thinking for a new century

AIR TRANSPORT ASSOCIATION

2005 Economic Report

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Contents

Mission

The Air Transport Association of America, Inc. (ATA) serves its member airlines and their customers by:

- Assisting the airline industry in continuing to provide the world's safest system of transportation
- Transmitting technical expertise and operational knowledge to improve safety, service and efficiency
- Advocating fair airline taxation and regulation worldwide to foster a healthy, competitive industry
- Developing and coordinating industry actions that are environmentally beneficial, economically reasonable and technologically feasible

Goals

Founded in 1936, the Air Transport Association of America is the nation's oldest and largest airline trade association. The association's fundamental purpose is to foster a business and regulatory environment that ensures safe and secure air transportation and permits U.S. airlines to flourish, stimulating economic growth locally, nationally and internationally. By working with members in the technical, legal and political arenas, ATA leads industry efforts to fashion crucial policy and supports measures that enhance aviation safety, security and well-being.

ATA goals include:

- Championing the world's safest transportation system
- Protecting airline passengers, crewmembers, aircraft and cargo, working collaboratively with the Department of Homeland Security (DHS) and the Transportation Security Administration (TSA)
- Modernizing the U.S. air traffic management system via the Federal Aviation Administration (FAA)
- Challenging government policies that impose unwise regulatory burdens or impinge on marketplace freedoms
- Reducing the disproportionate share of taxes and fees paid by airlines and their customers
- Advocating further deregulation to improve the industry's ability to attract capital
- Shaping international aviation policy to ensure that U.S. and foreign carriers can compete on equal terms

During its nearly 70-year history, ATA has seen the airline industry grow from the small, pioneering companies of the 1930s into facilitators of the global economy. ATA and its members continue to play a vital role in shaping the future of air transportation.

U.S. Airlines—2004

Report Content

Unless otherwise noted, the data provided in this report reflects the activity of the 140 U.S. passenger and cargo airlines shown on this page, as recorded by the U.S. Department of Transportation (DOT) in 2004, under Chapter 411 of Title 49 of the U.S. Code.

In some cases, the sum of numbers in this report may not exactly match the printed total, due to rounding. Also, certain historical data has been restated to reflect the most current information available.

For further information, visit www.airlines.org. For questions on content, click on *Economics*. For further information on this and other ATA publications, click on *Publications*.

Majors (19)[1]

AirTran
Alaska
America West
American
American Eagle
ATA
Atlas/Polar
Comair
Continental
Delta
ExpressJet
FedEx
JetBlue
Northwest
SkyWest
Southwest
United
UPS
US Airways

Nationals (35)[2]

ABX
Air Transport International
Air Wisconsin
Allegiant
Aloha
Amerijet International
ASTAR
Atlantic Southeast
Champion
Continental Micronesia
Evergreen International
Executive
Florida West
Frontier
Gemini
Hawaiian
Horizon
Independence
Kalitta
Mesa
Mesaba
Miami
Midwest
North American
Omni
Pinnacle
PSA
Ryan International
Spirit
Sun Country
Transmeridian
Trans States
USA 3000
USA Jet
World

Regionals (31)[3]

Aerodynamics
Ameristar
Asia Pacific
Capital Cargo
Caribbean Sun
Casino Express
Centurion
Chicago Express
Custom
Express.Net
Falcon Air Express
Freedom
Gulf & Caribbean
Kitty Hawk
Lynden
NetJets
Northern
Pace
Pan American
Planet
Primaris
Renown
Sierra Pacific
SkyKing
Southeast
Southern
Sunworld International
Tatonduk
Tradewinds
Victory
Zantop

Commuters (55)[3]

40-Mile
Air Midwest
Air St. Thomas
Alaska Central Express
Alaska Seaplane Service
Aloha Island
Arctic Circle
Arctic Transportation
Arizona Express
Baker
Bemidji
Bering
Big Sky
Boston-Maine
Cape Air
Cape Smythe
Chautauqua
Colgan
Commutair
Corporate
Ellis Air Taxi
ERA Aviation
Flying Boat
Frontier Flying Service
Grand Canyon Helicopters
Grant
Great Lakes
Gulfstream
Hageland
Iliamna
Inland Aviation
Island Air Service
LAB Flying Service
Mountain Bird
Pacific Island Aviation
Peninsula
Piedmont
Promech
Seaborne
Servant
Shuttle America
Skagway
Skyway
Smokey Bay
Spernak
Tanana
Taquan
Valley Air Express
Vintage Props & Jets
Warbelow's
Ward
West Isle
Wings of Alaska
Wright
Yute Air Alaska

1 Annual revenues in excess of $1 billion.
2 Annual revenues between $100 million and $1 billion.
3 Annual revenues under $100 million.

■ Member, Air Transport Association of America, Inc. (ATA)

Air Transport Association

Making Airlines a National Priority

Over the next few years, the legislative machinery in Washington will move to reauthorize the Airport and Airway Trust Fund. This once-a-decade process is critically important—not only to the aviation community, but also to the economic vitality of our country and the thousands of communities and millions of jobs that depend on a healthy airline industry. Decisions made in this process will play a major role in fostering an economic climate in which the U.S. airline industry can either regain some altitude or continue its descent into fiscal chaos.

Unquestionably, the last few years have been the industry's most difficult ones. The 2004 net loss of $9.1 billion and 2001–2004 net losses of $32.3 billion collectively have left our airlines deeply in debt. Out of adversity, however, airlines are transforming themselves. Worker productivity and fuel efficiency have reached all-time highs. Operational reliability has improved, customer complaints are down and our safety performance remains stellar. Unfortunately, with fuel prices at record levels and an ever-increasing tax, fee and security burden being borne by airlines, these efforts have not proven sufficient to restore profitability. They do, however, reflect the undaunted determination of the industry and its employees to get things back on course.

This situation raises the subject of those costs that are beyond airline control—specifically, aviation excise taxes and other government-imposed fees. As Federal Reserve Chairman Alan Greenspan has said, "Any tax increase inhibits economic activity in one way or another. Whatever you tax, you get less of." Should it surprise anyone that an industry carrying a tax burden that has tripled since 1991 is in crisis?

The issue at the heart of the reauthorization debate is this tax burden and the fact that it includes billions of dollars that support services and programs not consumed by commercial aviation. That money, which comes directly off the airlines' bottom line, pays for public-policy initiatives and services provided to other users of the aviation system—who pay virtually nothing for the services they consume. This inequity, rooted in a bygone era of regulation, must be corrected once and for all. "Because we have always done it that way" can no longer excuse the inequitable and destructive burdens imposed on America's airlines—and ultimately on our economy.

A vibrant airline industry must be a top national priority. We look forward to working in good faith with all parties-of-interest to "get it right," applying new thinking for a new century.

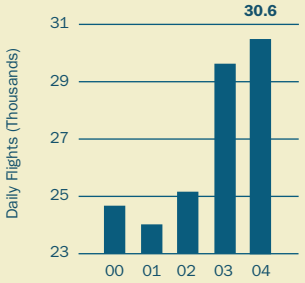
airlines

"Every day, the airline industry propels the economic takeoff of our nation. It is the great enabler, knitting together all corners of the country, facilitating the movement of people and goods that is the backbone of economic growth. It also firmly embeds us in that awesome process of globalization that is defining the 21st century."

Daniel Yergin, Pulitzer Prize winner
Chairman, Cambridge Energy Research Associates
Author, *Commanding Heights: The Battle for the World Economy* and "Fettered Flight: Globalization and the Airline Industry"
June 2005

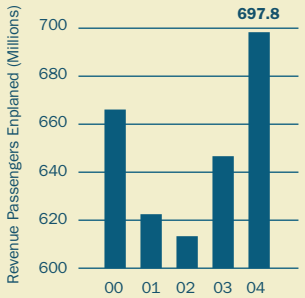
Aircraft Departures

Passenger and Cargo—
Scheduled Service



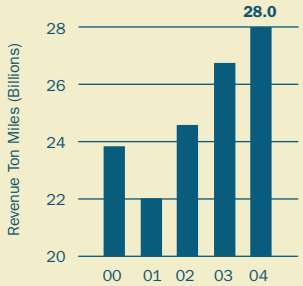
Passenger Volumes

Scheduled Service



Cargo Volumes

Scheduled Service



Operational Highlights

U.S. Airlines—Scheduled Service (In millions, except as noted)

	2003	2004	% Change
Revenue Passengers Enplaned	646.3	**697.8**	8.0
Domestic Service	592.4	**635.5**	7.3
International Service	53.9	**62.3**	15.6
Revenue Passenger Miles	656,909	**731,926**	11.4
Domestic Service	500,271	**550,472**	10.0
International Service	156,638	**181,455**	15.8
Available Seat Miles	893,824	**968,976**	8.4
Domestic Service	689,069	**739,540**	7.3
International Service	204,755	**229,437**	12.1
Passenger Load Factor (%)	73.5	**75.5**	2.0 pts.
Domestic Service	72.6	**74.4**	1.8 pts.
International Service	76.5	**79.1**	2.6 pts.
Cargo Revenue Ton Miles	26,735	**27,978**	4.7
Domestic Service	13,221	**13,574**	2.7
International Service	13,513	**14,404**	6.6
Aircraft Departures (Thousands)	10,839	**11,182**	3.2
Domestic Service	10,270	**10,569**	2.9
International Service	569	**613**	7.7

Financial Highlights

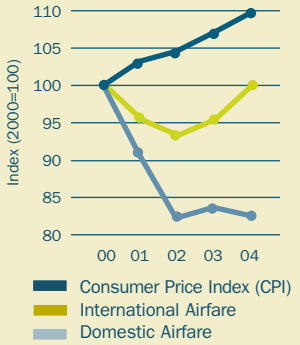
U.S. Airlines (In millions, except as noted)

	2003	2004	% Change
Passenger Revenue[1]	$77,379	**$85,657**	10.7
Domestic Service	61,497	**66,391**	8.0
International Service	15,882	**19,266**	21.3
Cargo Revenue[1]	15,003	**15,612**	4.1
Domestic Service	7,114	**8,029**	12.9
International Service	7,889	**7,583**	(3.9)
Charter Revenue	5,589	**5,550**	(0.7)
Passenger	2,427	**2,478**	2.1
Property	3,163	**3,073**	(2.8)
Other Revenue	19,948	**24,691**	23.8
Total Operating Revenues	117,920	**131,510**	11.5
Total Operating Expenses	120,028	**132,874**	10.7
Operating Profit (Loss)	(2,108)	**(1,364)**	n/m
Net Profit (Loss)	($3,658)	**($9,071)**	n/m
Operating Profit Margin (%)	(1.8)	**(1.0)**	0.8 pts.
Net Profit Margin (%)	(3.1)	**(6.9)**	(3.8 pts.)

