thing and are you incorporating that guidance? And then how should we think about the ringing of your RASM by geography, going forward?

Don Casey

So we look at the Atlantic, we expect -- Atlantic has been very strong. We had a -- it was our best-performing entity in the fourth quarter. We expect really a modest deceleration in our Atlantic performance in the first quarter, driven in large part due to additional of headwinds related to currency.

Domestic, we've had very strong yield growth in large part to the expansion of the basic economy to more markets, as well as other price increases. We've seen strong corporate demand. Our negotiated corporate revenue domestically is up 10%, led by our professional services. And we're expecting kind of similar performance in 1Q '19, and that includes the impact we've seen to-date of the government shutdown and the impact of the Easter shift.

In LATAM, we ended the quarter with modestly negative unit revenue growth, driven by our long haul operations. Although, we did see in the quarter that Brazil and Argentina did improve on a quarter-to-quarter basis and we're pleased with this given the currency and capacity environments in those markets. Mexico also improved quarter-to-quarter and positive unit revenue in the fourth quarter. And we saw demand recover, but the pricing environment in Mexico overall is still a bit soft. Caribbean was positive and had positive unit revenue growth, and we've experienced very, very strong unit revenue growth for last seven quarters, so a little well positive, not quite as positive on a quarter-to-quarter basis that's still expected to be positive going forward.

And LATAM overall, in the fourth quarter, we had 1.6 points of headwind with currency. As we look forward to LATAM, we expect similar trends going forward with currency being an additional 0.5 point of headwind as we head into 2019. Encouraging for us is capacity in Brazil. We'll benefit from our own capacity reductions in Brazil in the first quarter. And as we head into the second quarter, the industry has taken out a material amount of seats. Pacific unit revenues slightly negative with Hong Kong, Japan and Korea all positive, although, not quite as strong quarter-to-quarter compared to third quarter of '18; China and South Pacific, although negative we are improving; and we expect Pacific to be the strongest performing quarter-to-quarter entity in the first quarter of '19.

Operator

Our next question comes from the line of Kevin Crissey with Citi Group. Your line is open.

Kevin Crissey

If we could step back and talk about costs over time and the big picture. I've been a bit disappointed not seeing a better cost trajectory post merger. I know there were certainly some labor contracts catch up and that adds inflation. But I would've thought that they'd be pulled out post merger considering. I think a couple of percent CASM mix increase on a 3% capacity growth is kind of normal inflation for an airline, maybe its slightly lower, but not as low as I would expect post a merger. Can you talk about why there hasn't been more opportunity on the cost side there?

Doug Parker

This is Doug and Derek can chime in. Again, I encourage you all get the details. We go through the details with Derek. Some of this is just depreciation expense and things like that that are driving these costs and timing of maintenance and other issues. But to your larger point, first off the labor issues is you already noted it, but can't ignore it. I mean we came out of a merger with the world's largest airline and a phenomenal group of team members who are working for the less than their peers at other airlines and that's -- we can't run an airline that way, nor should we ask our people to. So we've certainly had some increases in labor costs. We have largely closed those gaps versus our competitor airlines but that drove very large expense increases at American Airlines. And again, the expense increase is that we actually feel good about, because we needed to do that in order to produce -- to build the airline we want to build.

Otherwise our costs again it's harder to address the qualitative response like that without a detailed response. But in general, what we know is we have gone through an effort led by Derek to go pull out expenses and it's been really successful. We had a relatively painful reduction in the management team around here and in the prior and the last year. And we will continue to do those things. What we know is if we weren't doing those things, well that number may not seem exciting to you, it would be about $300 million higher than it would have been otherwise without this work. So we continue to work at it and we will continue to work at it, but we feel really good about the cost discipline that we have instilled in American Airlines. Once we got to the point that we have our team being compensated in line with our peers.

Kevin Crissey

And maybe for Robert, you talked about the growth in the most profitable hubs. Can you talk about the actions you're taking in your less profitable hubs?

Robert Isom

So that goes back to one of the comments made a little bit earlier. We are trying to be really smart about how we deploy capacity. So when we take a look at a hub perspective, we can now that we have got a lot of the integration behind us and certainly a lot more fleet commonality, we can take a look at Chicago during the summer, and it being really healthy for us at that point in time. And then at other points of the season, take a look at Phoenix and Miami, which can perform better. We've mentioned things about what we're doing with our international network. So from a China perspective, we've made some adjustments in our network there and have been redeploying assets to where they're most profitable.

We have been taking a look at making sure that we're maximizing our opportunities with our joint business partners as well. So from a whole perspective, we're incredibly competitive in each of our hubs but we're making sure that we use them for what they do best for American. And you see that with the growth that's coming in DFW, you will see it with the growth that's coming next year in Charlotte and you'll see it when we get the regional terminal done in DCA the following year and our ability to up-gauge there. The plans that we have in place I think for this coming year in

Phoenix, Philly, Chicago, Los Angeles, Miami, they are well at tuned to what we can do best at this year.

