2003 Economic Report

A Review of the U.S. Airline Industry

AIR TRANSPORT ASSOCIATION

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Report Content

Unless otherwise noted, the data provided in this report reflects the activity of 141 U.S. airlines (Major, National and Regional passenger and cargo airlines as defined by the U.S. Department of Transportation under Chapter 411 of Title 49 of the U.S. Code—see page 21 of this report).

In some cases, numbers in this report may not total, due to rounding. Certain historical data has been restated to reflect the most current information available.

For further information on this and other ATA publications, visit www.airlines.org.

mission

ATA Mission

The Air Transport Association of America, Inc. 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 among member airlines to improve safety, service and efficiency
- Advocating fair airline taxation and regulation worldwide, ensuring a profitable and competitive industry
- Developing and coordinating industry actions that are environmentally beneficial, economically reasonable and technologically feasible

goals

In an extraordinarily dynamic industry, the ATA enables marketplace rivals to pool their unparalleled experience, technical expertise and operational knowledge, so that the industry as a whole can better serve the public and improve airline safety, service and efficiency.

ATA Goals

The Air Transport Association of America (ATA) is the nation's oldest and largest airline trade association. U.S. members account for 95 percent of the passenger and cargo traffic carried by U.S. scheduled airlines. In an extraordinarily dynamic industry, the ATA enables marketplace rivals to pool their unparalleled experience, technical expertise and operational knowledge, so that the industry as a whole can better serve the public and improve airline safety, service and efficiency.

The ATA also represents its members on major aviation issues in the technical, legal and political arenas. Its activities are designed to advocate and support measures that enhance aviation safety, ensure efficiency, foster growth and protect the ability of the airline industry to invest in the future, in order to meet the emerging demands of customers.

While the ATA agenda of issues continuously changes, its major priorities remain constant. Those priorities include:

- Assisting the airline industry in providing the world's safest system of transportation
- Advocating the modernization of the Federal Aviation Administration (FAA) air traffic control system, to improve service for airline customers and to benefit the environment
- Improving and refining the protection and security of airline passengers and cargo against threats directed at the United States
- Encouraging appropriate government action, while seeking to prevent legislative and regulatory intervention that would penalize airlines and their customers by imposing rate, route, service and schedule controls on the industry
- Endeavoring to reduce the disproportionate share of taxes and fees paid by airlines and their customers at the federal, state and local levels
- Improving the industry's ability to attract the capital necessary to meet future demand
- Helping to shape international aviation policy, to ensure that U.S. and foreign carriers can compete on equal terms

During its more than 65-year history, the ATA has seen the airline industry grow from the small, pioneering companies of the 1930s into key players in the global transportation market. The ATA and its members continue to play a vital role in shaping the future of air transportation.

Officers

James C. May
President and
Chief Executive Officer

John M. Meenan
Executive Vice President and
Chief Operating Officer

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Vice President and
Chief Financial Officer

M. Bradley Ballance
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Vice President,
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Lori Sharpe Day
Vice President, Government Affairs

Regina A. Sullivan
Vice President, Congressional Affairs

Douglass M. Wills
Vice President,
Communications and External Affairs

John P. Heimlich
Chief Economist

Certainly the year 2002 presented enormous challenges for the U.S. airline industry, still recovering from the aftermath of the September 11, 2001, terrorist attacks on our country.

Preface

The Air Transport Association is pleased to present the *2003 Economic Report*, reviewing the 2002 performance of the U.S. airline industry and highlighting domestic and international operational and financial results for cargo and passenger carriers, as well as employment, fleet and safety data. The Air Transport Association has been producing this report under various titles (e.g., *Little Known Facts and Figures, Facts and Figures, Annual*

preface

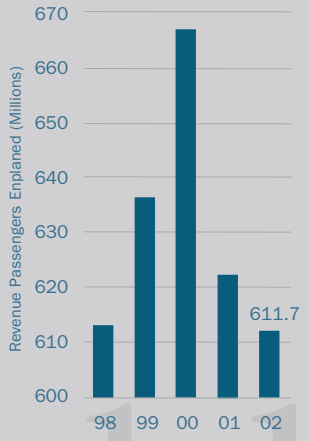
Report of the U.S. Scheduled Airline Industry, Annual Report) since 1937.

Certainly the year 2002 presented enormous challenges for the U.S. airline industry, still recovering from the aftermath of the September 11, 2001, terrorist attacks on our country. The continued threat of terrorism, coupled with an economic slowdown in the broader economy, resulted in a continuing decline in demand for air travel. This decline was compounded by higher security costs and taxes, with airline losses reaching a record $11.3 billion by end of 2002. Still the airlines remained absolutely committed to safety and security and recorded another year of zero passenger fatalities. Similarly the airlines continued to make progress on the environmental front, reducing noise and emissions impacts from their operations. Although industry passenger volumes declined for the second consecutive year, the market for air cargo grew.