1 Scheduled service only.

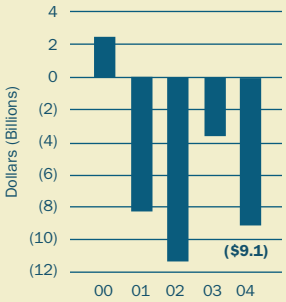
n/m=not meaningful

Ticket Prices vs. U.S. Consumer Prices



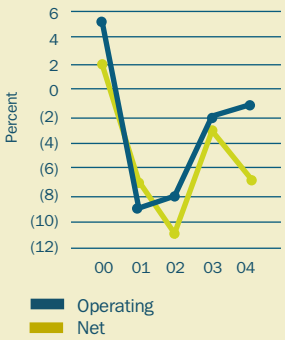
Net Profit (Loss)

U.S. Airlines



Profit Margins

U.S. Airlines



Eleven-Year Summary

U.S. Airlines (In millions, except as noted)

	1994	1995	1996	1997	1998	1999	2000	2001[1]	2002[1]	2003[2]	2004
Traffic and Operations[3]											
Revenue Passengers Enplaned	528.8	547.8	581.2	594.7	612.9	636.0	666.2	622.1	612.9	646.3	**697.8**
Revenue Passenger Miles (RPM)	519,382	540,656	578,663	603,419	618,087	652,047	692,757	651,700	641,102	656,909	**731,926**
Available Seat Miles (ASM)	784,331	807,078	835,071	857,232	874,089	918,419	956,950	930,511	892,554	893,824	**968,976**
Passenger Load Factor (%)	66.2	67.0	69.3	70.4	70.7	71.0	72.4	70.0	71.8	73.5	**75.5**
Average Trip Segment (Miles)	982	987	996	1,015	1,008	1,025	1,040	1,048	1,046	1,016	**1,049**
Cargo Revenue Ton Miles (RTM)	16,062	16,921	17,754	20,513	20,496	21,613	23,888	22,003	24,591	26,735	**27,978**
Freight and Express	13,792	14,578	15,301	17,959	18,131	19,317	21,443	20,119	23,243	25,363	**26,682**
Mail	2,270	2,343	2,454	2,555	2,365	2,296	2,445	1,885	1,348	1,372	**1,296**
Revenue Aircraft Miles (RAM)	5,033	5,293	5,501	5,659	5,838	6,168	6,574	6,514	6,556	7,070	**7,611**
Aircraft Departures (Thousands)	7,531	8,062	8,230	8,127	8,292	8,627	9,035	8,788	9,187	10,839	**11,182**
Average Stage Length (Miles)	668	657	668	696	704	715	728	741	714	652	**681**
Financial Results											
Operating Revenues	$89,037	$95,117	$102,444	$109,917	$113,810	$119,455	$130,839	$115,526	$106,985	$117,920	**$131,510**
Passenger	65,690	69,835	75,515	79,540	81,052	84,383	93,622	80,947	73,577	77,379	**85,657**
Freight and Express	7,284	8,616	9,679	10,477	10,697	11,415	12,486	12,066	12,865	14,101	**14,911**
Mail	1,183	1,266	1,279	1,362	1,708	1,739	1,970	1,063	660	902	**701**
Charter	3,859	3,742	3,675	3,748	4,059	4,284	4,913	4,449	4,225	5,589	**5,550**
Other	11,020	11,658	12,296	14,790	16,294	17,634	17,848	17,000	15,659	19,948	**24,691**
Operating Expenses	86,299	89,266	96,300	101,375	104,528	111,119	123,840	125,852	115,552	120,028	**132,874**
Operating Profit (Loss)	2,738	5,852	6,143	8,542	9,283	8,337	6,999	(10,326)	(8,566)	(2,108)	**(1,364)**
Interest Income (Expense)	(2,352)	(2,426)	(1,989)	(1,738)	(1,753)	(1,833)	(2,193)	(2,506)	(3,263)	(3,442)	**(3,633)**
Other Income (Expense)	(727)	(1,143)	(1,427)	(1,686)	(2,682)	(1,226)	(2,320)	4,557	517	1,893	**(4,074)**
Net Profit (Loss)	($341)	$2,283	$2,727	$5,119	$4,847	$5,277	$2,486	($8,275)	($11,312)	($3,658)	**($9,071)**
Passenger Yield[3] (¢/RPM)	12.65	12.92	13.05	13.18	13.11	12.94	13.51	12.42	11.48	11.78	**11.70**
Passenger Unit Revenue[3] (¢/ASM)	8.38	8.65	9.04	9.28	9.27	9.19	9.78	8.70	8.24	8.66	**8.84**
Cargo Yield[3] (¢/RTM)	52.72	58.40	61.72	57.71	60.53	60.86	60.52	59.67	55.00	56.12	**55.80**
Operating Profit Margin (%)	3.1	6.2	6.0	7.8	8.2	7.0	5.3	(8.9)	(8.0)	(1.8)	**(1.0)**
Net Profit Margin (%)	(0.4)	2.4	2.7	4.7	4.3	4.4	1.9	(7.2)	(10.6)	(3.1)	**(6.9)**
Employment											
Full-Time Equivalents (Average FTEs)	539,759	546,987	564,425	586,509	621,064	646,410	679,967	671,969	601,355	569,778	**569,084**

1 Financial results include cash compensation remitted to air carriers under the Air Transportation Safety and System Stabilization Act (P.L. 107-42).
2 Financial results include security cost reimbursements remitted to carriers under P.L. 108-11, but exclude the fresh-start accounting extraordinary gain of US Airways.
3 Scheduled service only.

"**We have two worlds colliding. The world of security has more of a close it down/lock it up mentality and the world of safety has [more of a mentality of] shared information and open communication.** They are almost opposite in their approaches and yet these two worlds must now interact and work together. . . . our economy and the world economy are connected. And most importantly our economy is the biggest weapon we have against terrorism. So we have to do both, safety and security."

Ellen Engleman Conners, Chairman
National Transportation Safety Board
Aero Club of Washington
November 23, 2004

safety

2004 Airline Industry Review

In 2004, U.S. airlines collectively lost $9.1 billion, representing the fourth consecutive year in the red and bringing cumulative 2001–2004 losses to a staggering $32.3 billion. These losses erased the $23.0 billion that airlines earned between 1995 and 2000 and have left the industry deeply indebted. Despite an aggressive array of fuel-conservation initiatives, limited pricing power rendered the airlines unable to overcome a two-year $8.0 billion increase in fuel expense. Along with intense competition among airlines and with other forms of transport, and despite unprecedented efficiency gains, an ever-rising tax burden continued to suppress airfares, offsetting a healthy increase in ridership. While cargo markets exhibited strength across the board, spending on air travel remained roughly 0.7 percent of the U.S. gross domestic product (GDP), far below the historical range of 0.9 to 1.0 percent. Throughout this financial turmoil, airlines continued to achieve excellence in safety.

Safety

U.S. airlines have maintained an outstanding safety record. In 2004, the National Transportation Safety Board (NTSB) reported only one fatal airline accident in over 10 million scheduled departures, as well as the fewest total accidents, 21, since 1994. According to the National Safety Council, which measures passenger deaths per 100 million passenger miles, airlines are consistently the safest mode of intercity travel, followed by bus, rail and the automobile. Together with the FAA and the NTSB, airlines strive to achieve zero fatalities and accidents.

Safety Trends

U.S. Air Carriers Operating Under 14 CFR 121—Scheduled Service

Year	Departures (Millions)	Total Accidents	Fatal Accidents	Fatal Accident Rates[1]	Fatalities
1994	7.8	18	4	0.051	239
1995	8.1	30	1	0.012	160
1996	7.9	31	3	0.038	342
1997	9.9	43	3	0.030	3
1998	10.5	41	1	0.009	1
1999	10.9	40	2	0.018	12
2000	11.1	49	2	0.018	89
2001	10.6	41	6	0.019	531
2002	10.3	35	0	0.000	0
2003	10.2	51	2	0.020	22
2004	10.5	21	1	0.009	13

1 Fatal accidents per 100,000 departures, excluding incidents resulting from illegal acts.

Source: National Transportation Safety Board

Traffic and Operations—2004

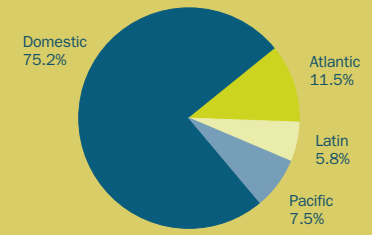
U.S. Airlines (In millions, except as noted)

	Domestic	Atlantic	Latin	Pacific	International[1]	Total
Passenger Traffic[2]						
Revenue Passengers Enplaned	635.5	20.3	28.7	12.9	62.3	**697.8**
Revenue Passenger Miles	550,472	84,022	42,289	54,708	181,455	**731,926**
Available Seat Miles	739,540	102,747	60,383	65,712	229,437	**968,976**
Passenger Load Factor (%)	74.4	81.8	70.0	83.3	79.1	**75.5**
Average Trip Segment (Miles)	866	4,131	1,473	4,250	2,914	**1,049**
Cargo Traffic[2]						
Revenue Ton Miles—Cargo	13,574	5,406	1,515	7,366	14,404	**27,978**
Freight and Express	12,756	5,127	1,481	7,202	13,926	**26,682**
Mail	819	280	34	163	477	**1,296**
Overall Traffic and Operations						
Revenue Ton Miles—Charter	3,424	631	410	1,835	8,376	**11,799**
Revenue Ton Miles—All Services	72,045	14,440	6,153	14,672	40,925	**112,970**
Available Ton Miles—All Services	123,994	24,199	10,858	23,162	67,089	**191,082**
Weight Load Factor—All Services (%)	58.1	59.7	56.7	63.3	61.0	**59.1**
Revenue Aircraft Departures[2] (Thousands)	10,569	150	345	102	613	**11,182**
Revenue Aircraft Miles[2]	6,410	497	392	304	1,200	**7,611**
Revenue Aircraft Hours[2] (Thousands)	15,874	974	874	591	2,461	**18,335**
Average Stage Length[2] (Miles)	607	3,320	1,135	2,968	1,958	**681**

1 Includes some non-domestic service not reflected in the Atlantic, Latin or Pacific entities.
2 Scheduled service only.

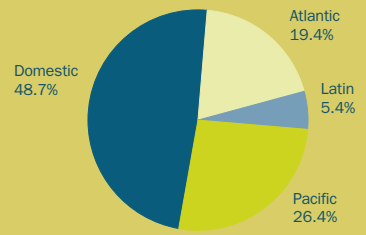
Passenger Traffic by Region—2004

Revenue Passenger Miles—Scheduled Service

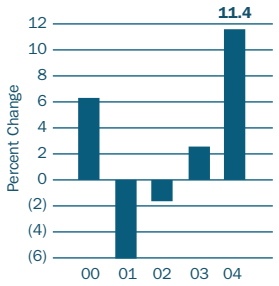


Cargo Traffic by Region—2004

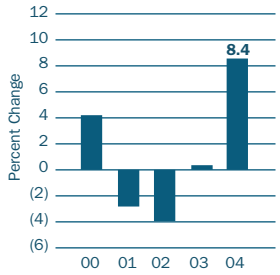
Revenue Ton Miles—Scheduled Service



Passenger Traffic Growth
Revenue Passenger Miles—
Scheduled Service



Passenger Capacity Growth
Available Seat Miles—
Scheduled Service



Environment

U.S. airlines have taken a leadership role in developing and implementing a new airport noise-management approach, referred to as the "balanced approach to noise." In addition to continuing the tradition of noise reduction at the aircraft level, this approach, adopted by the International Civil Aviation Organization (ICAO), encourages the use of noise abatement, mitigation and land-use management policy for even more effective noise management around airports. These measures have been highly effective, with FAA data revealing a reduction in aircraft noise exposure greater than 20 percent over the last two years alone.

