Operator

Good morning and welcome to the American Airlines Group Second Quarter 2019 Earnings Call. Today's conference 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. You may begin.

Dan Cravens

Good morning, everyone, and welcome to the American Airlines Group's second quarter 2019 earnings conference call. Joining us in the room this morning is Doug Parker, our Chairman and CEO; Robert Isom, President; and Derek Kerr, Chief Financial Officer. Also in the room for our Q&A session are several of our senior execs, including Maya Leibman, our Chief Information Officer; Steve Johnson, our EVP of Corporate Affairs, and Don Casey, our Senior Vice President of Revenue Management. In addition, we have Devon May, our Senior VP of Networks Strategy; and Kenji Hashimoto, our Senior VP of Finance.

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 second quarter and provide some additional information on our guidance for the remainder of the year. Robert will then follow with commentary on the operational performance and revenue environment. And then, after we hear from those comments, we will open the call for analyst questions and lastly questions from the media. To get in as many questions as possible please limit yourself to one question and a follow-up.

Before we begin, we must state that today's call does contain forward-looking statements, including statements concerning future revenues 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 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 and our Form 10-Q for the quarter ended June 30, 2019.

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 press release and that can also be found in the Investor Relations section of our website. A webcast of this call 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 this morning. And at this point, I'll turn the call over to our Chairman and CEO, Doug Parker.

Doug Parker

Thank you, Dan, and thanks everyone who are with us this morning.

Today, we are happy to report improved second quarter results for American Airlines. The company produced pre-tax income excluding special items of $1.1 billion for the quarter and a year-over-year increase in our diluted earnings per share of 10%. It's a revenue driven improvement. We saw record second quarter revenue of $12 billion as well as record second quarter total revenue per available seat mile.

The credit for producing these results goes entirely to our team, our 130,000 colleagues are doing a great job of taking care of our customers during the peak season and they're doing it despite a challenging summer. In fact the people in American are doing heroic, thanks for taking care of our customers and it shows in these results, and our projections for 2019 earnings, which have improved since our last quarter call.

But as excited as we are about the team's performance this quarter, we're even more excited about the potential at American Airlines and our potential for value creation in 2020 and beyond. The challenges we face this summer are near-term issues that absolutely will be addressed with time. And as we look to the long-term though the results we've produced despite these obstacles give us the utmost confidence in what lies ahead. And that's particularly true as we move into a period when our investments taper off significantly and the results of those investments continue to increase.

So with that I'll turn over to Derek and then Robert to give you more details and then we'll get the questions. Derek?

Derek Kerr

Thanks, Doug, and good morning everybody.

The ongoing grounding of our MAX fleet as well as operational issues caused by the weather and the union action meant that it was undoubtedly a challenging quarter for American Airlines. However thanks to the efforts of our team members we were able to produce financial results that exceeded our expectations at the start of the quarter. So I'd like to thank everyone for their hard work over the past few months.

In the second quarter, 2019 earnings press release in Form 10-Q that we filed this morning, we reported a second quarter net profit excluding net special items of $810 million, a 5.1% increase over the second quarter of 2018.

Our diluted earnings per share excluding that special items in the second quarter was $1.82 per share, up 10% from a $1.66 per diluted share in the second quarter of 2018.

Our second quarter 2019 pre-tax profit excluding net special items was $1.1 billion resulting in a pre-tax margin of 9% compared to 8.7% in 2018. This was the first quarter, our year-over-year margin expansion since the first quarter of 2016.

Despite the operational challenges during the quarter, our total revenues were a record for the second quarter at $12 billion, up 2.7% versus second quarter 2018. Our total revenue per ASM increased for the 13th consecutive quarter by 3.5% to $16.54 also a record for the second quarter.

We saw increased strength in demand for travel during the quarter resulted in passenger revenues increasing by 3.2% to $11 billion. Robert will give you more color on the trends we are seeing in the revenue improvements during his remarks.

Our cargo yields were slightly higher during the quarter, but year-over-year scheduled reductions and falling demand in Asia and Europe markets meant that cargo revenue fell 15.4% to $221 million despite that increase in yields.

Our loyalty program continues to grow steadily which drove other revenues up by 2.9% to $728 million. This growth was primarily due to new card acquisitions as access to the world's largest program and best network continues to be a strong incentive for new customers.

Total operating expenses in the second quarter of 2019 were 1.6% higher at $10.8 billion when fuel and special items are excluded, our unit costs increased in the second quarter by 4.8% higher than previous guidance due primarily to lower than planned second quarter ASMs which declined 0.8% from 2018 as a result of the operational disruptions I mentioned earlier.

Turning to the balance sheet, we ended the quarter with approximately $8.2 billion in total available liquidity. So far this year, our treasury team has completed a number of transactions including securing financing for 26 new mainline and regional aircraft to be delivered in 2019 and 2020 through mortgage and sale leaseback structures. With the exception of three regional aircraft delivered in the fourth quarter, we have committed financing for all aircraft deliveries through 2019. Additionally, we have committed financing for 25 of over 2020 deliveries and we'll continue to evaluate financing options for our remaining mainline and regional aircraft deliveries.

In May 2019, we raised $750 million in an unsecured notes offering and used the proceeds to fund contributions to our defined benefit plans. In aggregate, we made contributions of $858 million to our defined benefits plan in the second quarter for total contributions of $1.2 billion year-to-date or $436 million in excess of our required contributions.

As a result, we have prefunded a portion of our 2020 requirements and our remaining minimum funding obligation for next year is now forecasted to be approximately $200 million.

Lastly, in June 2019, we completed a spare engine WTC transaction in the U.S. private placement market to raise $650 million at attractive rates which are comparable to those achieved in aircraft WTCs.

During the second quarter, we paid dividends of $44 million. We did not repurchase any stock as fuel prices remained high for much of the quarter which pushed our projected year-end liquidity near our target level of $7 billion and prices didn't fall until we had entered the closed trading window. We remain committed to returning cash above our liquidity target to our shareholders.

We continue to expect that our 2019 year-end net debt including pensions and the present value of aircraft rents will be more than $1 billion lower compared to year-end 2018. We expect this trend to continue for the foreseeable future as our CapEx obligations normalized from the peak years of our fleet transformation program which will also result in significant free cash flow generation by the airline.

While we expect 2019 to be relatively flat in terms of free cash flow generation due to the increased pension contribution, we are currently forecasting to generate significant free cash flow in 2020 and 2021.