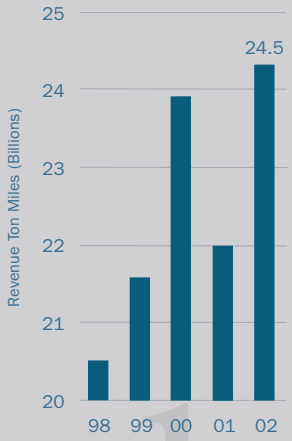
Though financial and operational results are not yet available, airline losses for 2003 are expected to be approximately $5 billion. On other fronts, airline productivity is up, on-time performance is up and the airlines' record of safety continues to be exemplary. Airlines continue to work toward achieving economic stability while providing travelers and shippers with access to a safe, secure, affordable and reliable aviation system. Too often, however, their efforts are undercut by ill-conceived regulatory and tax policies, which must be changed, to permit the industry stabilization and growth that are essential to our nation's economic well-being.

highlights

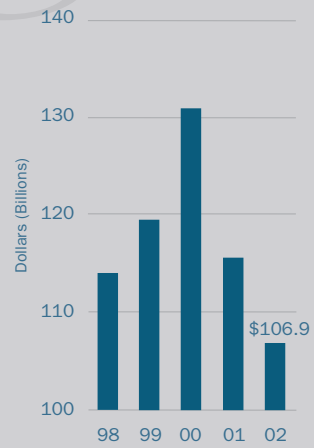
Passenger Volumes
Scheduled Service



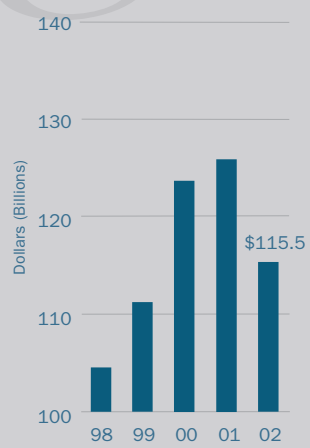
Cargo Volumes
Scheduled Service



Operating Revenues



Operating Expenses



Operational Highlights

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

	2001	2002	% Change
Revenue Passengers Enplaned	622.1	**611.7**	(1.7)
Domestic Service	570.1	**558.9**	(2.0)
International Service	52.0	**52.8**	1.5
Revenue Passenger Miles	651,700	**639,587**	(1.9)
Domestic Service	480,348	**475,975**	(0.9)
International Service	171,352	**163,613**	(4.5)
Available Seat Miles	930,511	**892,745**	(4.1)
Domestic Service	695,200	**676,768**	(2.7)
International Service	235,311	**215,977**	(8.2)
Passenger Load Factor (%)	70.0	**71.6**	1.6 pts.
Domestic Service	69.1	**70.3**	1.2 pts.
International Service	72.8	**75.8**	2.9 pts.
Cargo Revenue Ton Miles	22,003	**24,509**	11.4
Domestic Service	8,743	**10,683**	22.2
International Service	13,260	**13,826**	4.3
Aircraft Departures (Thousands)	8,788	**9,029**	2.7
Domestic Service	8,236	**8,485**	3.0
International Service	552	**543**	(1.6)

Financial Highlights

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

	2001	2002	% Change
Passenger Revenue	$80,947	**$73,281**	(9.5)
Domestic Service	63,629	**57,006**	(10.4)
International Service	17,318	**16,275**	(6.0)
Cargo Revenue	13,129	**13,320**	1.5
Domestic Service	6,732	**6,401**	(4.9)
International Service	6,397	**6,918**	8.1
Charter Revenue	4,449	**4,456**	0.1
Passenger	1,749	**1,730**	(1.1)
Property	2,700	**2,725**	0.9
Other Revenue	17,000	**15,825**	(6.9)
Total Operating Revenues	115,526	**106,881**	(7.5)
Total Operating Expenses	125,852	**115,450**	(8.3)
Operating Profit (Loss)	($10,326)	**($8,569)**	(17.0)
Net Profit (Loss)	($8,275)	**($11,295)**	36.5
Operating Profit Margin (%)	(8.9)	**(8.0)**	0.9 pts.
Net Profit Margin (%)	(7.2)	**(10.6)**	-3.4 pts.
Rate of Return on Investment (%)	(6.5)	**(9.6)**	-3.1 pts.