The airlines also made impressive strides on the emissions front in 2004, with the fuel efficiency of passenger operations up 15.8 percent from 2000, to 44.3 passenger miles per gallon. Every increase in fuel efficiency translates into real reductions in emissions, including those that contribute to global warming. In 1982, aviation became the first industry to adopt global standards to reduce nitrogen oxides (NO_x), carbon monoxide and unburned hydrocarbons. Progress has been steady, and more recently, in 2004, ATA airlines supported ICAO adoption of a new NO_x standard. In addition to their international efforts to reduce emissions through ICAO, ATA airlines are also actively engaged in numerous national and local efforts to reduce ozone-forming emissions.

The carriers have also significantly reduced the impact of their operations on local bodies of water. In addition to working with manufacturers of de-icing fluid to reduce its toxicity, the carriers have implemented a number of innovative technologies to control usage without compromising safety.

E-Business

For the past 40 years, air carriers, aerospace manufacturers, distributors, suppliers, maintenance firms and others have collaborated to establish standards for improving business processes and information exchange between airlines and their suppliers. Administered and published by ATA, these international standards have evolved to meet the changing needs of the industry and to embrace the latest technological advances. As a result, airlines and suppliers have seen dramatic improvements in data efficiency, security and consistency, and a significant reduction in the time required to deliver and retrieve critical operational information.

Boeing Vice President–Customer Support for The Americas Rich Higgins recently stated, "Boeing is committed to working with the airlines to establish e-business standards that drive value for our customers. Substantial progress is being made collaborating with the ATA and Aerospace Industries Association (AIA) to achieve a breakthrough in information delivery. These efforts will transform the aerospace industry from a document-centric to an information-available-at-the-point-of-use paradigm."

In 2004, ATA helped define an overarching vision for an integrated data environment to guide future standards development and published a new, comprehensive aircraft-reliability data specification to allow manufacturers and airlines to more efficiently identify reliability problems. ATA also published a standard to allow airlines and manufacturers to use Radio Frequency Identification (RFID) to permanently identify parts, allowing more rapid and accurate identification of parts during the maintenance and supply-chain processes.

According to Airbus Executive Vice President–Customer Services Patrick Gavin, "The Airbus strategy for the exchange of digital technical data with our customers is and will be based on industry-wide accepted exchange standards. These standards, defined within ATA through a collaborative effort involving both airlines and manufacturers, are used successfully worldwide for the exchange of technical data. We are convinced that mutually agreed standards contribute to cost reduction for airlines and manufacturers."

Fleet

Given the ongoing financial challenges facing the industry, ATA airlines again retired older, less fuel-efficient aircraft such as the remaining Fokkers, along with numerous Boeing 727s, DC9s and MD-80s and older 737s, 767s and 747s. Carriers generally chose to replace those aircraft with lower-cost models from the Boeing Next-Generation 737 family or the Airbus suite of 319/320 and 330 aircraft. This trend will continue as sky-high fuel prices place immense pressure on liquidity and as carriers explore new opportunities for growth.

According to the FAA, the entire U.S. commercial fleet included an estimated 7,832 aircraft at the end of 2004, comprising: 4,046 mainline passenger jets; 1,630 regional airline jets; 1,182 regional airline props and 974 cargo jets. The regional jet fleet, which has more than doubled since 2000, is expected to expand an additional 56 percent by 2010, reinforcing the need to expand system capacity.

Operations

Amid a dismal pricing environment, 2004 proved to be a record year for volumes, as both traffic and capacity surpassed 2000 levels. Regionally, traffic and capacity were strong across the board, especially in international markets that rebounded from the 2003 onset of Severe Acute Respiratory Syndrome (SARS) and the war in Iraq. Worldwide, U.S. airlines enplaned 697.8 million passengers in scheduled service, up 8.0 percent from 2003 and 4.7 percent from 2000. Domestic enplanements and international enplanements grew 7.3 percent and 15.6 percent respectively. Atlantic enplanements grew 13.6 percent and Latin enplanements grew 13.7 percent. Pacific enplanements grew 23.2 percent, reflecting, in large part, recovery from SARS.

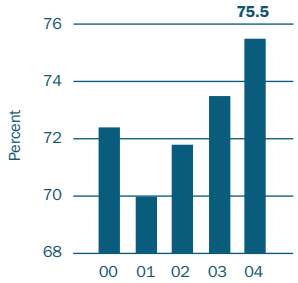
As the largest air travel market in the United States, the New York metropolitan area dominated the top domestic city pairs in origin-destination ("local") passengers, led by travel between New York and Fort Lauderdale (averaging 5,308 daily passengers each way), Orlando, Chicago, Los Angeles and Atlanta, respectively. From the airport perspective, Atlanta (ATL) ranked highest in passengers (83.6 million). Chicago O'Hare (ORD) witnessed the most aircraft movements (992.4 thousand). Memphis (MEM) remained the busiest air cargo facility, loading and unloading 3.6 million metric tons of freight and mail, followed by Anchorage (ANC), Los Angeles (LAX), Miami (MIA) and Louisville (SDF).

System-wide passenger traffic, as measured in revenue passenger miles (RPMs), grew 11.4 percent. Domestic RPMs grew 10.0 percent in 2004, well above the average annual growth rate of 4.1 percent from 1990 to 2000. International RPMs grew 15.8 percent, reflecting pent-up demand suppressed in 2003. Notably, Pacific RPMs surged 18.8 percent year-over-year.

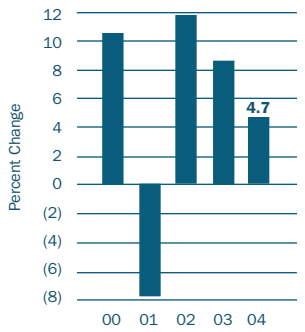
System-wide capacity, as measured in available seat miles (ASMs), grew 8.4 percent, including 7.3 percent in a highly competitive domestic marketplace. International ASMs rose 12.1 percent in 2004 as carriers restored capacity previously removed in response to SARS and the war in Iraq. Capacity growth was strongest in the Latin markets, fueled primarily by economic expansion in South America and opportunities to serve new Mexican and Caribbean destinations.

With traffic growth outpacing capacity, the industry's average load factor reached a post-World War II record of 75.5 percent, up 2.0 points from 2003. Given the downward pressure on domestic fares, the only means for airlines to grow revenues in that market was to drive more traffic through the system. Consequently, the average domestic load factor hit a record 74.4 percent, up 1.8 points over the prior year. Internationally, U.S. airlines filled 79.1 percent of capacity, an increase of 2.6 points from 2003. Load factors in the Atlantic and Pacific averaged 81.8 and 83.3 percent, respectively.

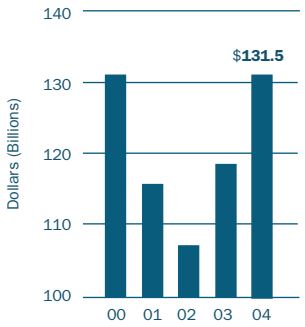
Passenger Load Factor
Scheduled Service



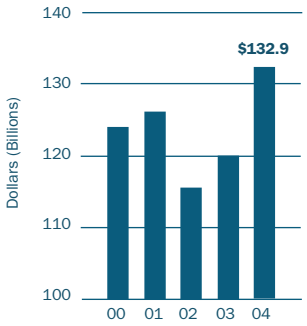
Cargo Traffic Growth
Revenue Ton Miles—
Scheduled Service



Operating Revenues
U.S. Airlines



Operating Expenses
U.S. Airlines



Air cargo was again a bright spot in 2004, rising 4.7 percent to 28.0 billion revenue ton miles (RTMs) operated in scheduled service. Volumes rose 2.7 percent domestically and 6.6 percent internationally. Notably, U.S. airlines are estimated to have delivered over 1.9 million international express shipments per day in 2004. The time-sensitive nature of these shipments, up 9.4 percent from 2003 and having tripled since 1993, largely explains why a third of U.S. exports, by value, are now transported by air.

Sustained air traffic growth is bringing airport and airway infrastructure issues back to the forefront. Traffic has surpassed pre-9/11 levels at a number of large airports, and the FAA projects that U.S. airlines will carry over one billion annual passengers by 2015. System capacity must be expanded to meet growth in demand for commercial air transportation, along with the rapid expansion of business jets, which will further strain the system in place today.

Revenues

Total operating revenues rose 11.5 percent to $131.5 billion on the heels of solid growth in passenger, cargo and other revenues, against a backdrop of 4.4 percent real U.S. GDP growth. Passenger revenue grew despite a decline in system-wide yield, as a 1.9 percent drop in domestic yield offset solid growth of 4.7 percent internationally.

Meanwhile, the average basket of U.S. goods, measured by the Consumer Price Index (CPI), rose 2.7 percent, pushing inflation-adjusted ("real") airfares down 3.2 percent. Consumers continue to benefit from the intense competition unleashed by airline deregulation in 1978. Since then, in real terms, domestic airfares have fallen 51.0 percent. This tremendous decline in price is largely responsible for the long-term growth of air travel.