On July 14, we announced that we had removed the Boeing MAX from our schedules until November 2nd. Previously we were guided to a full-year negative impact to pre-tax income of approximately $350 million which was based primarily on lost revenues from scheduled reductions forced by the removal of the MAX from our operating fleet. We have now reviewed all of the data from the second quarter and given the extension of the grounding period, we now anticipate that the impact to the full-year will be approximately $400 million. We now estimate that the impact on the second quarter was approximately $175 million and estimate that the impact on the third quarter will be approximately $125 million, lower than the impact of the second quarter as we are no longer seeing the short-term disruption to passenger travel that the grounding caused in April. We remain confident in the aircraft and look forward to reintegrating the aircraft into our fleet once all of the regulatory approvals are in place.

During the June, we announced an order of 50 aircraft, Airbus A321 XLR aircraft with delivery scheduled to begin in 2023 and end in 2025. 30 of these orders were a conversion of the existing A321neo orders with the other 20 being an exercise of existing Neo options. Since the aircraft order was already part of our long-term fleet plan, it does not materially change our expectations for capital expenditures in these years. The expected range and capabilities of XLR are impressive and will add flexibility to our fleet opening up the potential for exciting new markets for our customers that we will be able to fly very efficiently.

In addition in our fleet plan filed this morning as part of our usual investor update, we announced that we have extended the operating life of some of our A320, 737, and 757 aircraft on a short-term basis. These extensions will allow us more flexibility as we deal with the grounding of the MAX and the late delivery of the A321neo's and provide modest and efficient growth to our fleet.

With the extension of MAX cancellations to November 2nd, we now anticipate capacity growth of approximately 1.5% for both the third quarter and the full-year. This is approximately half the full-year capacity we had expected at the start of the year which has put upward pressures on our unit cost expectations.

For the full-year, we now expect that our 2019 cost per ASM excluding fuel special items and new labor agreements will grow by approximately 4%. This increased from previous guidance of an increase of between 2% and 3% is driven entirely by the reduction in the anticipated ASM growth primarily driven by the MAX.

As a result, we now expect our CASM excluding fuel special items and new labor agreements will increase by approximately 5% in the third quarter and 3% in the fourth quarter.

Based on the forward curve, as of July 22nd, we are forecasting that our average fuel price will be between $2.05 and $2.10 per gallon in the third quarter for the full-year will be $2.04 to $2.09.

For revenue, we expect our total revenue per ASM will grow between 1% and 3% in the third quarter. And given the cost guidance I outlined above, we expect that third quarter pre-tax margin excluding net special items will be between 5.5% to 7.5%. We now believe that our earnings per diluted share excluding net special items will be between $4.50 to $6 in 2019 and continue to expect that we will see margin expansion in the second half of 2019.

Our total projected capital expenditures for 2019 remain unchanged at $4.4 billion comprised of $1.7 billion in non-aircraft CapEx and $2.7 billion in aircraft CapEx. We now expect total CapEx of $3.6 billion in 2020 and $2.1 billion in 2021. The guidance for 2020 and 2021 is slightly lower than the previous guidance as a result of the XLR agreement I referred to earlier in my remarks.

In conclusion, 2019 has certainly presented some unexpected challenges which have stressed our operation and put our team in some very difficult situations. But our front line team has met every challenge and done a phenomenal job of helping out our customers and supporting each other. We look forward to moving past these short-term headwinds and executing on all of the exciting projects that we have in the pipeline.

And with that, I'll turn it over to Robert.

Robert Isom

Thanks, Derek. Good morning everyone.

Before I begin I too would like to thank our team members for doing a great job of taking care of our customers given the issues that we've faced with our fleet in operation. Their hard work and perseverance were instrumental in our ability to generate record second quarter revenues. While we faced some significant challenges during the second quarter, we also had some notable achievements including the completion of our rollout of our industry-leading premium economy product, the expansion of our DFW hub, and the completion of our high speed Wi-Fi installation.

I'll spend some time discussing the challenges but I want to spend the majority of my time emphasizing all of the great things our team is doing and the positive momentum that we're seeing within our business.

As for challenges, as Derek mentioned in his remarks on July 14, we made the decision to extend the cancellations of our Boeing 737 MAX aircraft through November 2nd, while the return date has shifted from our original expectations, we remain optimistic that the aircraft will return to service in November.

Our confidence in Boeing, FAA, and other regulatory agencies remains intact and we are committed partners along with our Allied Pilots Association and Association of Professional Flight Attendants in this ongoing process. As always, as new information becomes available we'll assess the impact on our schedule and initiate changes as soon as possible to take best care of our customers and team.

In terms of our operation, in May, we initiated the litigation against the union representing our mechanic team members for engaging in a coordinated legal work slowdown in an effort to influence contract negotiations. That slowdown has significantly impacted the company's operations and caused a high number of flight cancellations and delays in the second quarter. A temporary restraining order enjoining the slowdown and further interruption to the company's operation was granted by the court. The court is in the process of ruling on a permanent injunction against the continuation of these illegal activities and we are waiving that decision.

Ultimately, our goal is to get back to the negotiating table where we will work to get our mechanics and fleet service team members, the industry-leading contract that they deserve just as we have with all of our other team members.

Throughout the legal work action and really for any disruptions now and in the future, our team is doing their best to take care of our customers and their co-workers. Fortunately we have new tools to help in that effort. Improved customer notifications for delays and cancellations, automated hotel meal and transportation arrangements, enhanced self-service rebooking, and snacks and amenities at the gates during longer delays are just some of the measures that are being utilized to ensure that our customers' needs are being addressed. We certainly apologize to any customers that have been inconvenienced and we want you to know that our customer relations team is working nonstop to address shortfalls in our service.

As we have discussed on several of our past earnings calls, we've been focused on improving our operating reliability. And we feel very confident that we're making significant operational improvements based on the performance of our regional operation which has not been affected by the labor issues at the mainline operation.

For example, at our hubs, our regional performance saw a 1.5 point year-over-year improvement in on time departures, a 3.2 point in year-over-year improvement in aircraft turn performance, and 1.2 point year-over-year improvement in controllable completion factor. Thanks to the outstanding efforts of our regional team. This improved performance provides a nice control set and gives us confidence that the initiatives that we've put in place will be successful across the system once we move past these short-term challenges.

