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ALK.N - Q4 2020 Alaska Air Group Inc Earnings Call

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OVERVIEW:

Co. reported 2020 YoverY revenue decline of 59%. Reported 4Q20 adjusted net loss (excluding special items and mark-to-market adjustments) of $316m.

CORPORATE PARTICIPANTS

Andrew R. Harrison *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

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PRESENTATION

Operator

Good morning. My name is Sia, and I will be your conference operator today.

At this time, I would like to welcome everyone to the Alaska Air Group 2020 Fourth Quarter Earnings Release Conference Call. Today's call is being recorded and will be accessible for future playback at alaskaair.com. (Operator Instructions)

Thank you. At this time, I would like to turn the conference over to Alaska Air Group's Managing Director, Investor Relations, Emily Halverson. Please go ahead.

Emily Halverson - *Alaska Air Group, Inc. - IR*

Thank you, Sia, and good morning. Thank you for joining us for our fourth quarter 2020 earnings call.

This morning, we issued our earnings release, which is available at investor.alaskaair.com. On today's call, you'll hear updates from Brad, Ben and Shane. Several others of our management team are also on the line to answer your questions during the Q&A portion of the call.

Our business and outlook continue to be significantly impacted by the global, health and economic crises that are underway. In the fourth quarter, Air Group reported an adjusted net loss, excluding special items and mark-to-market adjustments of $316 million. Special items this quarter include $255 million of impairment and estimated lease return charges that were triggered as a result of certain aircraft being permanently parked, $22 million of benefit related to the first CARES Act payroll support program wage offset and $102 million benefit, resulting from the expectation that certain employees will eventually be returning from long-term lease early.

Our average daily cash burn for the quarter was approximately $3.8 million. This call marks the end of an unprecedented year, but also a few other important milestones as well. Brad has been with Alaska for 30 years, serving as the CEO for the last 8, and this will be his final time speaking as CEO to our investor audience, as he will be retiring on March 31 and handing his license over to Ben.

Today also happens to be Andrew Harrison's first day. Please join me for wishing both Andrew and Brad the best.

Our comments today will include forward-looking statements about future performance, which may differ materially from our actual results. Information on risk factors that could affect our business can be found in our SEC filings. We will also refer to certain non-GAAP financial measures, such as adjusted earnings and unit costs, excluding fuel. And as usual, we've provided a reconciliation between the most directly comparable GAAP and non-GAAP measures in today's earnings release.

Bradley D. Tilden - *Alaska Air Group, Inc. - Chairman, CEO & President*

Thanks, Emily. And I had actually forgotten that today is Andrew's birthday. So happy birthday from me as well, Andrew. And good morning to all of you.

As everybody knows, we are roughly a year into this difficult COVID crisis, which has put virtually every airline around the world to the test. We've seen a lot of challenges over our 88 years at Alaska, but none has driven such a deep and prolonged disruption as this one. Our people rose to this challenge as they've done countless times before, and the rest of the leadership team and I want to thank them for everything they've done and everything they're doing to ensure that Alaska emerges from this crisis better and stronger. We'll talk about those things on this call.

From the onset of the pandemic through this uneven recovery, we've remained focused on two priorities: First, the health and safety of our employees and our guests; and second, ensuring our airline comes out of this crisis strong and ideally in a better position competitively than when we entered it. These remain our priorities today. Our COVID work streams continue to align our actions around these 2 priorities. On the safety front, our Next-Level Care program is providing guests with the confidence they need to fly. You know about the many measures we've implemented. We've received external recognition for these, but we also know that our guests who are flying with us are having a very positive experience.

In our fourth quarter, Alaska Listens survey, 87% of our guests gave us excellent or very good ratings on health and safety. And more broadly, our customer satisfaction scores have reached all-time highs in the last few months. One of the great things about Alaska is that often our leaders figure out where we're going to head next and our people figure out how to get us there. That is certainly the case with our health and safety practices. If you haven't had a chance to view our safety dance video, we recommend it. We've provided a link in today's press release.

For some time now, we've been analyzing our fleet to determine the best path forward. We were anxious to see if we could use this downturn to reconfigure ourselves and to come to market with a more simple and streamlined fleet. We were pleased in the last couple of months to bring 2 transactions to a head. First, we sold our 10 owned A320s. And second, we reached terms on a restructured and enhanced order with Boeing for 68 new 737-9 aircraft, that will get us largely out of the Airbus fleet by the summer of 2023 and that will provide a host of other benefits. Shane will talk more about this.

Our customers and employees care greatly about Alaska being a clear leader in the effort to reduce emissions and our carbon impact, and this is especially true given our presence on the West Coast. We have long led the industry or been on the top couple of airlines in terms of carbon emissions per passenger, and these fleet moves will do nothing but further our lead.

From a financial perspective, there's so much we could talk about, but I really want to focus all of us on just 2 numbers. First, our revenues for 2020 were down a staggering $5.2 billion or 59% as a result of COVID. But second, our total debt, factoring in lease obligations and backing out cash on hand is essentially unchanged from last year. I've watched the industry and our company for my entire career and I can't remember a time when 2 numbers stood in such stark contrast. Shane will describe this further, but from my part, I want to thank the extraordinary leadership team at Alaska and Horizon for aggressively reducing our spending, both in variable and fixed areas and to also -- and I also want to thank them for running our business profitably over the years, such that our starting point was a strong balance sheet and robust cash flows from operations. I also want to thank the terrific employees of Alaska Air Group for standing behind their company during a period of significant change, and I especially want to thank the 10,600 of them who took leaves of varying lengths to help us bring spending down or to save a job for someone else.

Not burdening the company with a massive amount of new debt means that our balance sheet is unimpaired and strong, which means that we can all look forward to using it in the months and years ahead to find new opportunities for all of us. It's very clear that Congress' efforts to support the industry and its employees by providing vital funds to weather the downturn were essential to preserving our balance sheet. Of the $5 billion variance between our revenue loss and our $234 million cash outflow from operations, $753 million represents a grant, which we received as part of the CARES Act, and we'll receive another $400 million grant in the first quarter. All of us here want to thank leaders on both sides of the aisle and in both the Congress and the administration for their support of our industry and our employees.