Passenger Yield
U.S. Airlines

Revenue per Passenger Mile (¢)				2004 vs. 1978 (%)		2004 vs. 2003 (%)	
	1978	2003	2004	Nominal	Real	Nominal	Real
Domestic	8.49	12.29	12.06	42.1	(51.0)	(1.9)	(4.4)
International	7.49	10.14	10.62	41.8	(51.1)	4.7	2.0
Total	8.29	11.78	11.70	41.2	(51.3)	(0.6)	(3.2)
U.S. CPI	65.2	184.0	188.9	189.7	–	2.7	–

Throughout the history of commercial aviation, real airfares have declined due to technological advances and efficiency gains. In 1978, the rate of decline accelerated with deregulation. Between 1970 and 1978, real domestic fares fell an average of 2.1 percent per annum; between 1978 and 2004, the rate of decline reached 2.7 percent. To put this trend in perspective, domestic airfares have risen just 42 percent since 1978, while the price of milk has risen 140 percent, a single-family home 296 percent, new vehicles 334 percent, prescription drugs 447 percent and college tuition 638 percent.

Cargo Yield
U.S. Airlines

Revenue per Ton Mile (¢)				2004 vs. 1978 (%)		2004 vs. 2003 (%)	
	1978	2003	2004	Nominal	Real	Nominal	Real
Domestic	37.04	53.80	59.15	59.7	(44.9)	9.9	7.1
International	27.59	58.38	52.65	90.8	(34.1)	(9.8)	(12.2)
Total	33.31	56.12	55.80	67.5	(42.2)	(0.6)	(3.1)

Cargo revenue rose 4.1 percent to $15.6 billion in 2004, with domestic sales growth of 12.9 percent more than compensating for the 3.9 percent drop in international business. International cargo yield fell 9.8 percent while domestic yield grew 9.9 percent. Charter revenue fell 0.7 percent, despite 2.1 percent growth in passenger sales. Other revenue rose a stellar 23.8 percent, to $24.7 billion or 18.8 percent of industry operating revenues.

Expenses

Limited pricing power throughout 2004 largely kept the industry from recouping substantial cost increases in the form of higher fares. Industry operating expenses increased 10.7 percent to $132.9 billion.

In addition to changes in contractual wages and benefits, the average cost of employment fluctuates as a function of the seniority of the workforce, particularly in an era of headcount reduction. In 2004, average labor costs per full-time equivalent (FTE) employee fell $1,075 to $77,561. Though up slightly, wages constitute less than three-fourths of the total cost of employing the average airline worker. Benefits, representing 22.8 percent of labor costs, fell $1,251 per FTE, more than offsetting a $172 jump in payroll taxes. Jet fuel costs are the airlines' second largest expense item. Crude oil prices averaged $41.40 per barrel in 2004, up $10.30 from 2003. Consequently, even with a portion of consumption hedged, the average jet fuel price paid jumped 35 percent, from 85 cents per gallon in 2003 to $1.15 per gallon in 2004.

Flying operations remained the industry's largest functional cost center at 33.7 percent of total operating costs, followed by aircraft and traffic servicing at 15.3 percent. Airline management and frontline workers did their best to combat high labor and fuel costs by increasing the productivity of each input to record levels. Fuel efficiency improved 2.9 percent to 44.3 passenger miles per gallon while labor productivity rose 8.5 percent to 2.2 million ASMs per employee.

Earnings

Profit margins for airlines have always been extremely thin—falling well below the average profitability of U.S. corporations. But since 2000, they have been consistently negative. 2004 operating revenues increased year over year, narrowly outpacing operating expenses; however, interest expense, income taxes and substantial one-time charges caused the industry's net profit margin to deteriorate further, to negative 6.9 percent.

While airlines impressively utilized three-fourths of seating capacity, the break-even load factor (BELF) for the industry has surpassed a daunting 80 percent, more than 10 percentage points higher than in the late 1990s. As prices fall or as unit costs rise, more seats must be filled to avoid losing money. In 2004, the average load factor rose 2.0 points while BELF edged up 1.9 points.

Though significant recovery had been anticipated for 2004, pricing power stagnated while fuel prices rose along with federal taxes and fees remitted. Immersed in debt, U.S. airlines have virtually no cushion to withstand further shocks.

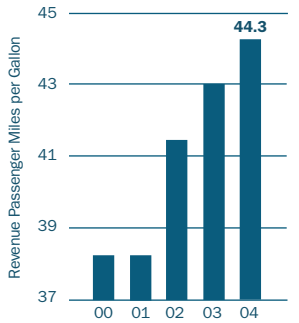
Capital Structure

The airline industry is asset-intensive, requiring major investments in aircraft, facilities and equipment. By the end of 2004, the net value of these investments had reached $95.8 billion out of assets totaling $163.5 billion. Unfortunately, current liabilities and long-term debt had, in the course of one year, swollen to $101.4 billion while stockholders' equity had plunged from $17.4 billion to $11.4 billion.

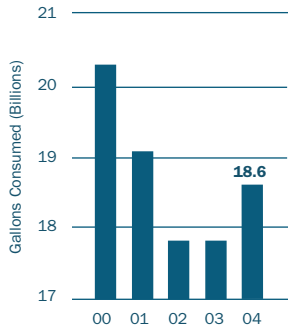
Remarkably, the industry's year-end balance sheet showed retained losses—rather than retained earnings—of $7.6 billion, a negative swing of $10.6 billion from 2003. Consequently, the industry is now well over 100 percent leveraged, especially after factoring in the airlines' sizeable off-balance-sheet debt associated with aircraft operating leases. Hence, some airlines are facing dire liquidity concerns in 2005.

Even after the industry returns to profitability, it will take several years to reduce this extraordinary debt load to an acceptable level. Notably, of the 12 passenger airlines rated by Standard

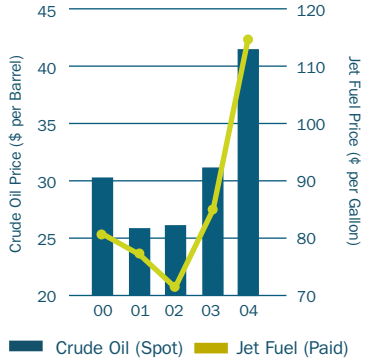
Fuel Efficiency
Passenger Operations



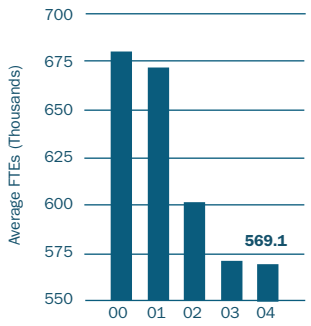
Fuel Consumption
All Services



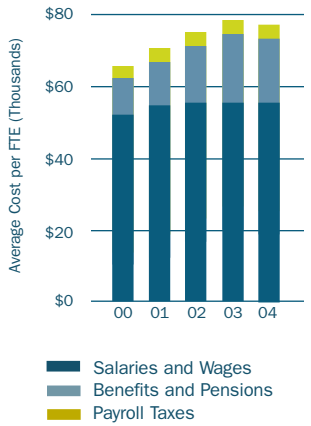
Fuel Prices
All Services



Employees
U.S. Airlines



Employment Cost
U.S. Passenger Airlines



& Poor's, only Southwest is considered "investment grade," though both American and Delta enjoyed that status on September 10, 2001. In contrast, in the airfreight arena, both FedEx and UPS carry investment-grade credit, helping them borrow money at reasonable interest rates.

Jobs

Heavy financial losses translate to heavy job losses—and not just for the airlines. Within the first year after 9/11, nearly half the jobs lost in the U.S. economy were either in aviation itself or within the related travel and tourism sector. On September 24, 2001, well-known Brookings Institution scholar Clifford Winston noted, " . . . because air travel affects the entire travel industry and sparks business activity near hub airports, the effect on the economy is perhaps four times greater than the direct impact on airlines."

After consistent growth from 1994 through 2000, airline employment fell for the fourth consecutive year, averaging nearly 111,000 jobs (16.3 percent) below the 2000 peak. At 569,084, airline jobs plummeted to their lowest level since 1996.

Employment
U.S. Airlines—Average Full-Time Equivalents (FTEs)

	2003	2004
Pilots and Copilots	67,827	**65,571**
Other Flight Personnel	8,188	**5,100**
Flight Attendants	89,698	**88,981**
Mechanics	57,333	**57,197**
Aircraft and Traffic Service Personnel	267,322	**270,612**
Office Employees	36,388	**43,719**
All Other	43,022	**37,903**
Total Employment	569,778	**569,084**
Average Compensation[1]		
Salaries and Wages	$55,657	**$55,663**
Benefits and Pensions	18,933	**17,682**
Payroll Taxes	4,045	**4,217**
Total Compensation	$78,636	**$77,561**

1 Major and national passenger airlines only.

Outlook

The financial outlook for airlines depends on all of the following: a strong macroeconomy; the abatement of abnormally high fuel prices; the fulfillment of government's obligation not only to provide but also to fund national security; an easing of the industry's notoriously high tax burden; and reform of the air traffic management system, including a more equitable funding structure across all users of our airports and airways.

For its part, the industry has taken many steps to improve operational performance, amid extensive cost cutting, including strategic investments in the future. These self-help efforts will continue, but external market and non-market forces remain paramount. Although passenger and cargo volumes have improved, the customer's willingness to pay remains sharply below that experienced in the late 1990s.

Under current conditions, notwithstanding some modest fare increases in 2005, the industry will not record a full-year profit until at least 2006. And once the industry does regain profitability, we must not let down our guard. For the sake of communities across the U.S. that rely on air transport networks for the safe, secure and rapid movement of people and products, the industry must enter a period of extended financial health.

To be sure, such a tall order will require ongoing efforts by airlines and the aviation workforce to help themselves. But as Calyon Securities Analyst Ray Neidl observed, "The airlines cannot do it alone and, in order to survive, the airlines will need sensible regulatory and tax policies. Airline management, workers, politicians and regulators have to realize that the status quo just will not fly and that change is necessary if the industry is to be viable."

Time to Refinance the FAA?

"The Federal Aviation Administration (FAA) currently lacks the organizational, management, and financial wherewithal to keep pace with the dynamic aviation community. Unless the FAA and various aviation stakeholders . . . change the status quo, internal and external to the FAA, our nation's aviation system will succumb to gridlock. . . . The National Civil Aviation Review Commission believes these problems can be rectified, but it will take dramatic changes in the way that the air traffic system and airport development are managed and financed. Institutional relations within the FAA and among the various stakeholders must be altered if we are to increase accountability at the agency, improve management performance, and ensure that resources are sufficient and used effectively."