Now for positive momentum. We continue to take big steps forward in creating a world-class customer experience that further differentiates American from our competitors. During the second quarter, we opened our new Flagship First Dining, Flagship Lounge, and renovated Admirals Club Lounge in Terminal D at our largest airport DFW. These enhancements are just the latest in more than $200 million investment in our premium products and services and complements our other flagship lounges at JFK, Los Angeles, Miami, and Chicago-O'Hare.

In addition, during the quarter, we completed installation of our high speed Wi-Fi on our entire long-term mainline narrow-body fleet of more than 700 aircrafts. This gives American more high speed Wi-Fi than any other airlines. Satellite-based Wi-Fi allows customers to stream video without buffering or interruption upload and download files with ease and do all of this from gate-to-gate. This upgraded bandwidth ensures customers will experience an uncompromised Internet connection even if every customer chooses to access in-flight entertainment at the same time. Additionally every satellite equipped aircraft can now stream Live TV and amenity that we provide access to our customers' free-of-charge. I should also point out that American is the only U.S. airline to offer Live TV on international flights.

Shifting to our network strategy. We remain focused on strengthening our network by expanding operations at our most profitable hubs. With the addition of a 100 departures in the second quarter, our DFW hub now offers more than 900 daily flights. This important milestone enables more than 9,000 one-stop travel possibilities through DFW more than any other airline hub in the world. As part of that growth, we had started service from DFW to 23 new markets including service to Dublin and Munich, and increased service to more than 80 existing markets. This growth marks the largest expansion at any hub in the United States in more than a decade.

The early results are very encouraging with margins on the newly added flights coming in at or above the system average. We remain on track with our growth plan in Charlotte next year and Reagan National in 2021.

Over the last year, we have also made a number of changes to our International network eliminating chronically underperforming flights and starting services to unserved markets across the world. Most of these new flights started in the middle of the second quarter and they are already producing margins at or above the system average.

On the partnership side, we now have final approval from the U.S. Department of Transportation for a proposed joint business agreement with Qantas which will allow us to better serve customers' flying between the United States and Australia and New Zealand. The joint business agreement allows for commercial integration between American and Qantas delivering new routes and significant customer benefits. It will also allow an expanded coacher relationship, optimized schedules on South Pacific services, better access the T20 business carrier's network -- on each carrier's networks additional frequent flier benefits and co-location at airports. All of this is designed to better serve our customers. And just yesterday, Qantas announced new services to Chicago and San Francisco from Brisbane. We are thrilled with this news to our customers and stay tuned for more route announcements from us later this year.

We also received approval from the DoT for additional service from DFW and Los Angeles to Tokyo Haneda airport.

Shifting gears, our global sales and distribution team produced strong results last quarter as corporate revenue growth was in line with system revenue growth on healthy corporate demand. Our corporate volume continues to grow and further strengthened in the last six weeks of the quarter where we delivered industry-leading corporate passenger share performance without sacrificing yield. We continue to see significant growth in the small to medium business segment as evidenced by our nearly double-digit revenue growth year-over-year.

We continue to see growth across our loyalty program. Existing members are engaging with us more, redemption levels -- redemption bookings are up and we continue to increase our lead population. Most importantly, we are capturing yield growth in this lead group that outpaces our system average.

On co-branded credit cards, our strong trends in acquisitions, card spend, and overall account growth continued in the second quarter with record setting absolute results. We expected that growth will continue throughout 2019. All of this contributed to record setting second quarter revenue of $12 billion, up approximately 3% year-over-year. On a unit revenue basis, total revenue per available seat mile improved 3.5% year-over-year which marks the 11th consecutive quarter of positive unit revenue growth for American. We estimate that our unit revenue benefited from the MAX cancellations in the second quarter. This benefit was offset by share loss in April.

We are particularly pleased with these results given the challenge we had with operational disruptions to MAX and weather. I mentioned this on our last call, but I need to say it again. In 2018, we made a big investment in our Advantage program making it more valuable to customers. We significantly increased the inventory available for redemptions in 2018, increasing the value of amounts to our customers; we are also giving our customers more flexibility to use their miles. For the second quarter, these changes had a negative impact of 0.8 units to unit revenue all of which was non-cash. We anticipate a similar impact for the remainder of the year.

Normalizing for this, our passenger unit revenue increased by 4.8% in the second quarter, two points better than our legacy competitors. We delivered improved unit revenue, unit revenue across every entity. As we mentioned on previous calls, we believe we have a unique opportunity to improve load factors without eroding yields and we have been successful in that effort to execute against that opportunity. Overall load factors were up 3.2 points in the quarter on flat yields. Higher loads without compromising yields is a winning combination. We're proud of our revenue management team for their hard work and results.

Domestic market strength was broad-based with improved unit revenue across every hub. As I mentioned earlier, our growth at DFW is performing as expected, notwithstanding exceptional operational and weather challenges at DFW during the quarter. We expect the domestic region to be our best performing entity in the third quarter.

Atlantic unit revenue grew by 3% in spite of 1.5 points of currency headwind. International point of sale remains challenging but we successfully shifted to North American point-of-sale and grew load factor by 3.8 points.

The Latin entity had the highest quarter-to-quarter improvement with unit revenue growing by 4.4% year-over-year. Brazil and Mexico were particularly strong while we faced headwinds in Argentina and the Dominican Republic. Specific unit revenue improved by half point, thanks to positive unit revenue in Japan, Hong Kong, and Australia. The pricing environment for China was soft but we were able to grow load factor while we reduced our capacity and exposure to this market.

Looking forward, we expect domestic demand to remain robust. And Latin again to be the best performing international entity. We expect our third quarter year-over-year TRASM to be up 1% to 3% and our passenger revenue per ASM to be about a point better than TRASM.

In conclusion, we're incredibly excited about this airline as future; the heavy lifting of integration is behind us, our large fleet investments are winding down, and our network is being optimized with high margin growth opportunities at our most profitable hubs. We recognize the need to overcome some short-term challenges but the core business is strong.

And with that, we'd like to turn the call back over to the operator to begin our Q&A session.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions].

Our first question comes from the line of Michael Linenberg of Deutsche Bank. Your line is open.

Michael Linenberg

Hello, hey good morning everyone. Two questions here and maybe they are both for Robert, at the beginning of the year you were targeting a billion of revenue improvement and $300 million of cost saves and with the MAX groundings and the labor disruption, how should we think about resizing those numbers as we move through the year?