And as Emily said, this will be my final earnings call as CEO of this great company. Before I sign off, I want to express my gratitude to all of you on the buy-side and the sell-side listening today and to the folks who came before you. Over the years, I've had the opportunity to build relationships with many of you and you have most definitely pushed us to be better. The financial principles that underpin our management philosophy today, such as maintaining a fortress balance sheet, keeping our pension plans funded and maintaining a low-cost structure are principles that have been shaped by conversations with all of you. In the early 2000s, Alaska led the industry in establishing clearly articulated CASM goals. And after that, ROIC goals. And then by aspiring to deliver results like other high-quality industrial companies, not just other airlines. All of these ideas were simple in concept, but they seemed ambitious and radical in an industry that for many of those years had done nothing but accumulate negative retained earnings.

Some of the greatest learnings we had came from answering your questions and then walking away realizing that we didn't love the answer we've just given you. You sharpened our thinking in so many areas. This is a long-winded way of saying thank you. You made Alaska a much, much better business. I've really enjoyed my time with all of you and I've learned so much. And perhaps most importantly, I want to thank our employees and the guests that we serve. This company has come so far in the last 30 years. I think all of us are humbled by the success that we've experienced. And when we were challenged, and all airlines are regularly challenged, I was honored to be in the trenches with this fantastic team. Our people have a level of loyalty and dedication to their company that is uncommon in this day and age. And if you had to put a point on it, that's why we've done as well as we've done and that's why I'm so optimistic about our future.

So thanks to all of you. Serving this great company has been an honor. And while I look forward to staying involved, my primary job in the future is going to be to step back and support Ben and this great team as they take Alaska to the next level. Over to you, Ben.

Benito Minicucci - *Alaska Air Group, Inc. - Director*

Thanks, Brad, and good morning, everyone. I can't pass on the opportunity to say a bit more about Brad's impact here at Alaska over the last 30 years. In his time with the company, Alaska went from being one of the smaller airlines in the industry to the fifth largest airline in the country. As many of you know, Brad was CFO from February of 2000, and was instrumental with building out and creating the balanced business model providing value to employees, customers, owners and communities. I want to highlight some of his accomplishments during his career and tenure as CEO.

Over his 30 years, our fleet grew from 117 to 330 aircraft, and our guest count grew sixfold from 8 million to 46 million. Brad mentioned the CASMex and ROIC goals from our 2010 plan, which were transformative in the industry, and he was instrumental in conceptualizing and implementing that plan. It has laid the groundwork for the financial discipline we're proud to have today. And in the last decade, he oversaw our tremendous growth along the West Coast, including the acquisition of Virgin America. By 2019, revenues under Brad's watch had grown 8x of 1991 levels. Brad's focus was always long-term sustainable growth, and our company is stronger for it. But most of all, Brad has always stayed deeply connected to our culture, our values and to the 22,000 people that make up this great company. At any Alaska event or station visit, Brad greets employees by name and remarkably recalls their last conversation. You've probably experienced this yourself as part of our investor community.

And so after 84 quarterly earnings calls, I hope you join me in congratulating Brad on his incredible career. Brad, thank you for all that you've done to make our company what it is today. And I speak for the whole team when I say, Alaska's strong position would not have been possible without your leadership over the last 30 years.

So turning to our fourth quarter results. When we last spoke to you in October, both enplanements and bookings were at peaks for the pandemic period, and each month was improving from the last. That trend stalled in the fourth quarter as enplanements and bookings deteriorated in November as state and local closures and federal travel warnings came into effect in response to this third wave.

In the fourth quarter, our revenue was $808 million, down 64% from prior year on sellable capacity that was down 59% from prior year. Sequentially, sellable capacity was up 10 points from Q3 while revenue results improved 7 points. Average daily bookings have been increasing since they stalled in November. From December to January, average daily bookings have increased 20%, from 49,000 to 58,000, and we've experienced several days at over 70,000, no doubt boosted by the fantastic work our commercial team has been doing to promote and stay connected with our guests. While customers are demonstrating interest in future travel, enplanements today remain stalled at around 35% of normal levels or about 40,000 passengers per day.

Leisure travel continues to be the majority of our guests, both in carried passengers and in future bookings. Markets with the strongest load factors are warm weather destinations and places with outdoor activities. Our strongest hubs lead our system in performance. Longer distance routes, including transcon markets, were the worst performers in the fourth quarter, similar to what you've heard across the industry.

Business demand continues to be severely depressed and came in at approximately 15% of normal levels. A bright spot, however, in our Q4 results was our operational performance. Alaska Horizon were among the top industry in on-time performance for the quarter. It's important we carry this momentum forward into 2021. So while we had hoped the fourth quarter results would be better, we're cautiously optimistic there will be a step change in demand once the vaccine has been broadly distributed. For the past couple of calls, I've shared our thinking about the recovery and planning assumptions we are using to plan for the future.

First, I'd say the recovery has been slow thus far. But we expect there will be a point that it begins to accelerate in earnest. We've been treading water recently and believe sustained progressive improvement will begin when we have a widespread vaccine rollout and states are able to relax restrictions. We are confident leisure will lead the recovery and we believe there is substantial pent-up demand for leisure travel.

While we know many of our corporate guests want to get back out traveling, we expect that business travel will return to only 50% of normal levels by end of year, and this is based on our surveys of corporate customers. So our focus right now is keeping the company ready for when demand does jump and making sure we have a business model that is strong post-pandemic. We remain confident that flying is safe. As I shared last quarter, several independent research studies have shown that consistent usage of masks, coupled with effective air flow and filtration systems on board, create a safe environment for our guests and crew. This is consistent with our own accumulated experience as well. This month, we've moved forward with our plan to begin unblocking middle seats in our main cabin. But given the lull in passenger recovery, we don't anticipate this to be highly impactful to results for a few months.

We have left the middle seats blocked in our premium cabin through May 31, not as a safety precaution, but as a benefit we can provide to guests who are looking for some extra elbow and leg room. Affordable and accessible testing and streamlined clearance programs also have the potential to reduce travel friction. Preclearance programs for destinations that require testing and rechecking, and may become more prevalent. In December, we were the first airline in the industry to offer Hawaii-bound guests preclearance on the West Coast to bypass the airport screening process upon arrival. And the CDC has announced a new order requiring passengers entering the U.S. to have proof of either an antigen or a PCR test taken within 3 days. We're currently working with our partners and health centers and the international locations we serve to prepare our guests and our teams for this requirement.