The National Civil Aviation Review Commission (December 1997)

Notably, the Commission recognized, "Without movement to a cost-based system, FAA's improved performance will be limited because the agency will lack critical data to judge performance and appropriate market signals to make sound investment decisions. Without management and organizational changes, there will be no guarantee that any dollar that goes into the FAA is used wisely and efficiently." The Commission concluded that " . . . without these changes, the aviation system infrastructure of this country will become an impediment to economic growth. Critics of these proposals, or defenders of the status quo, must provide a compelling alternative. . . ."

The Air Transport Association agrees wholeheartedly. While key challenges lie ahead, thanks to current FAA leadership, significant steps have been taken toward transforming the FAA, particularly the Air Traffic Organization (ATO). As Secretary of Transportation Norman Mineta observed at the March 2005 FAA Aviation Forecast Conference:

> "Back in 1997, we concluded that the FAA needed a funding stream that is more sustainable and more predictable, and suggested separating it from the appropriations process. Today, I believe more than ever that the time has come to take those recommendations off the table and get to work on them. . . . As we move toward a more technology-driven aviation system, we are going to require sustained, multi-year investments to finance those parts that are the government's responsibility. So we need to start thinking creatively about long-term options for financing infrastructure and other capital improvements. There are a variety of ideas out there—good ideas—and I am issuing a call to open the dialogue today on the financing of the aviation system of tomorrow."

The ATO must have the resources, freedom and flexibility to implement its productivity game plan. Users of ATO services should expect to pay proportionately for the services they consume but, at the same time, as customers of the ATO, they quite properly should expect efficient, cost-effective services and accountability. The establishment of a reliable and dynamic funding stream for the ATO, in combination with the cost-accounting and management systems under development, would be an excellent starting point for a more businesslike air traffic service provider.

finance

" One effect of competition, price transparency, and the advent of low-cost carriers is that passengers are paying less for tickets.

And while that is good for consumers, it has an adverse impact on revenues going into the Aviation Trust Fund. . . . As we move toward a more technology-driven aviation system, we are going to require sustained, multi-year investments to finance those parts that are the government's responsibility."

The Honorable Norman Y. Mineta
Secretary of Transportation
FAA Aviation Forecast Conference
March 17, 2005

"**Our biggest challenge will be to ensure that the ATO is as streamlined and efficient as possible** in order to justify supporting our essential operating and capital costs as they compete with other important programs for limited fiscal resources. The ATO must deliver the safest, most efficient, cost-effective, and well-managed services in order to serve our customers and stakeholders. Air traffic in this country is dynamic and the ATO must be able to adapt to future demands seamlessly and effectively without compromising safety."

Russ Chew, Chief Operating Officer
FAA Air Traffic Organization (ATO)
Testimony before the Committee on Transportation and Infrastructure, Subcommittee on Aviation
April 7, 2005

air traffic

Building the Next Generation Air Transportation System

Today, we are confronted with both a formidable challenge and a great opportunity. Our current air traffic management system is a patchwork of antiquated technologies that cannot meet 21st century needs. This is the conclusion reached by several authoritative studies and blue-ribbon panels including the National Civil Aviation Review Commission (1997) and the *Report of the Commission on the Future of the United States Aerospace Industry* (2002). While the aftermath of September 11, 2001, temporarily relieved capacity pressure, air traffic has now returned to record levels. The magnitude of the capacity challenge demands new thinking. A truly viable solution can be achieved only through partnership among all stakeholders.

We are currently at a crossroads where we must choose to develop a new approach to air traffic management or accept an increasingly outmoded system. ATA believes there is no choice. Today's system, designed around 1950s technology and information-management concepts, is simply no longer sustainable. It must be replaced, not expanded. Fortunately, the administration shares our perspective and is committed to developing an integrated, multi-agency plan to transform the nation's air transportation system to meet the needs of the year 2025 while providing substantial near-term benefits. The Next Generation Air Transportation System (NGATS) initiative is being developed to address critical safety and operational needs in civil aviation while fully integrating national defense and homeland security improvements.

To maintain America's place as a global leader in aviation's second century, we need an air transportation system that facilitates private-sector expansion and creates jobs. The initiative has support from Congress, which provided for creation of a Joint Planning and Development Office (JPDO). Led by the FAA, the JPDO relies on collaboration among the Departments of Transportation, Commerce, Defense and Homeland Security; NASA; and the Office of Science and Technology Policy, as well as industry experts. The National Plan embodies eight transformational strategies designed to: develop airport infrastructure, establish an effective security system, create an agile air traffic system, provide specific situational awareness, manage safety through a comprehensive and proactive approach, minimize the impact of noise and emissions on the environment, reduce the impact of weather on air travel, and globally harmonize equipage and operational requirements.

Although challenging, the creation of a plan is the easy part. Execution of the plan will require an unprecedented level of coordination and cooperation between government and industry. Most importantly, the plan must be economically realistic, scalable to the fluid nature of aviation service requirements and provide real accountability for performance.

Achieving the vision of a transformed air transportation system demands new thinking. It requires us to be open to new possibilities and embrace new approaches. ATA is proud to play its part in this crucial endeavor.

Meeting the Environmental Challenge Together

The airline industry has made and continues to make tremendous strides in environmental performance. For example, FAA statistics reveal a 95 percent reduction in the number of people exposed to significant aircraft noise levels in the United States over the last 35 years, despite a six-fold increase in air traffic. Over the same time period, aircraft fuel efficiency has improved over 70 percent, significantly reducing emissions per aircraft flight. In fact, per passenger mile, today's aircraft are as fuel-efficient as compact cars but travel at much greater speeds. Although airlines account for only a small percentage of overall emissions (for example, approximately 0.4 percent of the total inventory of NO_x—oxides of nitrogen—and about three percent of carbon dioxide), ATA airlines take emissions reduction very seriously.

And while airlines take great pride in these achievements, they would not be possible without the sustained commitment of all of our aviation partners. For example, much of the noise and emissions reduction has come through the airlines' purchase of new aircraft with state-of-the-art noise and emissions technology, developed by the airframe and aircraft engine manufacturers. In addition, our ability to fly routes to minimize noise exposure and reduce emissions relies, in significant part, on the air traffic management system, maintained and operated by the FAA. Airports too have an important role to play in providing infrastructure that minimizes delay and resulting emissions, and in working within their communities for land-use management plans to preserve areas around airports where we have reduced noise exposure.

By continuing this collaboration, we can achieve further environmental improvement into the second century of flight. A key part of this is ATA participation—along with the manufacturers, airports, the academic community, environmental organizations and others in the Partnership for Air Transportation Noise and Emissions Reduction (PARTNER), a research center sponsored by the FAA, NASA and Transport Canada. This research collaborative is conducting groundbreaking studies on ways to reduce aviation noise and emissions through technological and operational means. For example, in a study on implementation of continuous descent approaches for aircraft, PARTNER has demonstrated the potential for significant noise and emissions reduction. In addition, PARTNER is helping the FAA develop next-generation aviation environmental models, which will include the capability to assess interrelationships between noise and emissions and help us avoid improving one area at the expense of another.

ATA members remain committed to continuing to improve our environmental record. Through research, new thinking will emerge. And with our partners in aviation, we will achieve our goals.

environment

"Global cooperation has been effective in reducing the impact of aviation on the environment. Aircraft today are much quieter and much less polluting than their counterparts of a few decades ago, due to the close cooperation among manufacturers, operators and regulators. Also, ICAO continues to develop more direct air routes thus reducing fuel consumption."

Dr. Assad Kotaite
President of the Council
International Civil Aviation Organization (ICAO)
Sixth Meeting of the Committee on Aviation Environmental Protection (CAEP) February 2, 2004

> **"There is not enough money in the world to guarantee security outright,** but Congress and the president can set priorities, create budgets and allocate the limited funding we have in ways that reflect our national commitments. Transportation security is now equivalent to national defense. We cannot nickel-and-dime it, nor can we expect industry to pick up the tab."
>
> **Senator Daniel K. Inouye**
> "Transportation security is also national security," *The Hill*
> March 9, 2005

Aviation Security—A Delicate Balance

Since September 11, 2001, the airline industry, working with the government, has pushed ahead with progressive and dynamic changes in aviation security. The safety and security of passengers, crewmembers, aircraft and cargo is the top priority of the ATA member airlines, and their security experts initiated many of these enhancements while others resulted from congressional mandates. Although the government has assumed some of the security responsibilities that were managed previously by the airlines, many security functions remain with the airlines, with more added regularly to their already extensive list of security functions.

The proper structure of the security relationship between the government and the airlines continues to evolve. With the enactment of the Aviation and Transportation Security Act (ATSA), Congress made clear that aviation security is truly national security.

At the same time, Congress and the administration have opted to fund this vital national security function through the imposition of substantial user fees—a national security burden unique to the commercial airline industry. While the wisdom and justification of this funding approach remains in dispute, tremendous progress has been made in harmonizing government, law enforcement and intelligence expertise with airline operational realities. Through constant effort by government and industry experts, we see an ever-improving security environment.

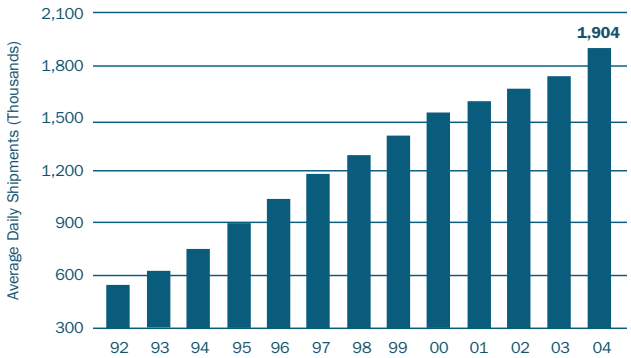
Providing the highest level of security without compromising customer service or economic vitality—remains a challenge. It is clear that meeting this challenge requires more than a command-and-control mindset, reactively ordering the imposition of security measures or the acquisition and deployment of every new technology. Rather, what is required is a sophisticated, comprehensive and analytic approach to risk management, designed to apply resources where they will produce the greatest benefit.

For this reason, the airlines are continuing to encourage government action to institutionalize an aviation-security risk-management regime that will identify and prioritize the array of risks confronting the industry; assess and understand the availability of counter-measures, including their real-world costs; and finally, provide a logical allocation of security resources to maximize their utility against the risks. Working in collaboration with the airlines, a government-directed risk-management program holds great potential to simultaneously enhance security while managing security resources for maximum returns.