Robert Isom

Yes, thanks Michael. So when we take a look at the revenue initiatives, we set out at the front of the year, I think the best way to take a look at is some have outperformed and others, we will be able to take a benefit of in the longer-term.

Michael Linenberg

Okay.

Robert Isom

One that has really taken a delay is identifying of our 737 and our A321 fleet because of some of the issues that we've encountered with operational disruptions related to the work slowdown, we've had to defer some of those modification lines. We anticipate picking those back up next year and that is benefit yet to come.

In terms of outperformance, some of the things that we have really emphasized certainly basic economy is producing as we had hoped and the work within our revenue management team to improve load factor performance has resulted us well. So we're seeing the $1 billion and as we take a look into the future, we're encouraged that we still have more to come. Don, do you want to add anything?

Don Casey

Yes, I will just re-emphasize what Robert said, again, kind of understand our $1 billion in revenue initiatives and how it compares; you're going to normalize for the deferred recognition rate in FFP. When you do that revenues are 4.8% which is about two points better than our kind of legacy competitors you can see where the benefit is just in there.

Derek Kerr

And Mike from a cost perspective, we have a lot of initiatives, all of them are on target the $300 million is in the forecast, so that's all built in and we are realizing those. There are a few cost headwinds obviously as you have these type of disruptions but that's built into the CASM forecasts that I gave you, so that some of them are offset by that. But the initiatives that we set out for the one airline project to get a $1 billion, $300 million this year and then another $200 million in 2020 and 2021 are all on target and are built into our forecast.

Michael Linenberg

Okay. Yes sure, it's remarkable given all your headwinds that you still manage to produce margin expansion, so well done there. Just my second to Robert on the JBA with Qantas. I recall a few years back when you announced the joint venture or JBA with Japan Airlines at the time you did provide a revenue size. At that point in time when it was launched, I think it was about a $1.05 billion of revenue between you and JAL and subsequently my sense is that you've built upon that even today you highlighted some of the positive trends out of Japan. I'm sure that's helping. Can you give us a sense or magnitude of where we are from a revenue base as a starting point with Qantas? Just trying to size that joint business agreement, what our baseline is. Any color on that would be great. Thank you.

Robert Isom

Mike, it's the current size there is $1.5 billion and we don't -- we're really not sizing yet publicly the potential benefits but we do expect that this is going to be something that's positive overall. And I'm pleased with hearing of some new markets. And I would anticipate that we have more to add to that in the coming months.

Operator

Thank you. Our next question comes from the line of Brandon Oglenski of Barclays. Your line is open.

Matt Wisniewski

Hi good morning. This is actually Matt Wisniewski on for Brandon. Thanks for taking my question. Really wanted just to expand upon the network strategy a little bit more, said it's little bit early and the DFW expansion, how should we kind of think about the improvements coming through and when would we see ultimately kind of some of the benefits hitting at the P&L?

Robert Isom

Well I will just start. We're just now getting into the real upsizing of DFW which is encouraging. So you're seeing some of the benefits already but the whole run rate of that is going to be as we progress throughout the year. As we take a look forward as I mentioned 2020, we anticipate our growth focus to be on Charlotte and so that will ramp up over the first part of next year. And then from there it's Reagan National after that in 2021. So Don or Doug, do you want to give any more color.

Don Casey

I will just say this is really just the beginning. We just started ramping up the DFW into 2Q. And we won't see the full benefit of that until we hit the third quarter. That'll obviously extend and annualize as we head into 2020 at which point we'll also be adding Charlotte which will run into 2021 and we will have an opportunity to upgauge DCA. So we have a lot of really high quality capacity network opportunities looking out for the next few years.

Doug Parker

And Matt it's Doug. I mean as Robert said in his opening remarks, the early results here are really encouraging, these markets that we have added out of Dallas as Robert said are coming in at or above system average margins as a new startup. Usually your marginal growth doesn't come in above average margins in this case they do. That just give us more encouragement to us, there's more -- there's one what we -- we believe will happen is indeed happening and two there's more of this we can do and we're looking forward to doing more as we go forward.

Matt Wisniewski

Okay, great. And then just as a quick follow-up specific capacity was down quite meaningfully this quarter and I would expect, I thought kind of anticipated revenues to kind of be more beneficial because of that. Can you provide a little more color of what’s going on in the Pacific region?

Don Casey

Sure, it’s Don. I'll cover that. We did that slightly positive unit revenue in the Pacific. Capacity reductions we had was the reduction of flying to China, out of Chicago, Shanghai and Beijing. We did see actually positive unit revenue growth in Hong Kong, Japan, also in Australia with more opportunities coming forward at Qantas. The China market was soft. It was our weakest performing market in the Pacific. We had about a point and a half of currency headwind as well in the Pacific as we went into the third quarter. And I think we're pretty happy that we kind of reduced our exposure to China because that's really where we're seeing some softness particularly in China upon the sell pricing where we see pretty weak pricing environment right now.

Doug Parker

And hi Matt, Doug again. So also thanks for asking that question, because it gives us chance to tell more about this. Given the kind of capacity reduction we're talking about here I think it's hard for anyone certainly for those of you who aren't here in the airlines every day to try and estimate what kind of impact that would have between revenue per ASM versus cost per ASM. And indeed when we raised our guidance a couple of weeks ago at least a number of reports suggested well, really -- it's unlike a cost story that we've done a better job of keeping our cost in check with some expected and our revenues came out in line. The reality at least for those of us who are watching results come in, the positive surprises were on revenue, not on cost again not that any of you should be able to figure that out on your own because it is such a different way this happens but indeed when our capacity is going down because we're having to -- because we're canceling flights very close in. What happens then is you're not able to particularly in the peak we're not able to protect all that revenue.

So 1.5% decline in capacity does not result in a 1.5% increase in revenue per ASM or anything close to it. And you're not able and it's pretty difficult to go find the marginal revenues or the lower revenue per ASM as you do that. So at any rate that's what we experienced as the quarter came through as even though ASMs were down the fact that our earnings came out better than we thought, it was to us a revenue surprise not a cost surprise.

Operator

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

Helane Becker

Thanks very much, operator. Hi everybody and thank you very much for your time. I have two questions. My first question is what percent of your fleet do you normally replace every year and how does this year compare to a normal year?