Given all that I've shared with you, we believe our customers are gearing up for travel in the spring and summer, and this supports our plans to prepare to fly approximately 80% of 2019 levels by summer. It is prudent for our business and our operation to scale to those levels in a measured way. As a result, we plan to fly Q1 capacity that is 70% of 2019 levels and expect to carry a load factor of between 40% to 45%. These load factor expectations reflect the current state of stalled enplanements, but we do expect health patterns to improve in the next 2 months and that restrictions will begin to relax. Additionally, the return of warmer weather in the spring is expected to drive continued interest in people getting out and doing things.

As a result, we expect enplanements to improve in March and beyond. As we add back capacity, we will focus on our strongest hubs in the Pacific Northwest and Alaska. And as California adopts to a more open posture, we will eventually begin to focus on adding capacity back there as well. These plans do not reflect any closing, cancels that we may utilize that conditions ultimately do not support the levels of flying that we have planned. While our capacity plans are consistent with what we shared previously, changes to our fleet that have been recently announced will impact our workforce planning, and Shane will share more at that in a moment.

The choppy recovery in 2021 presents us with challenges as we scale our business back, but we have a lot to look forward to. Our entry into oneworld is just 2 months away. And as we move forward with our partnership with American, this will bring incredible value to our guests and increased opportunities for our airline. Our teams are also laser-focused on aggressive cost control, increases in productivity and the operational and financial discipline that Alaska is known for. This will put us on the path back to profitability. 2020 has been a year like no other, but I am proud when I look at what we achieved, the ways we improved and the strength we've carried with us into the new year. I truly believe that our best days are ahead of us and our great people are ready for what it will take the climb out of this crisis.

Now over to Shane.

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Thanks, Ben, and good morning, everyone. My comments will cover similar areas as the past couple of calls with a focus on liquidity and net debt, costs and cash burn during the quarter and expectations going into 2021. I'll also briefly discuss our recent order and fleet plans.

We ended the year with $1.7 billion in adjusted net debt, which was essentially flat from year-end 2019. We believe will be the only airline to achieve flat net-to-debt without having issued equity. With no impairment to our balance sheet, we are well positioned to capitalize on the recovery. We were able to achieve this result even in light of a $5.2 billion revenue decline from last year, and that is because we were running a strong business before the pandemic and because of the speed with which we reduced cash spend throughout 2020. We removed $2.4 billion in expenses in 2020, shrunk capital spending and moved to secure structural cost savings going forward. Those actions, coupled with $750 million in direct grant aid from Congress to maintain industry drops were able to fully offset our revenue loss to maintain flat net debt.

Regarding liquidity, during 2020, we created access to over $5 billion in incremental liquidity. And today, we have $3.5 billion of cash on hand, inclusive of approximately $266 million that we received last week under the second round of PSP. We also have the additional $1.8 billion in available incremental financing through the CARES loan program, which we now have until May 28 to determine how much, if any, we will borrow.

Our adjusted debt-to-cap is about 61% right now. With low CapEx plan in 2021, we will be in a position to begin to reduce leverage by lowering our cash balance and repaying debt this year, assuming there is a stabilized recovery from here forward. In fact, if we were able to return to normal cash on hand levels and use the current excess cash towards debt repayment, our debt-to-cap would be below 50%, which, as you know, is within our long-term target range.

Turning to costs. Adjusted operating expenses were down 27% in the fourth quarter, 2 points better than Q3 while capacity in Q4 was up 13 points. This performance was aided by 3,300 employees remaining on leaves or incentive lines, reduced costs driven by the now 40 permanently parked Airbus aircraft and several favorable resolutions of vendor negotiations, resulting in onetime savings. Additionally, we saw the ramping of several of the structural cost initiatives that we detailed for you on the last call toward run rate levels, including permanent wage reductions, non-wage overhead spend reductions and supplier rate reductions.

Variable costs for the quarter were up with the added capacity and our COVID business recovery program, a goals-based bonus program that was designed to align our employees in managing this crisis, paid out as -- at target as a result of our employees fantastic work around safety and our industry-leading cash burn reduction efforts. This drove incremental costs in the fourth quarter. The program was an effective way to align our employees around important goals this past year.

Our GAAP operating expenses include several onetime charges that I'd like to touch on briefly, including approximately $255 million of impairment charges associated with the write-off of lease assets and recognition of lease return cost estimates for aircraft that we have permanently parked. We also recognized a credit of $102 million for the revision of our estimated pilot incentive leaves. As you know, we designed our leave programs early in the third quarter. But since then, we have finalized a significant fleet decision that allowed us to refine our schedule, which now reflects a higher mix of Boeing flying. Cross-training and return to work schedules were impacted by these changes. We have designed the program to have flexibility for just this reason. While we've done well this year managing spend and making our cost structure more variable, we have more work to do to return Alaska to pre-COVID unit costs.

For 30 years now, our formula has been to have low fares enabled by low costs, which are best driven by our high productivity and low overhead mindset. Achieving those isn't easy. It takes leadership focus, excellent execution of our operation and buy-in from our people. In the post-pandemic period, we believe these same principles will ultimately be required to drive our business recovery.

Our average cash outflows, as defined under the cash burn metric, were approximately $450 million per month in Q4, which is in line with the expectation we shared with you on our last call. Our cash burn in the fourth quarter of approximately $3.8 million per day was a sequential improvement from the third quarter, driven primarily by improvements in demand despite the choppiness that developed in November and December. Beginning today, we are sunsetting monthly cash burn guidance that we introduced in the initial phase of this crisis. Instead, we will provide quarterly operating cash flow expectations, which are a more direct measure of the health of our business as we believe the acute liquidity risks that mattered in 2020 have been mitigated by our available liquidity.

With that, I will turn to 2021 cash and cost guidance. As Ben detailed, we anticipate operating capacity of approximately 70% of 2019 levels in Q1 and 80% by summer. This will naturally bring incremental flying costs back into the business. Last quarter, I detailed for you approximately $215 million in cost initiatives that had already been identified or secured. We have since identified an additional $50 million of savings, including $10 million in fleet-related savings as we begin replacing Airbus with MAX aircraft, $10 million in real estate-related reductions and $30 million in productivity-related initiatives. Some initiatives are now at the run rate levels while others will ramp through 2021.

Our current expectation is for Q1 CASMex to be up approximately 20%, and we expect continued sequential improvement throughout the year on our way back to pre-COVID levels, even if we are a smaller company.

We expect our operating cash flow for the first quarter, inclusive of PSP funds, to be flat to minus $100 million. However, I believe cash flows from operations will be positive during the first half of the year if the vaccine rollout works as we all expect it will and allows demand to snap up. Given what I've shared about our liquidity and these cash flow expectations, we currently have no plan to draw any incremental financing in the first quarter. Having said that, our default will be to maintain conservatism until we have more confidence that the recovery is stable, so we may extend or renew some existing debt that is currently slated for repayment in March and April.