ATA and its member airlines are committed to continuing efforts to further refine the government/industry relationship and appropriate security roles; challenge national security funding concepts built on a user-fee mentality; and advocate a comprehensive approach to aviation-security risk management to achieve the delicate balance necessary for success.

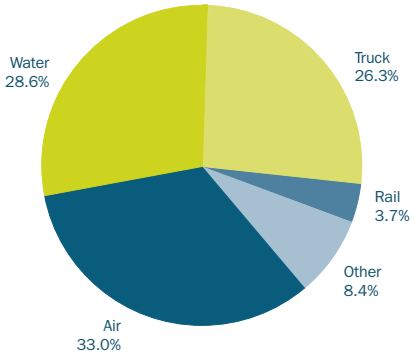
Air Express Volumes—International

U.S. Airlines



Source: Air Cargo Management Group estimates

Value of U.S. Exports by Mode of Transport—2004



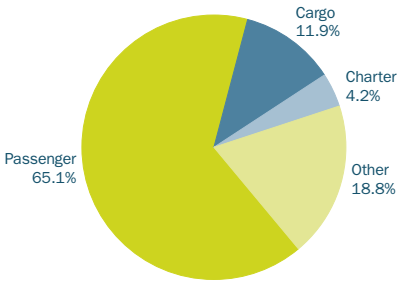
Source: U.S. Bureau of Transportation Statistics (June 2005)

air express

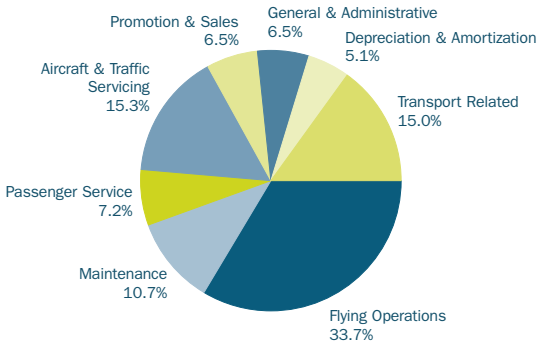
"U.S. airlines have created the worldwide distribution architecture that is essential to global competitiveness of U.S. businesses. These systems facilitate both U.S. trade and U.S. foreign investment. In order to grow, prosper and continue to push the envelope of new invention and creation for U.S. distribution networks, our air express companies must have adequate airport capacity and efficient state-of-the-art air traffic management systems. They must also be permitted to compete unburdened by unjustified taxes, fees and system user charges."

Brian Campbell, Chairman
The Campbell-Hill Aviation Group, Inc.

Operating Revenues—2004



Operating Expenses—2004



Expense Categories

Aircraft and Traffic Servicing Compensation of ground personnel, in-flight expenses for handling and protecting all non-passenger traffic including passenger baggage, and other expenses incurred on the ground to: (1) protect and control the in-flight movement of aircraft, (2) schedule and prepare aircraft operational crews for flight assignment, (3) handle and service aircraft while in line operation, and (4) service and handle traffic on the ground after issuance of documents establishing the air carrier's responsibility to provide air transportation.

Depreciation and Amortization All depreciation and amortization expenses applicable to owned or leased property and equipment including that categorized as flight equipment or ground property and equipment.

Flying Operations Expenses incurred directly in the in-flight operation of aircraft and expenses related to the holding of aircraft and aircraft operational personnel in readiness or assignment for an in-flight status.

General and Administrative Expenses of a general corporate nature and expenses incurred in performing activities that contribute to more than a single operating function such as general financial accounting activities, purchasing activities, representation at law, and other general operational administration not directly applicable to a particular function. Passenger service, aircraft and traffic servicing, and promotion and sales expenses are also included for certain small air carriers.

Maintenance All direct and indirect expenses specifically identifiable with the repair and upkeep of property and equipment.

Passenger Service Costs of activities contributing to comfort, safety and convenience of passengers while in flight and when flights are interrupted. Includes salaries and expenses of flight attendants and passenger food expenses.

Promotion and Sales Costs incurred in promoting the use of air transportation generally and creating a public preference for the services of particular air carriers. Includes the functions of selling, advertising and publicity, space reservations, and developing tariffs and flight schedules for publication.

Transport Related All expense items applicable to the generation of transport-related revenues.

Income Statement—2004

U.S. Airlines (In millions, except as noted)

Operating Revenues	Domestic	International	Total
Passenger	$66,391	$19,266	**$85,657**
Freight and Express	7,586	7,326	**14,911**
Mail	443	257	**701**
Charter	3,731	1,819	**5,550**
Other	21,237	3,454	**24,691**
Total Operating Revenues	99,388	32,122	**131,510**
Operating Expenses			
Flying Operations	33,805	10,927	**44,732**
Maintenance	11,018	3,190	**14,208**
Passenger Service	6,614	2,911	**9,525**
Aircraft and Traffic Servicing	15,534	4,808	**20,341**
Promotion and Sales	6,373	2,210	**8,583**
General and Administrative	6,675	1,979	**8,654**
Depreciation and Amortization	5,090	1,743	**6,834**
Transport Related	17,594	2,402	**19,996**
Total Operating Expenses	102,703	30,171	**132,874**
Operating Profit (Loss)	(3,315)	1,951	**(1,364)**
Other Income (Expense)			
Interest Income (Expense)	(2,760)	(872)	**(3,633)**
Income Tax Credit (Provision)	(1,436)	(480)	**(1,916)**
Other	(1,945)	(213)	**(2,159)**
Net Profit (Loss)	($9,457)	$386	**($9,071)**
Operating Profit Margin (%)	(3.3)	6.1	**(1.0)**
Net Profit Margin (%)	(9.5)	1.2	**(6.9)**

Balance Sheet[1]

U.S. Majors, Nationals and Large Regionals (In millions)

Assets	2003	2004
Current Assets	$35,556	**$33,835**
Investments and Special Funds	15,189	**14,189**
Flight Equipment Owned	109,429	**113,591**
Ground Equipment and Property Owned	23,451	**24,292**
Reserve for Depreciation	(44,577)	**(48,091)**
Leased Equipment and Property Capitalized	9,304	**9,020**
Reserve for Amortization	(3,073)	**(3,040)**
Other Property	19,154	**17,390**
Deferred Charges	2,465	**2,314**
Total Assets	$166,899	**$163,500**
Liabilities and Stockholders' Equity		
Current Liabilities	$43,607	**$46,178**
Long-Term Debt	52,737	**55,174**
Other Non-Current Liabilities	38,298	**36,758**
Deferred Credits	14,897	**14,021**
Stockholders' Equity—Net	17,360	**11,369**
Preferred Stock	347	**172**
Common Stock	1,415	**4,664**
Other Paid-In Capital	16,543	**17,859**
Retained Earnings	2,953	**(7,648)**
Less: Treasury Stock	(3,898)	**(3,677)**
Total Liabilities and Stockholders' Equity	$166,899	**$163,500**

1 As of December 31.

Operating Fleet—2004[1]

ATA Member Airlines—Mainline Aircraft

		ABX (GB)	Alaska (AS)	Aloha (AQ)	America West (HP)	American (AA)	ASTAR (ER)	ATA (TZ)	Atlas (5Y)	Continental (CO)	Delta (DL)	Evergreen Int'l (EZ)	FedEx (FX)	Hawaiian (HA)	JetBlue (B6)	Midwest (YX)	Northwest (NW)	Polar (PO)	Southwest (WN)	United (UA)	UPS (5X)	US Airways (US)	**Total**
Airbus	A300					34	6						44								40		**124**
	A310												55										**55**
	A319				33												70			55		66	**224**
	A320				54										69		78			97		24	**322**
	A321																					28	**28**
	A330																15					9	**24**
Boeing	B-717													11		17							**28**
	B-727						26						113								18		**157**
	B-737		82	27	39	77		33		253	149								417	124		113	**1,314**
	B-747								27			10					36	12		31	13		**129**
	B-757				13	143		26		50	121						72			97	75	31	**628**
	B-767	25				74				26	123			14						41	32	10	**345**
	B-777					45				18	8									52			**123**
	DC-8	17					9														41		**67**
	DC-9	74										7					158						**239**
	DC-10												51				22						**73**
	MD-10												37										**37**
	MD-11										4		54								13		**71**
	MD-80		26			337				2	120					13							**498**
	MD-90										16												**16**
Lockheed	L-1011							5															**5**
Total		**116**	**108**	**27**	**139**	**710**	**41**	**64**	**27**	**349**	**541**	**17**	**354**	**25**	**69**	**30**	**451**	**12**	**417**	**497**	**232**	**281**	**4,507**

1 As of December 31.

( ) Airline code

Source: Air Transport Association of America, Inc.

ATA Member Airline Statistics—2004

	Operating Aircraft (Year-End)	Employees (Full-Time Equivalents)	Revenue Aircraft Departures	Revenue Passengers Enplaned[1] (Thousands)	Revenue Passenger Miles[1] (Millions)	Available Seat Miles[1] (Millions)	Cargo Revenue Ton Miles (Millions)	Revenues ($Millions) Passenger[1]	Revenues ($Millions) Operating	Profit (Loss) ($Millions) Operating	Profit (Loss) ($Millions) Net
Alaska	108	9,886	186,347	16,280	16,224	22,263	73	1,961	2,241	(38)	(14)
Aloha	27	2,512	57,796	4,182	2,323	3,108	9	384	434	(24)	(30)
America West	139	11,433	202,840	21,119	23,318	30,133	69	2,192	2,482	(24)	(106)
American	710	78,981	837,975	91,570	130,020	173,823	2,211	14,983	18,608	(421)	(821)
ATA	64	6,641	83,912	10,024	12,539	17,148	37	1,019	1,414	(557)	(624)
Continental	349	34,373	372,706	40,551	63,176	81,226	974	7,071	8,358	(123)	(363)
Delta	541	57,681	733,010	86,755	98,041	129,463	1,425	10,823	15,154	(1,613)	(3,362)
Hawaiian	25	3,090	49,271	5,585	6,141	7,128	86	700	785	76	(69)
JetBlue	69	5,956	90,534	11,731	15,721	18,992	5	1,221	1,266	113	47
Midwest	30	2,001	38,423	2,293	2,296	3,540	9	279	343	(38)	(38)
Northwest	451	38,219	563,719	55,373	73,294	91,357	2,338	8,432	11,266	(434)	(757)
Southwest	417	31,364	982,479	81,066	53,415	76,863	184	6,116	6,530	554	313
United	497	58,680	614,999	70,786	114,536	144,547	1,995	11,954	15,701	(1,166)	(2,002)
US Airways	281	25,784	452,520	42,400	40,498	53,982	338	5,051	7,073	(348)	(578)
Subtotal	**3,708**	**366,601**	**5,266,531**	**539,715**	**651,541**	**853,573**	**9,754**	**72,186**	**91,655**	**(4,044)**	**(8,404)**
ABX	116	2,250	72,596	-	-	-	713	-	717	24	18
ASTAR	41	958	21,765	-	-	-	401	-	323	48	24
Atlas/Polar[2]	39	1,912	19,650	-	-	-	5,428	-	1,415	60	(46)
Evergreen Int'l	17	398	4,308	-	-	-	501	-	241	19	(8)
FedEx	354	111,896	369,691	-	-	-	9,991	-	18,676	1,348	772
UPS	232	6,091	141,786	-	-	-	5,309	-	3,392	224	(7)
Subtotal	**799**	**123,505**	**629,796**	**-**	**-**	**-**	**22,342**	**-**	**24,763**	**1,723**	**753**
GRAND TOTAL	**4,507**	**490,106**	**5,896,327**	**539,715**	**651,541**	**853,573**	**32,096**	**72,186**	**116,418**	**(2,322)**	**(7,651)**