Derek Kerr

I wouldn't say percent but we replaced somewhere. It's been a lot more over the past few years. We've taken deliveries of over 100 aircraft a year for many years in a row since we've gotten here for about five years. This year we're replacing about 65. Next year will be about 61 and that includes regional also. So the steady state would be somewhere between 40 and 50 if you cap a -- the average age where it is. So I think that's kind of where we're at. And so when we talk about aircraft CapEx going forward it comes down significantly in 2020, 2021, 2022, 2023, steady state would be somewhere in the neighborhood of 40 to 50 aircraft a year when you get out into the 2025 to 2030 range.

Doug Parker

Helane, a good way for us to again make the point, it's a hard question for us because there is no normal. There certainly hasn't been since the merger as Derek said we've been bringing in 85 to 100 airplanes each year and then retiring a similar amount in this by far the most aggressive modernization of a commercial airline fleet in the history of commercial aviation.

So that has been the number and that's now largely behind us. So as we've been doing that also the CapEx we've had to put into integration and the CapEx that we put into all the improvements that have been needed to make into our airline that tapers not as strong enough. That comes down significantly as Derek said in the coming years both aircraft CapEx and in some of the non-aircraft CapEx. So we get the benefits of all that investment -- amount of investment in the quarter.

Helane Becker

Okay. And then, so then to follow that up the $1 billion dollars in debt pay down that I think Derek mentioned, should we think about that as accelerating through the next five or seven years as your kind of steady state declines from 100 aircraft to 50 aircraft?

Derek Kerr

From a debt pay down perspective, we have our normal debt pay down schedule which is somewhere between $3 billion a year over the next few years, so that pay down does not accelerate. I think there are pay down of WTCs and other debts that we have. But as you look at our pay down schedule from in 2019, we'll pay off $3.7 billion of debt in 2020, we have $2.7 billion due, 2021 we have $4.2 billion due. So it runs around $3 billion to $4 billion of debt that's paid off. That scheduled debt pay downs that go along with the pension payments but that's all in the numbers that Doug talked about when we talk about free cash flow that's all assumed that those debt payments are paid in each one of those years and that we pay off debt as it comes due.

Operator

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

Hunter Keay

Thanks. Good morning everybody. A question about that comment you made about the market share loss in April. Can you give me some color on that comment what you mean by that? Where was it? What type of share was it? And how do you get that back?

Don Casey

Sure, Hunter, it's Don. When we had ended up grounding the MAX, there was a lot of schedule uncertainty as to how long this was going to last and how we're going to move aircraft around to try and cover this. And so during that period sort of really starting mid-March through what the third week in April, we did see close in bookings and close-in bookings particularly for corporate travel lag, right. So we definitely lost share. We definitely saw some book away during that time period to our competitors. That did bounce back by the time we got through April and in fact, if you look at the last six weeks of our kind of corporate share performance, we are number one in the industry in terms of corporate share. So that's really complete bounce back for us. But it was entirely just a response to schedule uncertainty, if you wanted to get your meeting during that time period sometimes people are choosing not to fly, so they weren't sure whether they're going to change our scheduling.

Hunter Keay

Okay, fair enough. Thank you, Don. And then, Doug, when you think about the relationship between employees buying in reliable operations and consistent cost performance that's arguably the three areas that you guys need to show the most improvement. And if we assume all three of those things kind of feed into one another which order do they have to get fixed and how do you get started with the first one?

Doug Parker

Employee buying in and then reverse.

Hunter Keay

Either way I mean you can define in any order you want. So it's buy in operations and just good cost performance, so like which one has to start first and which one sort of manifest into the other two getting better and how do you start it?

Doug Parker

Yes. I will start on -- I'm not exactly sure I'd characterize it that way but I'd love to talk about the employee perspective, you're getting again I mean first of all let me just go to the operations. In this -- we as a company and under Robert's leadership have made great strides in our operations reliability from the time emerging airlines improving every year up until 2018, we had a setback last summer unrelated -- related primarily to things like six engines, things we tried to do our best to fly through and didn't make change to the schedule and in retrospect, we realized that we were kind of letting the operation to be the buffer not something go. In retrospect we would have made the same decision going forward.

So in response to that, we put in place again with Robert's leadership, David Seymour's leadership, Carey’s leadership a huge operational reliability improvement plan for 2019. And again we did those things that made a large difference in our ability to manage through what we're dealing with now. So we feel really good about where we are in terms of operational reliability but for, what we're dealing with at the current time which is a huge increase in the aircraft out of service to begin the day. That when we're as we are today having to start the day with so many airplanes -- more airplanes out of service than we have spares. By definition that means you're starting the day by canceling some flights and by definition that means it's not going to be a particularly good operating reliability. So that's the situation with operational reliability. Not to say there's not more we can do and won't do to improve it. But once that issue -- once that issue is removed, I'll say it this way we believe it will work for that issue. We would be running the best airline in the history of American Airlines which was our goal for this year.

And all the data that we have supports that. As Robert noted, we're seeing that on the regional side where we don't have this issue. So operational reliability, I feel extremely good about where we are and our trajectory going forward. We do need to get to the near-term issue.

So as it relates to culture anyway I think I know -- I guess you're getting out or maybe not, if it's not you tell me. But anyway, it's a fair question and thanks for asking how what we're going through relates to all the work we have underway on cultural transformation.

I will tell you the cultural initiatives that we've put in place since the time of the merger. And again remember back when we put these two airlines together five-and-a-half years ago, how big an issue that was particularly given the history of American Airlines and those things are working, we've made huge strides thanks to really good leadership. The people that I get to work with, who led our team, who every time that I most -- when I go out and talk to team members prior to the merger, it was all about this company doesn't care about me. Now as we go out and talk to people, we still have issues but they're rarely that actually they aren't that. To the extent, their issues they're all about desire for more tools to do the job, the way they know how to do it to take care of their customers which is exactly where you'd like the team. And exactly what our job is to deliver to them.

So look there's more to do there with cultural transformation obviously takes some time, it takes a lot of time. But we're really pleased with the progress we've made to-date and we'll continue to make in the future. Our objective here is to make culture a competitive advantage not just to improve the culture, not just to transform it from what wasn't a very strong one to one is really strong but to make it so strong that people actually prefer to fly American. That's not -- that's not -- we're not there yet. That's aspirational and longer-term objective. One we are committed to and one that we think is best for our shareholders.