1992-2002 Summary

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

	1992	1993[1]	1994	1995	1996	1997	1998	1999	2000	2001[2]	2002[2]
Traffic and Operations—Scheduled											
Revenue Passengers Enplaned	475.1	488.5	528.8	547.8	581.2	594.7	612.9	636.0	666.2	622.1	**611.7**
Revenue Passenger Miles	478,554	489,684	519,382	540,656	578,663	603,419	618,087	652,047	692,757	651,700	**639,587**
Available Seat Miles	752,772	771,641	784,331	807,078	835,071	857,232	874,089	918,419	956,950	930,511	**892,745**
Passenger Load Factor (%)	63.6	63.5	66.2	67.0	69.3	70.4	70.7	71.0	72.4	70.0	**71.6**
Average Trip Segment (Miles)	1,007	1,002	982	987	996	1,015	1,008	1,025	1,040	1,048	**1,046**
Cargo Revenue Ton Miles	13,199	14,120	16,062	16,921	17,754	20,513	20,496	21,613	23,888	22,003	**24,509**
Freight and Express	11,130	11,944	13,792	14,578	15,301	17,959	18,131	19,317	21,443	20,119	**23,160**
Mail	2,069	2,176	2,270	2,343	2,454	2,555	2,365	2,296	2,445	1,885	**1,349**
Revenue Aircraft Miles	4,661	4,846	5,033	5,293	5,501	5,659	5,838	6,168	6,574	6,514	**6,528**
Aircraft Departures (Thousands)	7,051	7,245	7,531	8,062	8,230	8,127	8,292	8,627	9,035	8,788	**9,029**
Average Stage Length (Miles)	661	669	668	657	668	696	704	715	728	741	**723**
Financial Results											
Passenger Revenue	$59,844	$64,288	$65,690	$69,835	$75,515	$79,540	$81,052	$84,383	$93,622	$80,947	**$73,281**
Freight and Express Revenue	5,916	6,662	7,284	8,616	9,679	10,477	10,697	11,415	12,486	12,066	**12,662**
Mail Revenue	1,184	1,212	1,183	1,266	1,279	1,362	1,708	1,739	1,970	1,063	**658**
Charter Revenue	2,989	3,386	3,859	3,742	3,675	3,748	4,059	4,284	4,913	4,449	**4,456**
Other Revenue	8,424	9,750	11,020	11,658	12,296	14,790	16,294	17,634	17,848	17,000	**15,825**
Total Operating Revenues	78,357	85,298	89,037	95,117	102,444	109,917	113,810	119,455	130,839	115,526	**106,881**
Total Operating Expenses	80,803	83,884	86,299	89,266	96,300	101,375	104,528	111,119	123,840	125,852	**115,450**
Operating Profit (Loss)	(2,446)	1,415	2,738	5,852	6,143	8,542	9,283	8,337	6,999	(10,326)	**(8,569)**
Interest Income (Expense)	(1,743)	(2,052)	(2,352)	(2,426)	(1,989)	(1,738)	(1,753)	(1,833)	(2,193)	(2,506)	**(3,262)**
Other Income (Expense)	(598)	(1,541)	(727)	(1,143)	(1,427)	(1,686)	(2,682)	(1,226)	(2,320)	4,557	**536**
Net Profit (Loss)	($4,787)	($2,178)	($341)	$2,283	$2,727	$5,119	$4,847	$5,277	$2,486	($8,275)	**($11,295)**
Passenger Yield (¢/Passenger Mile)	12.51	13.13	12.65	12.92	13.05	13.18	13.11	12.94	13.51	12.42	**11.46**
Passenger Unit Revenue (¢/Seat Mile)	7.95	8.33	8.38	8.65	9.04	9.28	9.27	9.19	9.78	8.70	**8.21**
Cargo Yield (¢/Ton Mile)	53.79	55.77	52.72	58.40	61.72	57.71	60.53	60.86	60.52	59.67	**54.35**
Operating Profit Margin (%)	(3.1)	1.7	3.1	6.2	6.0	7.8	8.2	7.0	5.3	(8.9)	**(8.0)**
Net Profit Margin (%)	(6.1)	(2.6)	(0.4)	2.4	2.7	4.7	4.3	4.4	1.9	(7.2)	**(10.6)**
Rate of Return on Investment (%)	(9.0)	(0.4)	5.2	11.9	11.5	14.7	12.0	11.1	6.4	(6.5)	**(9.6)**
Employment (Full-Time Equivalents)	540,413	537,110	539,759	546,987	564,425	586,509	621,064	646,410	679,967	671,969	**601,356**

1 Financial results exclude fresh-start accounting extraordinary gains of Continental and Trans World.
2 Financial results include cash compensation remitted to air carriers under the Air Transportation Safety and System Stabilization Act (P.L. 107-42).

review

Although the financial viability of the industry must be of paramount concern, targeted funding of high-priority aviation infrastructure projects in the next several years could pay substantial future dividends. To do so, however, resources must be conserved and lower-priority projects postponed.