1 Scheduled service only.
2 Consolidated financial results exclude restructuring charges/gains.

Top 25 U.S. Airlines—2004

	Revenue Passengers Enplaned[1] (Thousands)			Revenue Passenger Miles[1] (Millions)			Available Seat Miles[1] (Millions)			Cargo Revenue Ton Miles[2] (Millions)		
1	**American**	**91,570**	**1**	**American**	**130,020**	**1**	**American**	**173,823**	**1**	**FedEx**	**9,991**
2	**Delta**	**86,755**	**2**	**United**	**114,536**	**2**	**United**	**144,547**	**2**	**Atlas/Polar**	**5,428**
3	**Southwest**	**81,066**	**3**	**Delta**	**98,041**	**3**	**Delta**	**129,463**	**3**	**UPS**	**5,309**
4	**United**	**70,786**	**4**	**Northwest**	**73,294**	**4**	**Northwest**	**91,357**	**4**	**Northwest**	**2,338**
5	**Northwest**	**55,373**	**5**	**Continental**	**63,176**	**5**	**Continental**	**81,226**	**5**	**American**	**2,211**
6	**US Airways**	**42,400**	**6**	**Southwest**	**53,415**	**6**	**Southwest**	**76,863**	**6**	**United**	**1,995**
7	**Continental**	**40,551**	**7**	**US Airways**	**40,498**	**7**	**US Airways**	**53,982**	**7**	**Delta**	**1,425**
8	**America West**	**21,119**	**8**	**America West**	**23,318**	**8**	**America West**	**30,133**	8	Kalitta	1,171
9	**Alaska**	**16,280**	**9**	**Alaska**	**16,224**	**9**	**Alaska**	**22,263**	**9**	**Continental**	**974**
10	American Eagle	14,869	**10**	**JetBlue**	**15,721**	**10**	**JetBlue**	**18,992**	10	Gemini	763
11	ExpressJet	13,659	**11**	**ATA**	**12,539**	**11**	**ATA**	**17,148**	**11**	**ABX**	**713**
12	SkyWest	13,417	12	AirTran	8,479	12	AirTran	11,996	**12**	**Evergreen Int'l**	**501**
13	AirTran	13,170	13	ExpressJet	7,417	13	ExpressJet	10,409	**13**	**ASTAR**	**401**
14	Comair	12,632	14	Comair	6,268	14	Comair	9,249	14	World	397
15	**JetBlue**	**11,731**	15	Frontier	6,285	15	Frontier	8,548	**15**	**US Airways**	**338**
16	Atlantic Southeast	10,420	**16**	**Hawaiian**	**6,141**	16	American Eagle	8,486	16	Southern	315
17	**ATA**	**10,024**	17	American Eagle	5,817	17	SkyWest	7,547	17	Omni	259
18	Mesa	9,122	18	SkyWest	5,550	**18**	**Hawaiian**	**7,128**	18	Tradewinds	245
19	Independence	7,041	19	Spirit	4,887	19	Atlantic Southeast	6,899	19	Air Transport Int'l	224
20	Air Wisconsin	6,954	20	Atlantic Southeast	4,766	20	Mesa	6,364	20	Express.Net	213
21	Frontier	6,406	21	Mesa	4,589	21	Spirit	6,280	**21**	**Southwest**	**184**
22	Pinnacle	6,362	22	Pinnacle	2,910	22	Independence	4,375	22	Florida West	157
23	Horizon	5,930	23	Air Wisconsin	2,813	23	Pinnacle	4,216	23	Kitty Hawk	143
24	**Hawaiian**	**5,585**	24	Independence	2,661	24	Air Wisconsin	3,742	24	Amerijet Int'l	102
25	Mesaba	5,427	25	Continental Micronesia	2,569	**25**	**Midwest**	**3,540**	**25**	**Hawaiian**	**86**

1 Scheduled service only.
2 All services.

■ Member, Air Transport Association of America, Inc. (ATA)

	Revenue Aircraft Departures[2]			Revenue Aircraft Miles[2] (Millions)			Revenue Aircraft Hours[2] (Thousands)			Operating Revenues[2] (Millions)		
1	**Southwest**	**982,479**	**1**	**American**	**1,049**	**1**	**American**	**2,255**	**1**	**FedEx**	**$18,676**
2	**American**	**837,975**	**2**	**United**	**795**	**2**	**United**	**1,699**	**2**	**American**	**18,608**
3	**Delta**	**733,010**	**3**	**Delta**	**722**	**3**	**Delta**	**1,603**	**3**	**United**	**15,701**
4	**United**	**614,999**	**4**	**Southwest**	**567**	**4**	**Southwest**	**1,377**	**4**	**Delta**	**15,154**
5	**Northwest**	**563,719**	**5**	**Northwest**	**521**	**5**	**Northwest**	**1,173**	**5**	**Northwest**	**11,266**
6	American Eagle	483,550	**6**	**Continental**	**492**	**6**	**Continental**	**1,060**	**6**	**Continental**	**8,358**
7	SkyWest	465,270	**7**	**US Airways**	**354**	**7**	**US Airways**	**830**	**7**	**US Airways**	**7,073**
8	**US Airways**	**452,520**	**8**	**FedEx**	**261**	**8**	**FedEx**	**643**	**8**	**Southwest**	**6,530**
9	ExpressJet	405,250	9	ExpressJet	214	9	ExpressJet	554	**9**	**UPS**	**3,392**
10	Comair	379,583	**10**	**America West**	**213**	10	American Eagle	495	**10**	**America West**	**2,482**
11	**Continental**	**372,706**	11	Comair	181	**11**	**America West**	**476**	**11**	**Alaska**	**2,241**
12	**FedEx**	**369,691**	12	American Eagle	179	12	Comair	467	12	ExpressJet	1,508
13	Atlantic Southeast	288,446	**13**	**Alaska**	**165**	13	SkyWest	461	13	American Eagle	1,446
14	Independence	265,099	14	SkyWest	163	**14**	**Alaska**	**377**	**14**	**Atlas/Polar**	**1,415**
15	Mesa	241,688	**15**	**UPS**	**147**	15	Atlantic Southeast	336	**15**	**ATA**	**1,414**
16	Mesaba	205,475	16	Atlantic Southeast	128	**16**	**UPS**	**313**	**16**	**JetBlue**	**1,266**
17	**America West**	**202,840**	**17**	**JetBlue**	**121**	17	Mesa	301	17	Comair	1,191
18	Pinnacle	200,964	18	Mesa	112	18	Independence	272	18	SkyWest	1,156
19	**Alaska**	**186,347**	19	AirTran	102	**19**	**JetBlue**	**263**	19	AirTran	1,041
20	Horizon	175,011	**20**	**ATA**	**101**	20	AirTran	247	20	Atlantic Southeast	948
21	Air Wisconsin	165,564	21	Independence	95	21	Pinnacle	237	21	Mesa	841
22	AirTran	162,527	22	Pinnacle	91	**22**	**ATA**	**221**	22	Frontier	787
23	**UPS**	**141,786**	**23**	**Atlas/Polar**	**71**	23	Mesaba	211	**23**	**Hawaiian**	**785**
24	Trans States	129,377	24	Frontier	68	24	Air Wisconsin	181	**24**	**ABX**	**717**
25	**JetBlue**	**90,534**	25	Air Wisconsin	67	25	Horizon	164	25	Air Wisconsin	673

1 Scheduled service only.
2 All services.

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capacity

NEW THINKING ABOUT

"**The ability of civil aviation to foster economic growth and engender social mobility is not, however, guaranteed.** By 2000, the economic and personal cost of delays caused by constrained airport and airway capacity and reduced aviation system efficiency reached unacceptable levels. . . . Without swift and thorough intervention, the costs of delay will continue to rise, further harming the U.S. economy, the competitiveness of its industries, and all who rely on aviation in the conduct of their business and personal affairs."

Global Insight (formerly DRI-WEFA, Inc.)
The National Economic Impact of Civil Aviation
July 2002

Top 25 U.S. City Pairs—2004[1]

	Origin-Destination Passengers (Outbound + Inbound)		(Thousands)
1	New York	Fort Lauderdale	**3,885**
2	New York	Orlando	**3,277**
3	New York	Chicago	**2,861**
4	New York	Los Angeles	**2,747**
5	New York	Atlanta	**2,509**
6	New York	Washington	**1,922**
7	New York	West Palm Beach	**1,873**
8	New York	San Francisco	**1,821**
9	New York	Las Vegas	**1,817**
10	New York	San Juan	**1,809**
11	Chicago	Las Vegas	**1,712**
12	Chicago	Los Angeles	**1,692**
13	Honolulu	Kahului, Maui	**1,632**
14	New York	Boston	**1,625**
15	New York	Tampa	**1,614**
16	Dallas/Fort Worth	Houston	**1,543**
17	Chicago	Orlando	**1,374**
18	Chicago	Phoenix	**1,367**
19	New York	Miami	**1,365**
20	New York	Dallas/Fort Worth	**1,354**
21	Los Angeles	Las Vegas	**1,332**
22	Atlanta	Washington	**1,285**
23	Los Angeles	Oakland	**1,259**
24	Chicago	Washington	**1,253**
25	Chicago	Atlanta	**1,184**

