Jets like this Boeing 737-700 are flying with record low numbers of empty seats, and airlines are reaping the profits.

Photograph by Jeffrey Millstein

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The President, who ran on an antiwar platform and won the Nobel Peace Prize, finds himself dragged into Syria's civil war
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Thanks to full flights and fulsome fees, airlines are thriving. Don't expect the crowded, costly skies to improve anytime soon
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Passengers paid on average $378.62 for a domestic round-trip flight (including baggage and reservation-change fees) last year.

642 million passengers flew domestically on 8.4 million flights.

92 flights sit on the tarmac at a U.S. airport for more than three hours.

CABIN PRESSURE

As airlines become more streamlined and profitable, flyers face an ever tighter squeeze.

By Bill Saporito/LGA to FLL/MIA to LAX to JFK

Photographs by Jeffrey Milstein
IF YOU WANT SOME INSIGHT INTO WHY THE DEPARTMENT OF JUSTICE PUT A GATE HOLD ON THE MERGER BETWEEN AMERICAN AIRLINES AND US AIRWAYS, HERE'S A NUMBER TO PONDER: 13 MILLION SEATS—GONE.

That's how many airplane seats have disappeared over the past year—removed from the system by airlines as they reduce capacity. According to the website AviationDataMiner.com, these cuts have come from across the industry. Only ultra-low-cost carriers Spirit and Allegiant are growing.

This means life in the skies will not be improving anytime soon: no empty seats, no room overhead, and stressed-out crews. With fewer seats available, the domestic load factor—the percentage of seats filled—reached a record high of 87.6% in June. And as there is no capacity growth in the forecast, the future of flying promises to be even more crowded.

That reality became painfully obvious in a two-day, three-airline lap around the country in late August. "You can't go out with flights that aren't filled," says Blair Pomeroy, an aviation expert with consultancy Oliver Wyman. "The load factor is up to 200% in the last two decades. They've gotten that high by eliminating marginal flights." Fare is rising because airlines have stopped flying market share. Instead, they've tried to maximize profit from existing customers by uppricing fares, downgrading their services, and adjusting timetables. That means, in some cases, making fewer trips with larger jets. Or sometimes just the opposite: flying more times with smaller jets that are cheaper to operate. This is why you are stuck on a 70-seat Embraer 175 for close to four hours from Denver to Columbus with a shorter flight to Denver than a more comfortable Boeing 737 or Airbus A320.

THE LOAD FACTOR IS UP 20 POINTS IN THE LAST TWO DECADES. THEY HAVE GOTTEN THAT INCREASE BY ELIMINATING MARGINAL FLIGHTS.

-BLAIR POMEROY, aviation expert with Oliver Wyman

The same situation is happening with baggage fees. Airlines now charge fees for checked bags, priority seating, and even upgrades. By the time you add it all up, the price of a round-trip vacation can be as high as $2,500 for a round-trip flight.

The fare-and-fee strategy has rewarded the industry with profits. Last year, Delta's net profit hit $6.6 billion on revenues of $30.3 billion. Major carriers have developed the operational discipline to sustain these profits levels for years, as long as fuel prices remain manageable. "The legacy airlines used to be run like government agencies and not hungry businesses," says Pomeroy. "Those days are over." Indeed. In July, American racked up $84 million in earnings. Not a bad bounce back from being broke.

How did we get here? You have to go back to 2008, when oil reached $145 a barrel and jet fuel peaked at 53.89 a gallon. The domestic airline industry lost nearly $10 billion that year. Struggling Northwest Airlines landed in the arms of Delta, doomed Northwest's struggling Memphis hub. For Delta, it was a loss. In 2006, United merged with Continental. Cleveland is getting nervous about being dumped. And US Airways' merger with AMR West ended Pittsburgh's hub. In mergers, the combined companies shrug off their footprints—and their costs.

As of 2012, jet fuel prices were roughly at the same level as in 2000, yet the industry made about $2.3 billion. A new age has dawned.

Lean, Mean and Nothing in Between: The mixed glories of the new aviation age are on full display at New York City's LaGuardia Airport, where I wait in the baggage check-in line for a Spirit Airlines flight headed for Fort Lauderdale, Fla. The scene is chaotic as passengers lug rolling shopping bags, boxes and all manner of containers frantically attempt to repack so they can avoid bag charges.

The flight leaves full despite a 6:50 a.m. departure. Spirit often flies with spare seats to keep its planes in the air as much as possible. How about a 10 p.m. flight to Philadelphia, N.Y., from Fort Lauderdale, and a return at 1:00 a.m.? It's filled with Canadian escaping high-priced fares in Toronto.

On board, seating is tight. Spirit gets its 218 passengers on its Airbus A321 for $399. The guy sitting next to me in the middle seat has his knees jammed into the seat in front of him. Because I paid $399 extra to get a window seat, he jiggles his feet to the rhythm of the engines. There's no chair in front of me and I can stretch out my 6 ft 2 in. frame. The first row won't stretch past the overhead compartment and tray tables.

Spirit has become today's most profitable airline by attracting more customers than it otherwise wouldn't fly: low-margined customers. The network carriers no longer have the luxury of upselling ads. "The simplest way we describe it is that because we are Spirit, the company's CEO, Ben Baldanza, is the people who pay for the ads themselves.

Ben Baldanza summarizes the changes he sees in the industry: "Less competition, less capacity, fewer interlining relationships. For instance, that St. Louis, once a hub, is now a hub for airlines like TWA and American, is no more. We are now flying direct to 80% of the major cities, the biggest being Phoenix and Las Vegas, which both fly direct to 120 cities. We are able to get to any of the major cities in the U.S. in one time in a long time," Baldanza tells Time. "It's great for consumers in the sense that a stable industry has been created, but not so good in the sense that there are few airlines.

[Diagram: All Over the Map]
The Airlines That Were Permanently Successful Were Really at the Extremes. We Realized They Were Either High Touch Like Emirates, or Low Cost Like Ryanair.

— Ben Baldanza, Spirit CEO