Before I turn the call over for questions, I, of course, would like to touch on the very exciting news that came out just before Christmas regarding the future of our fleet. The order we jointly announced with Boeing provides a clear path to transition into a higher gauge, more efficient aircraft as we return our leased Airbus fleet. The partnership between Alaska and Boeing is as strong as ever, and I'm very excited about what this order means for both of our companies. I think you know we are both located here in Seattle. And we have employees with spouses, parents, sons and daughters that are Boeing employees. The ties between our 2 companies are deep and we're excited about our futures together.

With the order over the next 4 years, we will take delivery of 68 new 737-9 aircraft, 13 of them leased, which will largely replace our Airbus fleet. We then have options for up to 52 additional aircraft through 2026 for when we find opportunities for growth. The agreement features significant flexibility in the deferral rates for the majority of the orders and full substitution rights to other MAX models. Shell-for-shell, the newer generation

737-9 aircraft have materially superior economics relative to our existing older technology A320s due to better fuel efficiency, lower maintenance costs and 28 incremental seats. Each replacement will improve unit costs and provide incremental revenue opportunity for our P&L.

And as noted above, the order allowed us to revise our 2021 cash outlays for CapEx as we will first consume existing PDPs with Boeing before beginning to pent-up PDPs again in 2022. As a result, our 2021 capital expenditure will remain low at approximately $150 million to $250 million.

And with that, we will go to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question will come from Duane Pfennigwerth with Evercore ISI.

Duane Thomas Pfennigwerth - *Evercore ISI Institutional Equities, Research Division - Senior MD*

And Brad, congrats on the transition. I promise you that we learned a lot from you and your team as well over the years.

Bradley D. Tilden - *Alaska Air Group, Inc. - Chairman, CEO & President*

Thank you, Duane.

Duane Thomas Pfennigwerth - *Evercore ISI Institutional Equities, Research Division - Senior MD*

So big picture, your net debt is flat versus pre-pandemic. Your share count has not changed versus pre-pandemic and relatively that screens pretty well. So what would you say is the biggest driver of that strong relative performance? Is it simply that you had capital spending flexibility that others did not have? And was that a function of kind of where you were in the integration or how you structure your contracts? Appreciate just some detail on how exactly you were able to accomplish that.

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Yes. Thanks, Duane. It's a good question. It's -- I know more about us, obviously, than sort of where others are situated. But you're right, we did have a lot of flexibility with respect to managing CapEx down very quickly this year. It was one of the important features of the revised deal with Boeing. We wanted to keep a low level of CapEx required into next year, and so we were happy to be able to restructure the agreement with them and maintain a low CapEx posture for 2021.

I think the other thing was we rallied really early -- I sort of lose the week or the day, but it was sometime in late March, where we decided this was a crisis. It was going to be a crisis for an indefinite period of time and we immediately went to the company and said we've got to sort of stop spending immediately and the company responded across the board. Every single employee participated. As Brad mentioned, we had over 10,000 people take elective voluntary leaves, give up their own income in order to help the company or save a job for somebody else. We worked with suppliers. We changed our sort of payment terms. We ended up paying for what we were using, not necessarily exactly what contracts called in terms of minimums. And so we've just -- we've had a -- it's been a lot of work over the last several months, but the company did a phenomenal job pulling costs out, immediately getting cash burn down. I think we reached $4 million per day early in this, and we've sort of hovered there waiting for demand to come back.

And I think that's probably the biggest piece of it. And then what Brad said, we came into this in a really good position. We had a phenomenal balance sheet coming into it. We have just gotten done paying $500 million or $600 million of debt. That Brandon was happy to have done and I got to go and reborrow. And so I think the fact that we were producing $1.5 billion or $1.6 billion in cash flow pre-pandemic gave us a lot of runway to not get in a bad position coming out of this.

Bradley D. Tilden - *Alaska Air Group, Inc. - Chairman, CEO & President*

Yes. So when you lost $5.2 billion, you only had to make up $3.5 billion or $3.7 billion to get back to flat.

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Correct, yes.

Bradley D. Tilden - *Alaska Air Group, Inc. - Chairman, CEO & President*

Debt unchanged.

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Yes. Good change.

Duane Thomas Pfennigwerth - *Evercore ISI Institutional Equities, Research Division - Senior MD*

I appreciate those thoughts. And then just for my follow-up on the A320s that are leaving, can you just remind us how do those impact cash flow? In other words, are there any cash gains? Are they all leases? How does -- does debt go away? Can you just remind us how that impacts your balance sheet?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Yes. And I'll have Emily or Chris talk about the balance sheet a bit. But yes, there's -- we have maintenance requirements on all of these aircraft. They're all leased. We have paid maintenance reserves along the way. And so it's going to be a relatively manageable full amount per tail as we return lease, but there will be some cash expense to bring them back up to where they need to be brought to before we return them to the lessor. But from a balance sheet perspective, Chris or Emily?

Christopher Michael Berry - *Alaska Air Group, Inc. - VP of Finance & Controller*

Yes, Duane. Yes, what we did -- I mean it was -- we impaired about 40 of these Airbus aircraft this year. All of them were leased. I think there were the 10 that we did own that we sold to Air Lease Corp. But we're leasing those back, we've impaired those as well because they're parked. But yes, the cash impact of those leases on the maintenance reserve side is really only going to be about -- well, only -- it's a lot of money, $45 million to $50 million in 2021. So the charge you see on the P&L is certainly not going to turn into cash imminently or nearly right now, so.

Operator

The next question will come from Catherine O'Brien with Goldman Sachs.

Catherine Maureen O'Brien - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

And I also just want to echo I'm sure what will be everyone's comments, congratulating you, Brad, on your career and what you've accomplished in Alaska .

Bradley D. Tilden - *Alaska Air Group, Inc. - Chairman, CEO & President*

Thank you so much, Catie.