1 Includes all commercial airports in a metropolitan area.

Top 25 U.S. Airports—2004

	Passengers (Arriving + Departing)	(Thousands)		Cargo Metric Tons[1] (Loaded + Unloaded)	(Thousands)		Operations (Takeoffs + Landings)	(Thousands)
1	Atlanta (ATL)	**83,607**	1	Memphis (MEM)	**3,555**	1	Chicago (ORD)	**992.4**
2	Chicago (ORD)	**75,534**	2	Anchorage (ANC)	**2,253**	2	Atlanta (ATL)	**964.9**
3	Los Angeles (LAX)	**60,689**	3	Los Angeles (LAX)	**1,914**	3	Dallas/Fort Worth (DFW)	**804.9**
4	Dallas/Fort Worth (DFW)	**59,412**	4	Miami (MIA)	**1,779**	4	Los Angeles (LAX)	**655.1**
5	Denver (DEN)	**42,394**	5	Louisville (SDF)	**1,739**	5	Denver (DEN)	**560.2**
6	Las Vegas (LAS)	**41,442**	6	New York (JFK)	**1,706**	6	Phoenix (PHX)	**546.8**
7	Phoenix (PHX)	**39,505**	7	Chicago (ORD)	**1,475**	7	Las Vegas (LAS)	**544.7**
8	New York (JFK)	**37,518**	8	Newark (EWR)	**985**	8	Minneapolis/St. Paul (MSP)	**541.1**
9	Minneapolis/St. Paul (MSP)	**36,713**	9	Indianapolis (IND)	**932**	9	Detroit (DTW)	**522.5**
10	Houston (IAH)	**36,506**	10	Atlanta (ATL)	**862**	10	Cincinnati (CVG)	**517.5**
11	Detroit (DTW)	**35,188**	11	Dallas/Fort Worth (DFW)	**742**	11	Houston (IAH)	**517.2**
12	San Francisco (SFO)	**32,248**	12	Oakland (OAK)	**645**	12	Philadelphia (PHL)	**486.2**
13	Newark (EWR)	**31,947**	13	Philadelphia (PHL)	**571**	13	Washington (IAD)	**469.6**
14	Orlando (MCO)	**31,143**	14	San Francisco (SFO)	**563**	14	Los Angeles (VNY)	**448.7**
15	Miami (MIA)	**30,165**	15	Ontario (ONT)	**549**	15	Newark (EWR)	**437.8**
16	Seattle (SEA)	**28,805**	16	Honolulu (HNL)	**435**	16	Charlotte (CLT)	**427.4**
17	Philadelphia (PHL)	**28,507**	17	Cincinnati (CVG)	**413**	17	Salt Lake City (SLC)	**412.0**
18	Boston (BOS)	**26,143**	18	Houston (IAH)	**401**	18	Boston (BOS)	**405.3**
19	Charlotte (CLT)	**25,534**	19	Boston (BOS)	**366**	19	Miami (MIA)	**400.9**
20	New York (LGA)	**24,436**	20	Toledo (TOL)	**352**	20	New York (LGA)	**399.0**
21	Washington (IAD)	**22,660**	21	Seattle (SEA)	**347**	21	Memphis (MEM)	**388.0**
22	Cincinnati (CVG)	**22,063**	22	Dayton (DAY)	**334**	22	Seattle (SEA)	**358.9**
23	Honolulu (HNL)	**21,972**	23	Denver (DEN)	**317**	23	Orlando Sanford (SFB)	**357.1**
24	Fort Lauderdale (FLL)	**20,819**	24	Washington (IAD)	**308**	24	Orange County (SNA)	**354.6**
25	Baltimore (BWI)	**20,818**	25	Phoenix (PHX)	**302**	25	San Francisco (SFO)	**353.2**

1 A unit of weight equal to 1,000 kilograms or 2,204.6 pounds.

Note: Airport data reflects the scheduled and non-scheduled services of commercial, general and military aviation.
Source: Airports Council International—North America (www.aci-na.org)

"Air transportation is the center of America's just-in-time economy.

For decades, air transportation has been critical to our nation's economy and to our quality of life. The nation's entire civil aviation system was shut down for four days in September 2001, resulting in stranded passengers, undelivered packages, and bare store shelves. At that time, we realized just how dependent we are on a strong and viable aviation system. . . to keep our economy growing."

National Chamber Foundation
"Fasten Your Seatbelt: How Misconceptions About Aviation Could Doom a Critical Industry... and the Economy"
March 2005

NEW THINKING ABOUT the economy

Glossary of Terms

Air Cargo Freight, mail and express traffic transported by air.

Atlantic Operations via the Atlantic Ocean (excluding Bermuda).

Available Seat Mile (ASM) One seat transported one mile; the most common measure of airline seating capacity or supply.

Available Ton Mile (ATM) One ton of capacity (passenger and/or cargo) transported one mile.

Consumer Price Index (CPI) A measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Serves as an economic indicator, a deflator of other economic series and a means of adjusting dollar values.

Domestic All operations within and between the 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, and Canadian transborder operations.

Fiscal Year (FY) The 12-month period for which the federal government sets its budget and measures operational performance, beginning October 1 and ending September 30 of the subsequent year. The fiscal year is designated by the calendar year in which it ends (i.e., FY 2005 begins October 1, 2004, and ends September 30, 2005).

Freight and Express Commodities of all kinds, including small-package counter services, express services and priority reserved freight.

Full-Time Equivalent (FTE) The number of full-time employees that could have been employed if the reported number of hours worked by part-time employees had been worked by full-time employees. For the purpose of this report, all part-time employees are treated as 0.5 FTEs.

General Aviation (GA) All aviation other than military and scheduled air transport (airlines), including privately owned light single-engine aircraft for recreational flying (personal aviation), as well as business jets, rotorcraft and other types of equipment for such commercial activities (business aviation) as news-gathering, pipeline patrol, emergency medical flights, crop-dusting, agricultural application, flight training, shipping, surveying, air taxi, corporate flying, emergency transport, policing and firefighting.

Gross Domestic Product (GDP) The market value of goods and services produced by labor and property in the United States. Replaced gross national product (GNP) as the primary measure of U.S. production in 1991.

International All operations not considered Domestic.

Latin Operations within, to or from Latin American areas, including the non-U.S. Caribbean (including Bermuda and the Guianas), Mexico and South/Central America.

Load Factor The percentage of seating or freight capacity that is utilized. Computed as the ratio of RPMs to ASMs or, in the case of cargo services, RTMs to ATMs.

Mail All classes of mail transported for the U.S. Postal Service.

Nonscheduled Service Revenue flights not operated as scheduled service, such as charter flights, and all non-revenue flights incident to such flight.

Pacific Operations via the Pacific Ocean, including the North/Central Pacific, South Pacific (including Australia) and the Trust Territories.

Passenger Facility Charge (PFC) A tax authorized by Congress, approved by FAA, assessed by airports and collected by airlines (on behalf of airports) as an add-on to the passenger airfare. Used by airports to fund FAA-approved projects that enhance safety, security or capacity; reduce noise; or increase air carrier competition. The PFC program authorizes the collection of fees up to $4.50 for every enplaned passenger at commercial airports controlled by public agencies.

Regional Jet (RJ) Though no formal definition exists, an RJ is typically thought of as a jet aircraft containing between 35 and 100 seats, operated principally by regional or commuter airlines in short- to medium-haul commercial passenger service. Many now use the term *small jet* instead.

Revenue Aircraft Departure (RAD) One takeoff by one aircraft in revenue service.

Revenue Aircraft Hour (RAH) One aircraft operated in revenue service for one hour; the most common measure of aircraft utilization. Also referred to as a block hour, which includes all time spent taxiing as well as airborne hours, or time in flight.

Revenue Aircraft Mile (RAM) One aircraft in revenue service flown one mile.

Revenue Passenger Enplanement One fare-paying passenger —originating or connecting—boarding an aircraft with a unique flight coupon.

Revenue Passenger Mile (RPM) One fare-paying passenger transported one mile; the most common measure of demand for air travel.

Revenue Ton Mile (RTM) One ton of revenue traffic (passenger and/or cargo) transported one mile.

Scheduled Service Transport service based on published flight schedules, including extra sections.

Stage Length The distance traveled by an aircraft from takeoff to landing. Computed as the ratio of RAMs to RADs.

System The sum of domestic and international operations.

Trip Segment Length The distance traveled by a passenger on a single flight number (i.e., coupon). Computed as the ratio of RPMs flown to passengers enplaned and commonly referred to as length of haul.

Unit Cost The average amount of operating expenses incurred per unit of output, typically measured in cents per available seat mile or available ton mile. Commonly referred to as CASM or CATM.

Unit Revenue The average amount of revenue received by the airline per unit of capacity available for sale. Most often used to measure the effectiveness with which revenue management activity balances price and volume to generate passenger revenue per ASM, known as PRASM.

U.S. Airlines For statistical purposes, particularly with respect to annual data, the Air Transport Association of America (ATA) counts as "U.S. Airlines" those air carriers required by the U.S. Department of Transportation (DOT) to comply with Form 41 Financial and Traffic Reporting Requirements:

Large Certificated Air Carrier An air carrier holding a certificate issued under section 41102 of Title 49 of the U.S. Code that: (1) operates aircraft designed to have a maximum passenger capacity of more than 60 seats or a maximum payload capacity of more than 18,000 pounds; or (2) conducts operations where one or both terminals of a flight stage are outside the 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands.

Small Certificated Air Carrier An air carrier holding a certificate issued under section 41102 of Title 49 of the U.S. Code that provides scheduled passenger air service within and between only the 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands with small aircraft (maximum passenger capacity of 60 seats or fewer or a payload capacity of 18,000 pounds or fewer).

Commuter Air Carrier An air taxi operator that carries passengers on at least five round trips per week on at least one route between two or more points according to its published flight schedules that specify the times, days of the week and places between which those flights are performed.

Yield The average amount of revenue received per RPM or RTM, net of taxes.

fuel

"Fuel . . . remains a major factor in the industry's inability to make a profit. . . . However, this is the first time that carriers have not been able to pass these costs on to the consumer as evident by several failed fare increases and the declining yields. . . . Ultimately, all carriers lack any pricing power and are feeling the ill effects. . . ."

Reno Bianchi and Steven K. Burton
Citigroup
"Airline industry research report"
December 21, 2004

“ . . . the airline industry pays the highest federal tax rate of any industry as it continues to lose massive amounts of money through user and security taxes that amount to an estimated 10% of revenues . . . in reality, in a highly competitive, weak revenue environment, the taxes are paid for by the airlines. . . . In our opinion, the infrastructure taxes are justified, but security is a national, not an airline, problem and we see no reason why the industry should be burdened with these fees.”

Ray Neidl, Calyon Securities analyst
National Air Service Conference
January 24, 2005

taxes&fees

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Air Transport Association (ATA) Member Airlines—2005

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