2002 Airline Industry Review

U.S. airline losses continued to mount throughout 2002, as carriers worked aggressively to reestablish economic stability. Passenger traffic, after showing some early signs of recovery after 9/11, ran steadily below 2000 levels. Airlines reacted to this travel shortfall by trimming the number of flights and sharply reducing prices to stimulate demand. Higher security costs and taxes compounded the industry's problems and undercut the airlines' efforts to mitigate losses, which reached a record $11.3 billion for the year. Despite these staggering losses, airlines recorded another year with zero fatalities, as safety remains the industry's number-one priority.

TRAFFIC

Following a record decline in 2001, revenue passenger miles fell again in 2002, by 1.9 percent. Passenger enplanements declined 1.7 percent to 611.7 million from 622.1 million in 2001. The domestic passenger trip distance grew to 852 miles as travelers, reacting to increased airport hassle and security fees, cut out many short trips by air.

International passenger traffic in 2002 accounted for 25.6 percent of total traffic, as measured in passenger miles. International travel, reflecting the security concerns of air travelers and the continuing effects of a worldwide economic slump, declined 4.5 percent. Travel across the Pacific was the hardest hit—declining 6.0 percent for the year. Atlantic travel declined 4.1 percent. Latin American travel, including traffic to the Caribbean islands, declined 2.1 percent.

The continued drop in passenger traffic has provided some respite from the growing congestion problems at airports and in the air traffic control system, but traffic growth will return. The Federal Aviation Administration (FAA) projects that U.S. airlines will carry one billion passengers in 2014. Although the financial viability of the industry must be of paramount concern, targeted funding of high-priority aviation infrastructure projects in the next several years could pay substantial future dividends. To do so, however, resources must be conserved and lower-priority projects postponed.

Of all U.S. airports, Atlanta handled the largest number of arriving and departing passengers, followed by Chicago O'Hare, Los Angeles and Dallas/Fort Worth. New York, served by three major airports, dominated the largest travel markets in America.

Cargo revenue ton miles—comprising freight, express and mail—grew 11.4 percent in 2002, benefiting from the West Coast dock strike. Mail revenue ton miles declined 28.4 percent after a 22.9 percent drop in 2001, due largely to secu-

rity restrictions on the shipment of priority U.S. mail. However, airlines and federal agencies are working collaboratively to screen the mail and return it to the air. International cargo traffic rose 4.3 percent to 56.4 percent of system-wide shipments. Domestic cargo traffic increased 22.2 percent, in spite of the loss of U.S. mail traffic.

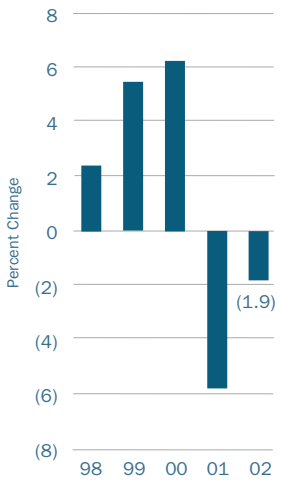
CAPACITY

Air carriers reduced seating capacity in step with the reduction in travel demand. For the full year, available seat miles declined 4.1 percent. International capacity declines amounted to 8.2 percent, with the biggest decline in the Pacific, at 14.3 percent, followed by a 7.7 percent decline in the Atlantic. Capacity to Latin American destinations showed a slight increase of 0.1 percent.

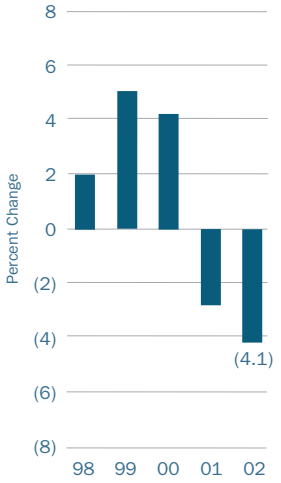
As carriers responded to the fast-changing marketplace, regional jet service and the size of the regional jet fleet continued to grow, from 782 in 2001 to an estimated 976 in 2002. Smaller aircraft were much in demand, as carriers downsized the equipment used to serve many markets. These smaller aircraft benefit small- and medium-size communities, allowing carriers to continue to provide frequent and direct service despite declining traffic.