So that work continues but really happy with the progress. I think again fair to ask, if that's the case and why are you going to this issue right now to which side -- to which I would tell you look, while that culture work goes on, there's no change the fact that this is a highly unionized airline and union negotiations will continue to be union negotiations and some of them we haven't even gotten through the first one yet. And this is one amazingly enough, this is we're still working on joint collective bargaining agreement with this Union and we hopefully to get that done. We obviously get them done quite quickly with all of our other workers. And indeed we're beginning negotiations on contracts that we signed five years ago JVs with pilots and flight attendants today.

So it's a source of frustration for sure. And but look this is a different animal one that we're still trying to work through. But unlike the other contracts we work through, we're dealing with two Unions here chose to form one Union and sign association partnership. We're dealing with international Unions where the primary decision makers aren't even American Airlines team members. So the culture doesn't make that much of a difference as far as they're concerned.

So look we will work through this, we'll get through a contract and that's the real goal here of course is to make sure we get a contract in place when we do that. We're going to have a long-term contract with our outstanding mechanics and fleet service team members. That's going to be industry-leading and that will be a good day. So that'll help significantly but we need to get through this joint agreement with this group. And right now we haven’t been able to get through that.

I will add I'm sorry for the long answer but I will add on that front, certainly with the way we get into a joint collective bargaining agreement is to get back to talking to each other. These negotiations are under the control of the National Mediation Board at this time which is a good thing; the bad thing is the National Mediation Board hasn't called a negotiating session since April because of that.

You can ask them why but the fact is they haven't. And as a result we haven't -- we haven't had talks good news as we just heard last night from the NMB, they'd like to have a status conference with all of us on August 15th. That's really good news. By that time we think we'll probably have a permanent injunction in place which will help with what we're dealing with. The goal of this is not to have people coming to work and doing their jobs because the goal is we have people coming to work and doing their jobs because we are excited about the company and the future of the company. And to do that we need to get a contract in place. We're trying to do that. We're working extremely hard at it and I know that we'll get one. I can't tell you exactly when we will get to a contract and this issue that we're dealing with today will be behind us.

Operator

Thank you. Our next question comes from the line of Duane Pfennigwerth of Evercore ISI. Your line is open.

Doug Parker

Hi Duane.

Duane Pfennigwerth

Hey thanks, good morning. Sorry if I missed it in your prepared remarks but when do you expect a decision on the injunction?

Doug Parker

Steve Johnson?

Steve Johnson

Hi, you never know for sure but my guess would be late next week or early the week after that.

Duane Pfennigwerth

Thank you. And then just as a follow-up as you think about this cost of the MAX grounding which you've estimated at $400 million relative to perhaps your future aircraft order book value of about $3.5 billion, is the right way to think about potential compensation as a discount to that future value to maybe 10% to 12% discount on your existing order book as we sit here today?

Doug Parker

We wouldn't encourage you to think about it in anyway because we don't know; we haven't had any discussions with our partners at Boeing about the details of how this compensation might occur. We saw as I know you did, they satisfied they put a reserve aside. We've had high level conversations with the highest levels of Boeing about what our expectations are but we haven't had any detailed conversations about how those expectations will be met.

Operator

Thank you. And our next question comes from the line of Dan McKenzie of Buckingham Research. Your line is open.

Dan McKenzie

Hey thanks. Good morning. Healthy corporate demand that's strengthened the last six weeks in the quarter despite some severe operational disruptions that's a surprise. But we know there's a direct link between business travel and operations. So the idea book away when operations are bad. So the question is I wonder if you can elaborate on any book away challenges in the third quarter outlook, how they might be a headwind or an opportunity at some point here and does the current outlook embed some book away?

Doug Parker

Thanks. I will let Dan give you the specifics but again I just want to reiterate just what Robert said in his comments. While this is going on our team is doing really, really great work to make sure while we have operational disruption. It's not felt nearly to a degree it would be otherwise by our customers first and foremost is once we realize that this was well a near-term issue, one that was going to be going on for a matter of weeks and months, we begun the process and that continues not waiting until the day of to do cancellations but do them several days in advance that allows us to reaccommodate customers again not the best thing you want to do but much better than having customers find that their travel has been disrupted on the day of the airport.

So that makes a big difference and then as we do that particularly as it relates and Robert trying to tell more about this probably isn't reached through our most frequent fliers making sure that they are having -- they are having the least impact of all and to the extent they are, they know that the company is reaching out to them. So we're working really hard on those issues. Don, is there anything in terms of?

Don Casey

Yes, I will just add that. We have actually been tracking completion factor for our corporate customers which is we have been canceling flights but kind of which flights we are cancelling relative to that kind of travel patterns of our corporate customers on a year-over-year basis. There has not been a very material change in the completion factor for corporate customers. So we've done a good job of figuring out kind of what to cancel as it pertains to the outlook, we aren't really seeing anything right now that would cause any book away and we expect our performance for domestic in the third quarter to be pretty similar maybe even a touch better than it was in the second quarter.

Derek Kerr

I'll just give a shout out to our sales team and our customer relations team as well with any issues; we have opened up new means of communicating to ensure that any issues are addressed. And I've also stepped up our efforts to be out there with our corporate clients and that includes our Head of Sales Allison Taylor and myself and a number of the other executives here. So we're hearing firsthand of where the issues as we can get in front of them whenever possible.

Dan McKenzie

Very good. Good job, second question here is we do have a tale of two economies. Obviously, we've got the industrial which is slowing and the consumer which is strong and we've seen this in prior years as well and I guess I'm just wondering if you can talk about how you think one affecting the other at some point if they do, what are the key metrics that give you confidence that demand can continue to remain firm here and at this point are you sort of revising any implicit fourth quarter revenue assumptions?

Don Casey

Again if you don’t look at kind of what's been happening, right. We've seen some softness right in international fund sales, right. Some of that's currency. Some of that's economy. But the domestic market has remained very robust. We've been able to backfill really any international shortfalls with higher yielding domestic originating business. And we've been able to successfully grow our load factor maturely, we are up actually two points overall in the second quarter and we're up really in every entity. As we look forward, I mean we're actually booked ahead as we look forward into future months and we're not seeing really anything that wouldn't make us concerned at this point around continued strength in domestic demand.

Operator

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

Jamie Baker

Hey good morning everybody. Most of my questions have been asked and well answered. So one from me, I know it's the view of your aviators that some of the reliability issues are related to scheduling practices and maybe some IP deficiencies. This is a difficult one for me to reconcile with the data that I have access to. So I guess the question is whether you believe, are you extracting all the potential efficiency of the current pilot contract and whether there is some IP investment that does need to be made if so what might that cost?