Catherine Maureen O'Brien - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

So my first question is maybe a follow-up on the fleet decision. I know sometimes moving deliveries around can create added costs with the OEMs. But given the MAX grounding, can we assume there was no net negative on pricing, on existing orders and perhaps even some better pricing on the new orders, given your decision to go back to an all-Boeing fleet versus keeping the dual fleet, maybe that's for Shane or Nat?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Yes. Thanks, Catie. I might -- I probably won't get into the specifics of the deal. I can say, though, that we -- we're a long time on getting to this decision. And I think we were really clear along the way with our good friends and partners at Boeing on what we needed in order to place an order, especially right now in where we are in the pandemic sort of cycle here that had 68 firms and a lot of options. Our history with options is we take all of them. And so it could be quite a large order for us and a significant amount of capital that we've got to go make work for us. So I think we feel very good about the deal that we struck with them. We're really excited about the path we're on now. There's a lot of operational efficiencies and savings we can get by getting into a single fleet, but I think I won't get into any more specifics than that on the deal.

Catherine Maureen O'Brien - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Understood. Fair enough. And then a couple of related ones on the balance sheet. It sounds like we're waiting to see what happens with the recovery, but potentially no more cash burn or cash positive, cash from ops in the first half of the year. So I guess in that scenario, how do you weigh taking more of the CARES loan at the end of May? And then whether you take that loan or not, how do you think about your balance sheet once we have seen more of a recovery? It sounded like from your comments, you're maybe considering holding on to higher levels of liquidity for now. But we permanently have a higher liquidity minimum you want to stick to before contemplating debt paydown. Like how do you think through a couple of those moving pieces there?

Nathaniel Pieper - *Alaska Airlines, Inc. - SVP of Fleet, Finance and Alliances*

Catie, it's Nat. Thanks for the question. I think our current cash balance is $3.4 billion, which clearly is higher than historically Alaska has carried. Year-end 2019, we had $1.5 billion. So I think you're going to see us carry an excess amount until we see sustained revenue recovery. And then I think over time, we'll see what the landscape is and have that choice to pay down debt. I do think through -- certainly, through 2021, we're going to carry an additional pad of liquidity just until we see sustained revenue recovery.

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

And I'll just add, Catie, in terms of long-term posture, we haven't decided that we're going to be at a higher rate than the $1.5 billion. We may end up there, we just haven't done a lot of that planning quite yet. But ultimately, we'll make sure we have the ability to go out and get access to cash in a quick way if we need it, but we do want to ultimately bring the cash balance down.

Operator

The next question is from Helane Becker with Cowen.

Helane Renee Becker-Roukas - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

And Brad, congratulations. It's been a long time that I've known you. I think I've been on all those 84 conference calls with you.

Bradley D. Tilden - *Alaska Air Group, Inc. - Chairman, CEO & President*

You have been. You might be -- you and Mike and a couple of you guys go back...

Helane Renee Becker-Roukas - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Because remember...

Bradley D. Tilden - *Alaska Air Group, Inc. - Chairman, CEO & President*

All right, I won't say it, but thanks a lot.

Helane Renee Becker-Roukas - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Because remember I still think of myself as -- I still think I'm 35. So here's a couple of questions for you on the on-the-route network. Are you thinking about adjusting the route network given the fact that transcon is performing so poorly, a? And b, are you ready to -- are you giving up on spring break traffic? Or are you thinking that we're going to get that back? Or we have a chance to that? So I'm not sure who wants to answer that.

Bradley D. Tilden - *Alaska Air Group, Inc. - Chairman, CEO & President*

Helane, that's a great question for our CEO-elect.

Benito Minicucci - *Alaska Air Group, Inc. - Director*

Thanks. Brad still has some privileges, he's exercising it a lot today. The way we think about route network and working closely with Andrew and his team is we are focusing on the Pacific Northwest, so where we're adding increasing capacity to 70% and 80%. You're going to see a lot of focus in the Pacific Northwest and state of Alaska. California is going to come back as restrictions ease and we'll add that capacity, hopefully, in the next 12 to 18 months. In terms of transcon and spring break, Helane, I think we have to see what happens with the vaccine rollout. And with how people are feeling and relaxation of restrictions.

I think I'm optimistic with the Biden administration. He just announced 1.5 million vaccines a day, you achieve that in 100 days. It could mean 75, maybe we have 100 million people in the country vaccinated. I think you might start seeing people venturing out on spring break. So I think we're going to be cautious. I think we're going to be on our toes and react appropriately. Andrew, anything you want to add?

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

Just -- that Ben answered that, just to put a couple of numbers to it. I think like on New York transcon, it's going to be down 80% in the first quarter as is the fourth quarter. San Francisco is going to be down 68%, the same as it was in the fourth quarter. So where there's no demand, but then places like Hawaii, we're going to be up 15 points in capacity. And as Ben said, Pacific Northwest. And then we're moving things around, like we've got 10 additional mainline flights. So 3 of them are Cancun, 6 of them are Florida and 1 to Hawaii. So as we progress, we're moving our airplanes around to go where the stronger demand is. So that's where we're at on that.

Helane Renee Becker-Roukas - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Okay. That's very helpful. And then just on oneworld. I know the goal is, what, March 31, I think. And so -- but that's mostly international connection -- connecting opportunities. So is that -- is your thought getting into oneworld because it makes sense to do it now? And then you get the benefits in second half of '21 or into '22? Or is it the idea that you don't -- you do -- yes, I guess that's the question.

Benito Minicucci - *Alaska Air Group, Inc. - Director*

Helane, it's a great question. We got Nat and Andrew here. But what I'll say with oneworld, it's a couple of things. It's the partnership with American, which we call the West Coast International Alliance, and we have the oneworld partnership. We have 4 international flights starting here in the next couple of months. We have -- and I'm going to see if we have Qatar that's starting from Doha. We have Shanghai, starting from Seattle. We've got Bangalore and we have in London. So to your point, I think Andrew and team are working hard on getting corporate customers to see that with Alaska's broad domestic network in Seattle and now with the international alliances that we have, that Alaska really can provide service to our business and even leisure travel all around the world. So really excited with that. And when you couple with the Americans, the partnership we have with the West Coast Alliance, on the domestic side, it's really a powerful, powerful network that we can offer, not only from Seattle, actually, but all our West Coast hubs.

Bradley D. Tilden - *Alaska Air Group, Inc. - Chairman, CEO & President*

And Ben, I think one of the things you talked a lot about is even though international is down, there are people that like to consolidate their international travel with their domestic or they're thinking they're going to do international down the road. And so that customer that travels internationally once or twice a year, but 6x to 8x domestically, it just gives us a much better chance of getting that customer into the Alaska airline mileage plan.

Benito Minicucci - *Alaska Air Group, Inc. - Director*

Right.