The number of flights in scheduled service increased from 8.8 million in 2001 to 9.0 million in 2002, an average increase of 660 flights per day, reflecting structural changes as well as a general rebound from the immediate aftermath of 9/11. Average daily delays in 2000 had reached a record 1,230. Although the number of flights remained virtually unchanged, commercial aviation recorded an average of just 783 daily delays in 2002—18 percent fewer than the 954 daily delays in 2001.

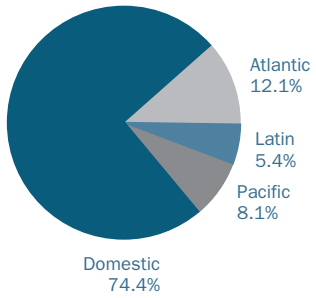
Passenger Traffic Growth Rates
Revenue Passenger Miles—
Scheduled Service



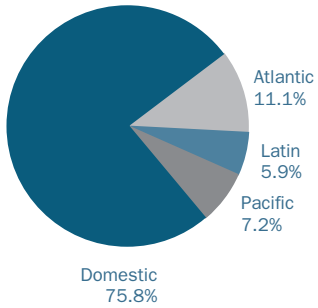
Passenger Capacity Growth Rates
Available Seat Miles—
Scheduled Service



Passenger Traffic by Region—2002
Revenue Passenger Miles—
Scheduled Service

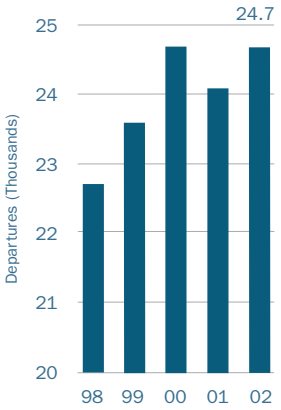


Passenger Capacity by Region—2002
Available Seat Miles—
Scheduled Service

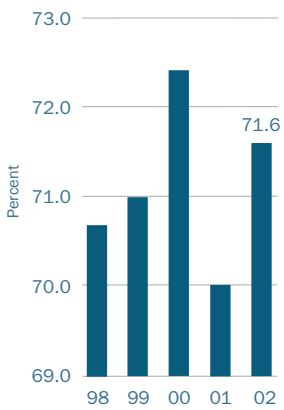


Because of the substantial number of idle aircraft, resulting from the present economic environment, load factor is currently a less appropriate indicator of asset utilization.

Daily Departures
Passenger and Cargo—
Scheduled Service



Passenger Load Factor
Seating Capacity Utilized—
Scheduled Service



Aircraft Deliveries—ATA U.S. Members

(As of December 31, 2002)

	Number		Firm Order Delivery Dates			
	Firm	Options	2003	2004	2005	2006+
Airbus	**236**	**417**	**44**	**30**	**35**	**127**
A300	66	42	8	8	8	42
A318	15	8	-	-	-	15
A319	25	274	14	1	4	6
A320	82	55	17	14	14	37
A321	13	-	-	-	3	10
A330	25	28	5	7	6	7
A380	10	10	-	-	-	10
Boeing	**391**	**696**	**81**	**56**	**71**	**183**
B-717	25	-	11	12	2	-
B-737	308	474	40	36	62	170
B-747	1	-	-	-	-	1
B-757	27	75	14	8	5	-
B-767	14	65	14	-	-	-
B-777	16	82	2	-	2	12
Total	**627**	**1,113**	**125**	**86**	**106**	**310**

Note: The estimated value of firm aircraft orders was $29.0 billion.

Hard work on the part of the airlines, the FAA and controllers generated this improvement. But there is clear evidence that airport runway capacity and the air traffic control system are, and will remain, under pressure to meet public expectations and demand for air transportation. Nevertheless, it is notable that the average passenger load factor rose to 71.6 percent—nearly reaching the post-World War II record of 72.4 percent, set in 2000. Airlines have continued to make adjustments in the level of capacity being provided, to match the level of demand. Because of the substantial number of idle aircraft, resulting from the present economic environment, load factor (normally one of the principal measures of efficiency in the industry) is currently a less appropriate indicator of asset utilization. Of course, this is because the large number of grounded aircraft have zero utilization, and because the volumes being carried by the active fleet are characterized by unusually depressed fares.

FLEET

In addition to reducing the number of aircraft departures, some ATA member airlines also responded to the sharp decline in demand by reducing the number of aircraft in their fleets. There was a net drop of 65 in the U.S. ATA fleet to 4,652 airplanes. Airlines targeted older, less fuel-efficient, more maintenance- and labor-intensive aircraft when deciding which aircraft to ground. In addition, many airlines postponed delivery dates for new aircraft where possible. These postponements will curtail the capacity growth rate for several years to come. For deliveries in 2003, there are now only 125 firm orders, compared to 186 that had been on firm order for that year as of December 31, 2000. In addition to the traffic weakness that prompted fleet reductions, carriers' financial losses and

mounting debt will limit their ability to purchase new aircraft for several years.