Derek Kerr

So Jamie thanks for the question. That's the good news at least for all of us in this, there is I still believe a tremendous upside so in our operation. So while we are dealing with the mechanic slowdown in weather anomalies, and you name it we're finally getting the chance to run an integrated airline and as we do that with all of our systems, we're able to move past the point of just integration to taking a look at what the next generation of systems are.

So when we take a look at scheduling practices, we know that there are potential efficiencies that we can bring about that potentially saves on flight times. We know that for our pilots and flight attendants that there are ways that we can meet their needs in actually creating more lifestyle, improved schedules that should also reduce the impact of redundancies and reserve levels. And we know that there's a lot more work that we can do on aircraft routing as well now that we have the system all in one place.

And don't forget even when it comes to maintenance operations, we still are operating with a couple of different systems out there. So restricting ourselves in some way, so more upside is how I view things and thanks for bringing it up because I think the opportunity for investment is good and the payoff will be nice when we get to it.

Jamie Baker

Any guess on timing and thank you very much.

Derek Kerr

So in terms of timing, 2020 will be a year in which we have our eyes firmly on operations improvement especially in regard to efficiency. So it's going to be over the next few years. There are some larger longer-term issues in terms of flight management systems and crew scheduling systems where we'll have to move past some of the legacy systems and think about next-generation. But there's many improvements we can make along the way and Maya do you want to add any here?

Maya Leibman

No, I think we are always working on improving our systems. It's just an ongoing aspect of what we do.

Jamie Baker

Okay, thank you.

Derek Kerr

The good news for us is we have a lot of upside here.

Operator

Thank you. Your next question comes from the line of Kevin Crissey of Citigroup. Your line is open.

Kevin Crissey

Hey good morning everybody. Thank you for the time. Maybe if I could ask you to fast forward past this week, we've surpassed this being the MAX, the mechanics let's look out whether it'd be 2020 or 2021 but let's just if we can start with 2020 not looking for specific guidance by any stretch at all but broad strokes as to what all the changes in 2019 does to your 2020 capacity cost structure, should we see the kind of the inverse of the negative impacts in 2019 as it relates to 2020 on a year-over-year basis. How should we think about that?

Doug Parker

Well without giving any guidance to you guys we haven't -- we're not prepared to give just yet. On a global basis and I think in terms of what it means for growth next year, it's certainly two things going on one you have growth being stifled this year for these issues that won't. And then on top of that, we've told you the growth that we've put in place, the growth that we plan to put in place is doing exceptionally well. So you should expect us to continue along that. So this will be -- will certainly be a growing airline as we move into 2020.

And then what that means again setting aside economic issues that may or may not happen, what it means for us, we think is the ability to certainly view the industry is probably the best way to think about it because who knows what happens to global issues vis-à-vis the industry and now we think as that happens for all the reasons, we've talked for a lot of the reason we talked about which is upside that Robert is talking about, I think we would hope that on that growth, you'd see our unit revenues improve at a rate that's greater even than the industry. And our cost as Derek has described staying well in check. And that should result in things like we would hope margin improvement and certainly improve -- more improvement than the group in total.

And If I'm remotely right about that because of what they're striving in terms of our CapEx profile that that results in real cash flow generation and certainly more than I think you'll see from our competitors.

Kevin Crissey

Yes, thank you for that. And we are obviously looking for a good CASM next year; I've been a little hopeful that it would be this year. Wasn't sure about next year, this maybe creates the opportunity for that. Go ahead, I'm sorry.

Doug Parker

More to come on that, we agree.

Kevin Crissey

Okay, thank you. And maybe for Don, can you talk about the transatlantic outlook. There's been some commentary about it being softer. Maybe I missed it in the prepared remarks or during Q&A and if it is softer as we look to Q3 and beyond, why that's the case?

Don Casey

Sure. I guess here is the way I would describe it. We've seen some softness again in Europe point-of-sale in terms of both demand and yields. Again the domestic markets been strong. We've been able to backfill that in growing unit revenue. Again we were up 3% in the second quarter and that's what one and half points of currency headwind. Third quarter, we don't have quite as much headroom in the load factor side year-over-year. But if you go and look out into the fourth quarter on the Atlantic industry capacity is growing at the lowest rate since it hasn't since 2012. So we are really seeing kind of moderating and lower industry capacity. And in particular, the capacity that's coming out of the Atlantic as we head into the fall and winter is really low cost carrier, low price carriers right that are taking the capacity out. So I think the Atlantic although it's -- we see softness in Europe point-of-sale. I think the capacity profile as we move forward is actually quite positive and we would expect that to start to translate into improved yields in the economy cabin as we head into the next winter.

Kevin Crissey

Excellent. Thanks. And if I could sneak in one more with -- you haven't talked about Miami. When we look at the data, the South Florida region looks soft internationally. Is that kind of an area of weakness for you? You talked a lot about regions that were above system average. I assume that might be one that might be below?

Don Casey

No actually been quite good for us. Actually for us Miami is our gateway to Latin America. Brazil was very, very strong, Caribbean was good, Mexico was very, very strong. We had over 20% revenue growth in Mexico. And so our profile in Miami actually is -- actually we're quite encouraged by Miami. And it was actually our best performing unit revenue in the third quarter or second quarter.

Operator

Thank you. [Operator Instructions].

Okay. And our first question from the media comes from Mary Schlangenstein of Bloomberg News. Your line is open.

Mary Schlangenstein

I wanted to see Don, you've been talking a lot about demand but can you talk a little bit more in detail about domestic demand whether you're surprised at how it's held up and specifically what you think is fueling that ongoing strong demand?

Don Casey

I mean, domestic demand has been strong now for a long time, right. This is something that just happened overnight. And as I mentioned earlier when we look at going forward, we expect that we're seeing nothing right off the trend line that we've seen for domestic. So again I don't think we can type anything, kind any recency in terms of anything that's happened domestic has been in this place now for quite a while and then there's nothing again that we see that's going to take us off this trend line.

Mary Schlangenstein

Okay. And if I can also ask about the A321neo delays, JetBlue talked this week about hearing of additional delays from Airbus. And can you talk about where you guys are at. How many planes you've had delayed and if there have been any additional either time delays or aircraft delays for you?

Derek Kerr

Mary, this is Derek. We have not heard of any additional delays. We had conversations with Airbus probably a month ago and we looked at the schedule and got those deliveries all set up as part of the XLR negotiations. So that's been set. I haven't heard of any further delays at this point in time but we'll check back in with Airbus after hearing those conversations to make sure that our aircraft are as planned from our XLR negotiations where we re-spread them a little bit from the original delivery dates.