Operator

We have time for one more question from our analyst before moving on to media. And our last analyst question will come from Brandon Oglenski with Barclays. Your line is now open.

Brandon Oglenski

I guess, Doug or Robert, I think the market wants to believe here, I mean your stocks trading at 5 PE. If you can start to show some relative margin traction, I think people will be pretty impressed. But if we look at 2018, I mean, you guys lagged your network competitors that you want to benchmark against capacity and RASM here pretty significantly. And if I go back to 2017 analyst meeting, we had pretty big revenue initiatives plotted for 2018 I think which were above a $1 billion too. So I guess what sense of urgency does the organization have this year to really deliver on that billion dollar revenue target? Or is this just something where circumstances are going to dictate that maybe like to push out again?

Robert Isom

Those initiatives we delivered primarily almost all in. Basically the economy actually didn’t as it sorted out competitively didn't deliver the level of value that we had expected that would be. But the urgency has been high, remains high and we remain excited. The fact that our revenues didn't perform as well as some of our peers in 2018 is a combination of largely the fact where we fly. I'd point out again that when the performance in Latin America, particularly South America where we are much larger than our competitors versus they had a big impact on that number. And then in relation to one of them, of course they did a really nice job of getting an airline that wasn’t performing particularly well performing well.

But if you look on two years over two years against that airline, we're still -- our RASM is still up more than any of it. So the issue becomes more of an issue of some concerning to us is when you look to the fact that RASM versus Delta that was -- that have been closing every year since the merger widened in 2018, again, a lot of that’s Latin America. But also as we look at it, the initiatives that Robert and Don described are some areas that they've done -- they're a little bit of ahead us. They merged well ahead of us. They've done a nice job. But things like the ability to get sell up into more channels and to more customers is something that we will be doing before too long has allowed them to widen that gap.

So we're running full force, have been running full force. We'll continue to do an amazing job. But because of all those things, as we head into 2018, we remain confident in saying that we believe that in 2018, our unit revenue will outpace our competitors. But again, that's a forecast and it's dependent also upon what they do. But we said that last three quarters now, because we feel really good about where we are positioned not less -- more of a comment on where we are versus where they are and to the extent that they are doing things we don’t know that may or may not be the case. But I did want to let our investors know that what we saw in '18 as our RASM declining versus our competitors for the first time in a few years wasn’t something that we expect to continue.

Operator

Thank you. This concludes our analyst question-and-answer-session. We will now take questions from the media. [Operator Instructions] Thank you. And our first question will come from the line of Marry Schlangenstein with Bloomberg News. Your line is open.

Mary Schlangenstein

Can you guys talk about any financial impact from the government shutdown, Southwest and Delta have both put a number on that at least for the month of January. Can you talk about what you are seeing?

Don Casey

We have seen some impact, but there is a lot of uncertainty as to what's going happen going forward. So we have not yet put a dollar value on it. But what we've seen today it is included in our guidance for the first quarter.

Mary Schlangenstein

And can you talk about what you are seeing. Is it just basically a decline in government -- business travel and government contactors travelling?

Don Casey

It's a bit of softness in 0 to 14 day travel.

Mary Schlangenstein

And Don can you also talk a little bit about what your yields on closing business travel are looking like this first quarter? Are they higher than a year ago, or are they staying strong?

Don Casey

We saw in the fourth quarter quite strong yields and actually the last two quarters in our 0 to 6 and 7 to 13 day booking windows, and we would expect that to continue going forward.

Operator

Thank you. Our next question comes from the line of Andrew Tangel with The Wall Street Journal. Your line is open.

Andrew Tangel

A question on the shutdown as well this week unions for aircraft controllers, pilots and flight attendants are someday longer over the shutdowns effects on the U.S. aviation system and raised questions about safety and that would be entire system because at some point break. How concerned are you about that right now? And are you all seeing signs of stress or worry or any operational issues at this point?

Robert Isom

First-off, our team in conjunction with our partners both at the FAA and from a security perspective TSA were always going to make the right decision for the safety and security of our team members and our customers. So there is no doubt, no lack of confidence in what we have in front of us. That said, we don't need distractions, we need people to be at work and confident and taking care of, and we do that at American with our team and we need to get our partners in a situation where they feel similarly confident in being taken care of.

Doug Parker

To Roberts point, our business is so focused on safety that to the extent there are fewer TSA people are fewer air traffic controllers. What tends to happen is you get long lines at TSA, but still the same level of scrutiny. You get larger separation of aircraft, so you have delayed air space. It was really concerning to us. So that's what we feared may happen. We want to thank all the people at TSA and all of our air traffic controllers who are showing us without actually getting pay checks and taking care of our team, taking care of flying public, it's phenomenal what they're doing we appreciate what they're doing. And we would encourage our government to get them to a position where these hard-working people would be paid for what they're doing.