Operator

The next question will come from Jamie Baker with JPMorgan.

Jamie Nathaniel Baker - *JPMorgan Chase & Co, Research Division - U.S. Airline and Aircraft Leasing Equity Analyst*

Brad, my heartfelt best to you and your family. I'm curious if this means you'll be doing more flying. And thank you for not lumping me with the old timers club just now.

Bradley D. Tilden - *Alaska Air Group, Inc. - Chairman, CEO & President*

You belong there, Jamie.

Jamie Nathaniel Baker - *JPMorgan Chase & Co, Research Division - U.S. Airline and Aircraft Leasing Equity Analyst*

And for Andrew, happy birthday. I know many of us feel we've aged about 3 or 4 years in the last single year. So hopefully, you did better than that. So a question on ticket pricing, and I'm going to try to ask it in a way that doesn't waste your time and that you're comfortable answering. So a common question is what level of discounting is going to be needed to coax people out of their homes. And personally, it's not clear to me that any discounting would be necessary, but I realize ticket pricing is a lot more complicated than that. So the reason I want Alaska's perspective is that it seems that you've been running a fair number of promotions but at a time when people are nervous about flying. So can you at least comment on what sort of response that's driven and whether we should assume that, that's a blueprint for the future. Is that something you're comfortable commenting on?

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

Thanks, Jamie, and we had very significant stimulation, and I'm very proud of the marketing team. We had very heavy promotions in December. It got our brand out there. It got our employees engaged. We had the highest level of first-class bookings, highest level of Thursday, Friday, Saturday bookings, bookings that we've had all pandemic. To your point, I think that a lot of that, though, was focused on future traffic. We have a lot of seats to sell into the future. And so we use that opportunity.

Our coupon yield was down about 7.4% during this quarter. So to your point, it's going to be that fine line, but we are after demand right now and volumes. And then with volumes come pricing. So that's sort of where we are right now.

Jamie Nathaniel Baker - *JPMorgan Chase & Co, Research Division - U.S. Airline and Aircraft Leasing Equity Analyst*

Okay. That's helpful. And as a follow-up to that, and this relates to oneworld and kind of piggybacks off what Helane was bringing up. With connecting travel, presumably, that yield is going to be dilutive, which isn't to say it's not accretive, it's just dilutive. So is that something that we should be considering on our models because, hopefully, you're affirming core yield environment as the year progresses. But at the same time, you're going to be carrying more connecting travel. Is that going to be impactful? Is it going to mean that your yield could lag that of the industry, just given the coincident timing of the oneworld entry?

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

I mean, I think in the fourth quarter, I think our international connectivity connections were down 93%, so that's going to take some time to come back. I don't necessarily think it's going to be dilutive at all. There may be some yield (inaudible), give or take, but I will tell you on the loyalty, on the business, on the connecting of our network and loyalty program with both American and oneworld, I think, is all going to be good news for us.

Jamie Nathaniel Baker - *JPMorgan Chase & Co, Research Division - U.S. Airline and Aircraft Leasing Equity Analyst*

Okay. That's helpful. And if I could just sneak in a quick third. Do you have the average pilot seniority today versus this time last year?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Jamie, this is Shane. We did retire 130 of the top out of 3,000, but I don't think it's moved a ton just based on that. So bit 120, 130 that took early outs, but that's it. Attrition has been relatively muted besides that.

Operator

The next question is from Savi Syth with Raymond James.

Savanthi Nipunika Syth - *Raymond James Ltd., Research Division - Research Analyst*

Brad, I'd like to echo all the comments here on the call and Andrew, happy birthday, and I'm sorry that you're spending it with us here today.

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

Thanks, Savi.

Savanthi Nipunika Syth - *Raymond James Ltd., Research Division - Research Analyst*

Shane, if I might ask on the fleet. Are you able to provide maybe kind of by year, at least for the next couple of years, just what you expect in terms of deliveries and exits?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Yes, I can because there's a chart right here in front of me. Yes. So actually Nat, why don't you take this? You know these numbers.

Nathaniel Pieper - *Alaska Airlines, Inc. - SVP of Fleet, Finance and Alliances*

Happy to. Savi, we've spent a lot of time, obviously, with this chart. But -- so we're going to take 13 737-9s in 2021, 9 directly from Boeing and then 4 on lease from Air Lease Corp. We'll take 30 units in 2022, 13 in 2023 and then 12 in 2024. So that gets us to our 68 firm. And then we have 52 options that fold in, a few in 2023 and then '24, '25 and '26. So it gives us some good flexibility and optionality. Shane mentioned this in his script as well. We've got a lot of deferral rights on this, too. So that was one of our motivations with Boeing. Want to be flexible here -- and as the revenue recovery is still a bit murky.

Savanthi Nipunika Syth - *Raymond James Ltd., Research Division - Research Analyst*

That's helpful. Just on the Airbus side, when do you expect kind of some of the remaining ex the A321s, the rest to go out?

Nathaniel Pieper - *Alaska Airlines, Inc. - SVP of Fleet, Finance and Alliances*

The 320 -- for the most part, it's pretty consistent in '22 and '23, 10 to 15 leases expire. And as Chris mentioned earlier, we will work with lessors to accelerate some of those because most of those airplanes are parked. So the lion share -- and so we've matched up our deliveries from Boeing pretty akin to those Airbus units going away.

Benito Minicucci - *Alaska Air Group, Inc. - Director*

I think it was the 3 -- Savi, you talked about the 321s -- it's Ben. I think the 321s, they're 10 of them. They're going to stay in our fleet in the foreseeable future. But I think we're open to the possibilities of what we can do for that. But for now, they're in our fleet and we tend to operate them.

Savanthi Nipunika Syth - *Raymond James Ltd., Research Division - Research Analyst*

That's helpful. And if I might ask just a clarifying question. On the OpEx outlook for 1Q. I'm just kind of wondering how much of that is impacted by PSP2 requirements? And of the $250 million to $300 million that you're kind of targeting, how much has been -- is kind of reflected in that number?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Yes, Savi. So the PSP, we ended up having to bring back a few folks, mostly on the management side that we had unfortunately had to riff on October 1. And so they are entitled to come back through the period that PSP covers through March. On the frontline side, there wasn't a lot of the additional recall that had to happen. We've already been in the middle of recalling folks to get ready for both the Q1 and Q2 capacity that we're going to deploy. The -- I think you're speaking to the structural cost savings when you're talking about the $215 million or $235 million. Yes. Some of that, like our management headcount reduction, it's a minor amount, but some of that is impacted, but that's really at full run rate today.