ENVIRONMENT

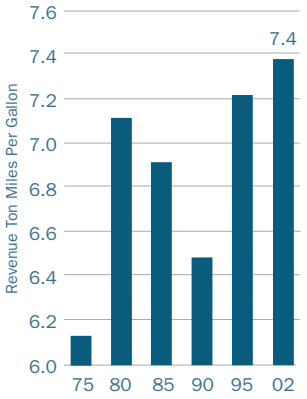
The airlines continue to make progress in reducing environmental impacts from their operations. According to the FAA, the number of U.S. persons exposed to significant aviation noise levels has fallen 78 percent since 1995, from 1.7 million to an estimated 379,000 in 2002. Moreover, the carriers are taking a leadership role in developing guidance for 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, which has been 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.

The airlines continue to make strides on the emissions front as well, as the fuel efficiency of passenger operations has climbed to 41.7 passenger miles per gallon —a 125 percent gain since 1975. Every increase in fuel efficiency translates into real reductions in emissions, including those that contribute to global warming. Beginning in 1982, aviation was the first industry to adopt global standards to reduce nitrogen oxides, carbon monoxide and unburned hydrocarbons. In addition to their international efforts to reduce emissions at ICAO, the ATA airlines are also actively engaged in a number of national and local efforts to reduce ozone-forming emissions. The carriers have also taken a leadership role in reducing the impact of their operations on local water bodies. In addition to working with deicing fluid manufacturers to reduce deicing fluid toxicity, the carriers have implemented a number of innovative technologies to reduce usage, without compromising safety.

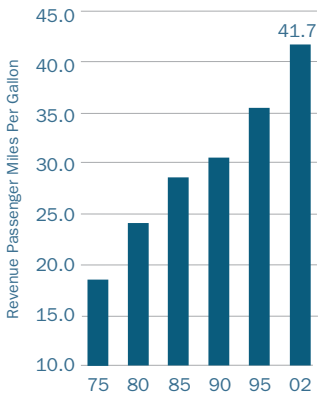
SAFETY

Despite a second consecutive year of staggering losses and mounting debt, U.S. airlines completed the safest year in the history of commercial aviation. The worst financial year in the industry's history saw not a single fatality. Carriers continue to work closely with the FAA and the Transportation Security Administration (TSA) to ensure that aviation remains the safest mode of travel. According to the National Safety Council, from 1991 to 2000, 0.02 passengers died per 100 million passenger miles, versus 0.03 on buses, 0.08 on railroads, and 0.88 in automobiles. Simply stated, safety remains the airlines' top priority.

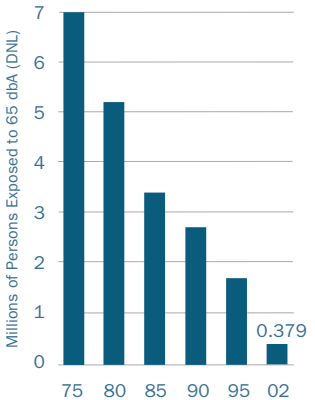
Airline Fuel Efficiency
Cargo Operations



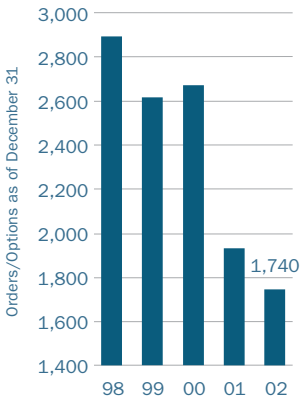
Airline Fuel Efficiency
Passenger Operations



Airline Noise Reduction



Aircraft Orders
ATA U.S. Members



Source: Federal Aviation Administration

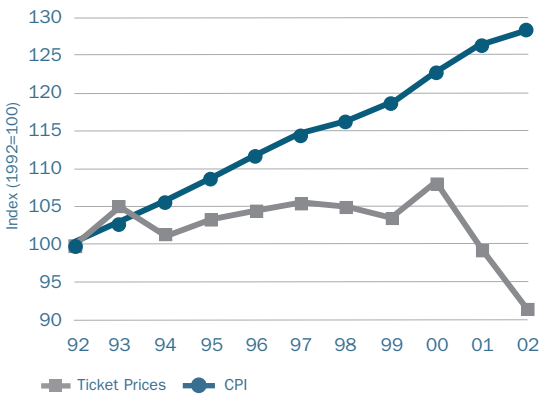
Cargo Yield

Revenue per Ton Mile (¢)				Change vs. 1978 (%)		Change vs. 2001 (%)	
	1978	2001	2002	Nominal	Real	Nominal	Real
Domestic	37.04	76.99	**59.92**	61.8	(41.4)	(22.2)	(23.4)
International	27.59	48.25	**50.04**	81.4	(34.3)	3.7	2.1
Total	33.31	59.67	**54.35**	63.2	(40.9)	(8.9)	(10.3)