Mary Schlangenstein

Okay. Can you say how many A321neos are involved?

Derek Kerr

It's more like there's about I think there was five to 10 that just got delayed and then they just pushed the whole schedule out a little bit. So somewhere in that range or the amount that have been delayed but what we did is as part of our negotiations, is just re-spread them to put them in order where Airbus can deliver and we can plan a little bit better.

Operator

Thank you. And our next question is from the line of Chris [indiscernible] from CBS News. Your line is open.

Unidentified Analyst

Guys thanks for the time today. Real quick, can you talk about you mentioned that you're having to cancel some flights in [indiscernible]?

Doug Parker

Hi Chris, we completely lost you.

Unidentified Analyst

I was asking how many flights you had to cancel because the mechanics issue if you have added daily number we've seen where you are to that in addition to the MAX?

Don Casey

Chris, so what I tell you is as Doug mentioned every morning we're seeing a lot of more aircraft out of service than had been planned and we're taking actions to address that. So I can't give you a specific number everyday but it's certainly been impactful, the operation in some days we've gotten it most days we were way in front of it. So that we're addressing customers' needs. But that can be in the number -- it can be in the dozens of flights a day.

Unidentified Analyst

Okay. And when you look at correctly the MAX Southwest puts it back in January. How confident are you in November timeline. Obviously confident enough you didn't change it but did you see that as realistic before the holidays. Or you have some level of expectation that lingers into January?

Don Casey

We're staying in close contact with both Boeing and the FAA. And I think is up to speed as anybody and as matter of fact Boeing had their earnings call yesterday and I was in touch with their team last night afterwards. So from what we heard a month or so ago we really haven't -- we don't have any new information leads us to make changes. But we're staying close and we'll certainly assess based on what we know today, we should be able to hit the timeline of being back up in November.

Doug Parker

We will continue to reassess as we move forward. Thanks.

Operator

Thank you. Our next question comes from the line of Allison [indiscernible] of Wall Street Journal. Your line is open.

Unidentified Analyst

Thanks. I was curious if you could say whether you've had any -- done any additional work looking at how customers are feeling about the MAX right now. Do you have the sense that sentiment has evolved one way or the other as the grounding instruction?

Doug Parker

Allison we don't really have any answer to that directly that question is no, we don't have anything specific to give you any insight. Certainly what we know is this, when the FAA declares that this aircraft is safe to fly, it will be safe to fly and when American pilots declare that they are comfortable flying, it will fly. And what I know is our customers will view those two things as extremely important in their view about whether or not the airplane is safe to fly. And so until that time, I'm certain there any customer survey data would show some concerns. I believe once we get to that point those will be largely mitigated and certainly well over time but nothing that we can tell you specifically today about where they are.

Unidentified Analyst

Got it, thanks. And I guess is there anything you're hoping from Boeing in terms of sort of like rehabilitating its brand or restoring trust and confidence in aircraft. Is there anything you're hoping they'll do on that front?

Doug Parker

Again what is most important to us is that the airplane has been recertified and because the FAA has come to the conclusion that everything that led them to ground the aircraft has been mitigated. When that happens and our pilots believe they are adequately trained to fly the aircraft and has now -- has been certified. That's what we are focused upon and we believe those two set of events more than anything else will make the difference in our consumer attitudes about the aircraft itself.

Operator

Thank you. And our next question comes from the line of David Koenig of The Associated Press. Your line is open.

David Koenig

Hi, good morning. I'm sorry. I'm going to probably kick the same dead horse that Allison was kicking. But let me put it another way. Well first of all, Doug, if you could explain a little bit more you said that you had some conversations with the highest levels of Boeing about what your expectations are relating to compensation. Can you say that's new to [indiscernible] or something less than that. If it's Robert talking to somebody or whatever. And then secondly what's your campaign going to be to convince passengers to get on the plane beyond FAA and your pilot showing confidence in the plane what are you going to do?

Doug Parker

David, no further information on who's talking to who. Anyway we have a great relationship with Boeing and they're a great partner and we didn’t suspect they will continue to be great partners as we work through all of this. We certainly have been today. So that's where we are with as it relates to Boeing and again --

Robert Isom

And Dave, I just say that one piece of planning that I think is noteworthy is that, we anticipate sometime between the aircraft being ungrounded and when we actually put the aircraft into commercial service where our pilots and flight attendants will get reacquainted with the aircraft and will actually be flying some level of our team members around. And so I think that that is going to be helpful.

But as Doug has said the biggest thing is having our pilots and flight attendants and team all behind this and ultimately flying this aircraft is going to be something that is going to be a big part of our fleet. And we look forward to taking advantage of all the capabilities that it offers once it's recertified.

David Koenig

Are you going to have any kind of advertising campaign though?

Robert Isom

We don't anticipate that at this time. Again I think the biggest thing is being able to provide really comfortable and certainly reliable service and that's what when this aircraft is recertified and our team members are out behind it. And I think that that will be something that is a hallmark of this aircraft going forward.

Operator

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

Leslie Josephs

Hi good morning everybody. Just a question on hiring Southwest talks about some issues with hiring pilots because of the 737 MAX grounding and some promotion classes. Are you seeing anything similar with that?

Robert Isom

No. The good news is that American is a fantastic place to work and we have really for all categories of our team members. We have people that want to join the team and we're certainly monitoring the pilot sourcing for our regional carriers. But we feel really confident there as well that we have the scheduling practices and compensation tools to be able to track the team members that we need.

Leslie Josephs

Okay. And just one follow-up for passengers who maybe don't want to fly the MAX once it returns or maybe wait a few months for it to fly safely. Is there any way that they can get out of those reservations or without paying a change fee or cancellation fee; is that something you're looking at this from some of the other airlines as well?

Robert Isom

Like others we will be sure to make the appropriate accommodations but over the long run, this is an aircraft that is going to be out in service and flying well and we anticipate that everybody's needs to be taken care of.

Operator

Thank you. And this does conclude our question-and-answer session for today. I'd like to turn the conference back over to Mr. Doug Parker for the closing remarks.

Doug Parker

Excellent. Thanks everybody. Thanks for your interest and thanks for sticking with us through this. Any further questions let either Corporate Communications or Investor Relations now. Thanks for your time. Bye.