A lot of like the other things that we're tracking towards like non wage overhead stuff, just cutting consultant costs and all the discretionary spend, that's at full run rate today. And I don't think we've given specific amounts on every one of these, but that's at full run rate. Productivity with the front line real estate reductions that we're going to go forward with, those are things that will ramp throughout the year. And honestly, we need a little more volume in order to help those ramp. And then some supplier negotiations were about 50% of the way through capturing that. And so we'll follow-up with a specific number because I'm not going to total -- in my head on the slide here, but by category, that's kind of where each one of those are at from a run rate perspective.

Operator

The next question is from Darryl Genovesi with Vertical Research.

Darryl J. John Genovesi - *Vertical Research Partners, LLC - Principal*

I guess, Andrew, there's a federal excise tax holiday on airline ticket purchases that expired at year-end. So I guess this is somewhat of a follow-up to Jamie's, but I think that tax that's now pulling back equates to about 10% of the base fare. Do you anticipate any kind of yield pressure specifically related to that? I don't -- I guess, specifically, you're calling one raising -- filing higher fares when that tax went away, but I assume the revenue management system is probably seeing some kind of elastic response? And maybe it's early to tell, but just wondering kind of how you think that plays out? And in particular, do you think that if there is a drag that it lasts into Q2 because of the booking growth?

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

Yes. I don't want to comment too much about pricing. I haven't checked recently. When this first got reinstated, I think the industry kept that fairly well. Then I think in pockets, it started to erode. But I think for us, the biggest opportunity is 30-, 40-point load factor gaps. And the reality is that we need to fill these airplanes. Volume is what's going to bring our revenues back for now, and then we're going to worry about yield later on. So -- and we think that's the lowest fare option, and that's the best for our brand and it's the best to keep the blood flowing through our hubs.

Darryl J. John Genovesi - *Vertical Research Partners, LLC - Principal*

Cool. And then, Ben, I think operational excellence has been kind of a key tenet for you guys. It's very evident that, that's been a focus. And so I just wondered, with you taking on more CEO responsibilities, just remembering everyone's name and what have you. What needs to happen underneath you to kind of backfill what you've been doing? I don't recall you announcing any specific personnel appointments. So if you don't want to mention any specific names, that's fine. But just generally speaking, what's kind of the strategy for backfilling you?

Benito Minicucci - *Alaska Air Group, Inc. - Director*

We've worked hard on succession on the operations side. And with Gary Beck here, he's been with us for -- Gary's been with us for over 10 years right now. And we have a strong succession plan. So the operations team is solid through and through. Our playbook is mature, and I don't have worries on the operational side. Darryl. So we'll announce more of that in the near future, but I feel really confident.

Emily Halverson - *Alaska Air Group, Inc. - IR*

Before we take the next question, if you all could keep it to one question from here on that. We've only got a couple of minutes left and several people to get through.

Operator

The next question will come from Joseph DeNardi with Stifel.

Joseph William DeNardi - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Airline Analyst*

This may be one and a half, but I won't ask a follow-up. Maybe for Andrew, can you just talk about the nature of your business traffic customer in terms of what industries they come from and whether you think that, that is more or less susceptible to kind of the virtual meeting headwind potentially just thinking about it from a tech exposure perspective? And then whether you think you need to revisit cabin configuration in light of some of the uncertainties around business traffic demand longer-term or whether you're kind of happy with what you have now or whether that's kind of being evaluated at the moment?

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

Yes. Our business is down, whether you measure it by bookings or revenues just like everybody else's are. I think where we have a unique strength is, especially in Alaska, are in the commercial slopes, the fisherman, the oil workers, those types of things. We have strength. And we -- just the nature of our business, we still have a lot of small business travelers who do a fair bit of travel. The big ones that are the challenge, obviously, are the Microsofts and the Amazons with very strict policies right now on no travel. So I think, as Ben mentioned, what we're excited about is that we believe we will take a step change up in our participation in business travel. Once it returns with oneworld and the International and our partnership with American.

And then your second question was...

Benito Minicucci - *Alaska Air Group, Inc. - Director*

Cabin count.

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

Cabin configuration. We feel really good. We are very thankful that we maintained a non-life flat position. We think our first-class seats are spot on for the demand environment. And as you heard Ben mentioned, Premium Class cabins come a little bit under pressure, obviously, with the lack of business demand. And that's why we are blocking the middle set there and giving folks extra reason to buy up into that cabin as we come through at this period of time.

Operator

The next question is from Mike Linenberg with Deutsche Bank.

Michael John Linenberg - *Deutsche Bank AG, Research Division - MD and Senior Company Research Analyst*

Just up, Brad, what a long, fun trip it's been. Like, I learned a lot from you and in fact, I think back to when you sent me an e-mail, telling me that I was calculating really wrongly. So I thank you for that. It made me (inaudible)

Bradley D. Tilden - *Alaska Air Group, Inc. - Chairman, CEO & President*

Was I calculating it wrong or you, Michael? Hopefully, we've got it right.

Michael John Linenberg - *Deutsche Bank AG, Research Division - MD and Senior Company Research Analyst*

I guess, since it's Andrew's birthday, just a quick one, Andrew. Just locking the middle seat in the Premium Cabin, what does that -- actually make that a better product than in your First Class, at least for those who want the additional space, maybe you want to be as far from people as possible. So is there just the risk of cannibalization? I mean, I think it's great you're doing it. It's going to be great for your premium product, 4 seats and blocked -- 4 and 6 seats. Any thoughts on that, if that could have adverse consequences?

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

Yes. We haven't seen it. And I think we've just recently opened up the First Class cabin, obviously, since January 6. But that's -- our First Class cabin is a nice product, and we have -- we actually have full food service, not hot, but we have good food service. And of course, a lot of other benefits that come with the First Class cabin. So we'll see. And of course, we can always adjust pricing along the way as we go forward and see what happens there. So I'm not overly concerned. I will say that we have great premium seats and I want guests sitting in those if we can make those available.

Operator

The next question is from Hunter Keay with Wolfe Research.

Hunter Kent Keay - *Wolfe Research, LLC - MD and Senior Analyst of Passenger Airlines, Aerospace & Defense*

Brad, congratulations, man. Good stuff. Going to miss you.

Bradley D. Tilden - *Alaska Air Group, Inc. - Chairman, CEO & President*

Thank you, Hunter. I'm going to -- I'll miss you as well.