Passenger Yield

Revenue per Passenger Mile (¢)				Change vs. 1978 (%)		Change vs. 2001 (%)	
	1978	2001	2002	Nominal	Real	Nominal	Real
Domestic	8.49	13.25	**11.98**	41.1	(48.9)	(9.6)	(11.0)
International	7.49	10.11	**9.95**	32.8	(51.9)	(1.6)	(3.1)
Total	8.29	12.42	**11.46**	38.2	(49.9)	(7.8)	(9.2)

Ticket Prices vs. U.S. Consumer Prices
U.S. Airlines



REVENUES
Total operating revenues fell 7.5 percent to $106.9 billion. This was only the third time in airline history that revenues declined. When this happened in 1991, there were many similar conditions. Following the 1990 outbreak of war in the Middle East, traffic plummeted, as passengers became more sensitive to possible security threats. In addition, the U.S. economy dropped into recession, further depressing demand for air transport services.

Passenger revenue, which accounts for 68.6 percent of total operating revenue, fell 9.5 percent to $73.3 billion. International passenger revenue declined more slowly, falling 6.0 percent to $16.3 billion. The passenger revenue declines were driven by decreases in both traffic (volume) and price. As volumes declined, airlines offered lower prices in an attempt to stimulate demand. The average price of air travel, measured by passenger yield—the amount collected by airlines to fly one passenger one mile—decreased 7.8 percent (9.6 percent domestically and 1.6 percent internationally). Responding to weak demand, airline prices have dropped to levels not seen since the late 1980s. The 2002 price declines were driven by marketplace conditions and occurred in the face of intense cost pressures.

Without adjustment for inflation, airline prices have fallen 8.4 percent since 1992. During those same ten years, inflation, measured by the Consumer Price Index (CPI), increased 28.2 percent. When adjusted for inflation, airline prices have fallen 28.6 percent since 1992. Consumers continue to benefit from the intense competition and improved airline efficiency unleashed by airline deregulation. Since deregulation in 1978, in real terms, airline prices have fallen 49.9 percent.

This tremendous decline in price, which few if any industries can match, is largely responsible for the long-term growth of air travel. Throughout the history of commercial aviation, inflation-adjusted ("real") airfares have declined due to technological advances and increased efficiencies in airline operations. While this was true before deregulation in 1978, the rate of decline accelerated thereafter with intensified competition among airlines. Between 1970 and 1978, real fares fell 2.0 percent per annum; between 1978 and 2002 the rate of decline surged to 2.8 percent. To put this trend in perspective, nominal airfares have risen 38 percent since 1978, while the price of milk (Bureau of Labor Statistics) has risen 111 percent, new vehicles 304 percent (National Automobile Dealers Association), prescription drugs 414 percent (BLS), and higher education 522 percent (BLS).

Cargo revenue rose 1.5 percent to $13.3 billion, as 8.1 percent higher international sales more than offset a 4.9 percent drop in domestic sales. As in the passenger business, with a decline in demand, cargo prices fell—by 8.9 percent. A major reduction in mail volumes following the terrorist attacks reduced mail revenues a staggering 38.1 percent to $658 million.

These passenger and cargo volume and price reductions have driven the breakeven load factor for the industry to record high levels, some 15 percentage points higher than in the late 1990s. As prices fall, more seats must be filled to generate the same amount of revenue. Actual load factors, however, rose only 1.6 points from a year ago. When demand returns to normal, airline prices will likely have to increase, and/or load factors will have to increase to higher levels.

EXPENSES

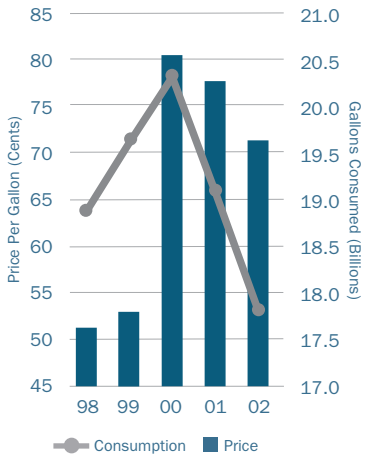
In the long run, airline prices must be related to airline costs. Current market conditions may prevent carriers from raising prices to cover higher costs, but eventually prices must cover all costs. The history of airline price movements has closely tracked changes in costs, with the difference being taken up by changes in airline profitability. Profit margins in the industry have always been extremely thin—falling well below the average profitability of U.S. corporations.