Andrew Tangel

And as a follow up on something Don said, I'm going to go with reference to the quarter one outlook. You cited the potential for zero growth in the first quarter unit revenue to the government shutdown. Overall, are you all -- the shutdown aside or potential including the shutdowns. Are you all seeing any signs of an economic slowdown or any early signs of recession, any difficulty raising fares in the main cabin or premium seats or anything of that nature?

Don Casey

And just to clarify I guess I'm not sure what your comment just about zero growth related to the government shutdown. We haven't really put a number on the government shutdown. And it is included in our guidance, which is 0% to 2%. So we are expecting positive unit revenue growth in the first quarter. As for looking at the rest of the business whether we are seeing any slowdown in bookings anywhere in the system, we are not. Our corporate demand continues to be strong and our held load factor position going forward is up materially on a year-over-year basis.

Operator

And our next question comes from the line of Leslie Josephs with CNBC. Your line is open.

Leslie Josephs

On the corporate demand just to clarify. You said that it's higher this year than last year at the same point for January. I'm just trying to gauge the shutdown impact, and what there was I didn't catch that. And the other question is, are you still committed to flying to Venezuela?

Don Casey

Corporate revenues so far this year have been up month to date. As far as Venezuela goes, we fly three times a day there and we intend to continue our service. It's a relatively small part of our business. It's 0.2% of our overall system revenue.

Leslie Josephs

And then the shutdown, the impact you said bit of softness in the zero to 14 to day yields?

Don Casey

That is correct.

Leslie Josephs

But no dollar impacts that you are seeing so far?

Don Casey

We are not going to disclose a dollar impact. We will look at it after the government gets back to where it can figure out how impactful it was.

Operator

Our next question comes from the line of Tracy Rucinski from Reuters. Your line is open.

Tracy Rucinski

I wanted to ask about China. I have seen some data out of China that shows that 20% decline in outbound traffic to the United States in the third quarter of 2018. Have you seen any decline in inbound traffic from China, particularly for shorter states?

Don Casey

We have not. Now, we did take some capacity actions in China and we ended up suspending service from Chicago, Shanghai and Beijing, which probably helps us a bit more. But our advanced load factor in China looks fine.

Tracy Rucinski

So no impact from the ongoing trade…

Don Casey

We don't see any impact right now in our business.

Operator

Thank you. Our next question comes from the line of John Biers with AFP. Your line is open.

John Biers

Are you worried that there could be a hit related to the shutdown, either from people who are worried about safety, because of things like what the unions are saying about air traffic controllers and so forth or because they are worried about the delays to the system that the extra half-full of traveling? Just looking forward, is this something that could really hit demand in 2019?

Doug Parker

Again, we would just encourage the government to get reopened, so that people can get paid. And there are customers who can rest assured that they won't be waiting in long lines or face delays. At the airport because of air traffic controllers that can't afford to show forth, that's what needs to happen. Demand remains strong and this is certainly not a long-term demand issue. Our government presumably will reopen again one day and hopefully not before too long. So it's certainly been long enough we're putting strain on people who have been working now without -- for missing a couple of paychecks and that will at some point result in people not being at work. When we don't have enough TSA agents, you will see longer lines. We don't have enough ATC controllers you will see more delays in aerospace. Those will be bad things. So far everybody's been phenomenal about doing it. We're concerned but we haven't seen any drop off in demand other than the moderate softness Don talked about in Slide 14, because it travelled during the shutdown itself. But demand for air travel remains strong, people are flying and I suspect they will continue to want to fly as we get the government opened up again.

Don Casey

And remarkably, people are doing a fantastic job of keeping the aircraft and airports moving. And so, we're really confident in what we've seen so far in terms of operations and thankful to all those that are doing their jobs.

Operator

Thank you. And we have time for one more question. Our last question comes from Robert Silk with Travel Weekly. Your line is open.

Robert Silk

Can you tell me if you all have any plan and NDC initiatives plan in the coming year and what those might be if you do?

Don Casey

We do have plans. We've announced them to the marketplace. And we continue to plan to expand our NDC offering. Now, our approach to this is to improve the product offering that we're able to deliver through NDC. So that our agency partners are able to service customers more effectively and that's our focus going forward.

Robert Silk

Will you work in -- increase for the channels that you worked through NDC, more direct connects or more -- or going through any of these exchanges I should say or any of these approaches?

Don Casey

Well, I mean, again our plan is to continue to expand the use of NDC with everyone that is interested because we think we're going to be able to deliver more product and better products to their customers.

Doug Parker

Thanks operator. Thanks everyone for your interest, and thanks in particular to the American Airlines team for taking care of each other and our customers. We're excited for 2019 and we appreciate your interest. Thanks.