Hunter Kent Keay - *Wolfe Research, LLC - MD and Senior Analyst of Passenger Airlines, Aerospace & Defense*

I'm sure you will. You can call me anytime, if that's actually true. So Andrew, you talked about, obviously, the importance of driving volume, right? I get it, to get those load factors up. But how confident are you that the new RM system that you implemented is going to be able to get you there, given you got limited experience with it and if you could talk about how the forecast tools performed during COVID and how you're going to think about using it going forward to get your loads up?

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

Thanks, Hunter. Our forecast falls completely worthless. We'll tell you that much. The reality is that, obviously, history was no predictor, but I know -- and I can't speak to the details, but Chris and [Emily], who heads up my RM group work with Amadeus, and they came up with some very clever tools to help the analysts manage the demand environment that we're in. Yes, to your point, we won't see their RM system really tested until we get volumes running through the pipes, but we had a fantastic implementation. Team is fully trained, ready to go. So I'm still confident that great things as well as the automation is going to occur there.

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

I might just add, having spent time in RM that I think unintended sort of benefit having demand go to 0 is actually net good for our RM new tool, like I think there's a lot of risk when you cut these over midstream, at normal levels of volumes. And that we get to train the forecast perfectly now as it comes back and demand comes back. So I'm actually positive on this.

Operator

The next question will come from Brandon Oglenski with Barclays.

Brandon Robert Oglenski - *Barclays Bank PLC, Research Division - VP & Senior Equity Analyst*

Congrats, Brad and Ben, and happy birthday, Andrew. My one question is probably a longer-term one, Ben, but you have the Boeing deal with you now, pretty conservative balance sheet, the oneworld agreement coming up. Is the future-looking bright? And what are you reimagining in a post-COVID world? Is this the time for you guys to be a bit more aggressive maybe than in the past?

Benito Minicucci - *Alaska Air Group, Inc. - Director*

It's a great question, Brandon. First and foremost, I mean, we're looking short-term and long term. First and foremost, we're going to get on solid financial footing, getting to positive cash flows. And getting back to profitability is just job one, rebuilding the network and really getting this oneworld partnership to work. That's really in our sights. I think if you look at our history, and this is -- thanks to Brad is, we've always positioned the company to take advantage of opportunities out there. And we don't know exactly what they are, but being on our toes and looking at what's going on with the environment and then being opportunistic is what Alaska has done its whole career. So we do have a strategic plan but we also look at opportunities out there, and we're going to take it as it comes, and we're in just a fantastic position to do it.

Operator

The next question is from Ravi Shanker with Morgan Stanley.

Ravi Shanker - *Morgan Stanley, Research Division - Executive Director*

Brad, good luck in the future. Ben, congratulations. Maybe a couple of follow-ups on kind of what you've discussed so far. One is your commentary on the ramp in traffic that you expect the back half of the year and your focus on filling the planes first really stands out. I mean, is it fair to say that you expect to outgrow the rising tide through '21 and '22, given that you look like you are going to be a little bit more aggressive? And second, are you seeing any evidence of the booking curve extending or kind of picking up in the back half of the year for transcontinental routes specifically?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Ravi, this is Shane. I'll let Andrew take the booking curve question. I think you may have been talking about our capacity ramp as we go forward. And yes, I mean, right now, like we're -- I think the thing that I would convey is we're right on the initial plan we set, which was to be 80% of our former size by this summer. The fleet order gives us the chance to get back to full capacity, full sort of pre-COVID capacity. In 2022, if demand is there and then the potential for growth beyond that. We want to get back to relatively high rates of growth. But we'll only do that if we've got the financial machine underneath it working and sort of justifying those investments. And it will be sort of interesting to see how demand comes back and what the shape of the economy in this kind of new post pandemic period is. And we'll be able to, I think, be good as a business in any economic situation. And if there are good opportunities to grow, we'll be first to go after them is the way we're thinking about it.

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

And just on the booking, I think we've seen this in December, there is a strong demand to book into the spring and the summer. COVID cases have been down on a steady downward trend for the past 3 weeks on a 7-day rolling average. And we've seen a steady increase on our bookings and our net bookings year-over-year steadily improving pretty much every day. In fact, yesterday was another very, very solid booking day, with California starting to open up a little bit here. So a lot to come, but we are on an improved trajectory. And I'm not guaranteeing that's going to continue, but we're certainly headed in a good direction.

Bradley D. Tilden - *Alaska Air Group, Inc. - Chairman, CEO & President*

Andrew, for several weeks now, we've had bookings that are 50% higher than our enplanement. So there definitely is optimism about the future.

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

That's right.

Emily Halverson - *Alaska Air Group, Inc. - IR*

Sia, let's go ahead and take one more question and then we'll wrap the call up.

Operator

Okay. The final question will come from Dan McKenzie with Seaport Global.

Daniel J. McKenzie - *Seaport Global Securities LLC, Research Division - Research Analyst*

Brad, of course, I have to echo huge congrats. Ben is just spot on with your accomplishments. And Andrew, happy birthday, and it wouldn't be a proper birthday, of course, if we didn't celebrate with a question here. So I guess just on the expectation for business travel to return to 50% by year-end, to what extent does the AA relationship and entry into oneworld accelerate that March back to 100%? And is the expectation that you could potentially get there in 2022?

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

I think the wise thing about business travel real quick, Dan, is that, number one, we need to get the vaccine out and get that going well, and we still got a ways to go there. Number two, travel managers have to decide on their duty of care and how much friction they're going to put in for people to travel, and so that's an area. Number three, Corporate America has to open up and receive people for business that is yet to happen. And then the fourth one is the CFO factor, obviously, I think budgets are going to be reduced for a while. All that being said, there will be, I do believe, in the back half, a strong step change in demand. And as we've shared, working with American Airlines and oneworld on a global partner, we're seeing very solid and strong interest in new contracts and terms and network and utility that we can provide our corporate contracts, so we're very bullish on getting a better increased share of business travel.

Bradley D. Tilden - *Alaska Air Group, Inc. - Chairman, CEO & President*

Thanks very much, Dan. And I think this does wrap it up. Thank you, everybody. It's been fantastic. I know that Ben and team will look forward to talking with you all in 90 days. We appreciate your interest in the company, and this team will be talking to you down the road. Thanks very much.

Operator

Thank you for participating in today's conference call. This call will be available for future playback at alaskaair.com. You may all disconnect at this time.