In 2002, average labor costs rose to an all-time high of $74,831. Although some of this stemmed from contractual increases, it also reflects the reduction in head count at the junior end of the pay scale, as dictated by most contract seniority provisions. One of the many unfortunate outcomes of the terrorist attacks is that most airlines have had to reduce their workforces substantially. Full-time equivalent airline employee ranks fell to 601,356—their lowest level since 1997—down 10.5 percent from 2001 and 11.6 percent from 2000. These reductions have come from every segment of the workforce and have rippled through the broader U.S. economy, where nearly half of the jobs lost since 9/11 have come in travel and tourism-related sectors.

Jet fuel costs are the airlines' second largest expense item. After beginning 2002 at $20 per barrel, crude oil prices rose 50 percent, reaching $30 by year-end. Consequently average jet fuel prices jumped from 62 cents per gallon in January to 77 cents per gallon by December. Even with rising unit fuel costs, total fuel costs for the year declined over $2 billion from 2001 due to the reduction in volume and a more efficient fleet, which combined to lower consumption by 1.2 billion gallons or 6.5 percent.

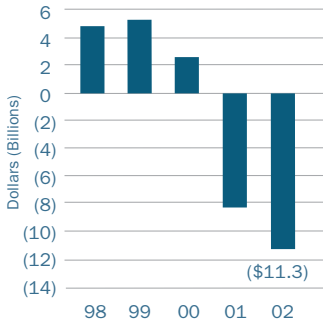
Jet Fuel Price and Consumption

Majors, Nationals and Large Regionals



expenses

Net Profit (Loss)



With the industry's shrinkage and an intense focus on cost-cutting, annual airline operating expenses fell for only the second time since World War II. The $10.4 billion reduction, to $115.5 billion, constituted the most significant contraction in expenses in the industry's history, dwarfing the $1.0 billion reduction in 1991. The largest savings occurred, not surprisingly, in promotion and sales expenses, as management kept a tight watch on discretionary spending and shifted distribution to lower-cost channels. The 24 percent drop in that category was followed by an 18 percent reduction in depreciation and amortization, as carriers reduced their fleets and postponed a large number of deliveries. Flying operations—largely composed of cockpit crew costs, fuel costs and hull insurance costs—and maintenance expenses both fell 7 percent. Flying operations remained the industry's largest functional cost center at 30.4 percent of total operating costs. Every functional cost center declined versus 2001. One of the industry's largest expense increases came in the area of insurance, which soared $970 million, or 152 percent, to $1.6 billion. The vast majority of this increase actually began in the fourth quarter of 2001, as insurance companies re-priced their policies after 9/11 and carriers had to invest in new or expanded coverage for acts of terror. Federal support in this arena, however, is helping to mitigate further increases and, in some cases, even reduce the existing burden. Other post-9/11 increases have occurred principally in the area of security or related taxes and fees, costing the industry and its customers billions of dollars annually. These increases are offsetting much of the self-help measures instituted by both management and the employee workforce, and threaten to reduce the long-term growth rate of the industry and thus U.S. employment and gross domestic product (GDP).

EARNINGS

Airline earnings at the operating level had already begun to fall in 1999. In 2000, operating earnings fell again and net profits declined sharply, despite increases in traffic, yields and cargo. Against that backdrop of rising costs came the falloff in U.S. corporate profits, resulting in sharply reduced business travel and downward pressure on prices. Thus, just before 9/11, the industry was projected to lose more than $3 billion in 2001. Following the terrorist attacks, 2001 losses escalated to $8.3 billion, even factoring in the compensation issued under the Air Transportation Safety and System Stabilization Act. Though significant recovery had been anticipated for 2002, results actually worsened and losses reached a new all-time record of $11.3 billion, placing the industry further in debt, as carriers borrowed to stay afloat. Profit margins fell consistently over this period, from 4.4 percent in 1999 to negative 10.6 percent in 2002, leaving airline balance sheets in tatters, with little cushion for further shocks.

BALANCE SHEET

The airline industry is an asset-intensive industry, requiring major investment in aircraft, facilities and equipment. The total value of these investments, net of depreciation and amortization, reached $91.5 billion out of assets totaling $158.2 billion. The return on investment (ROI) fell further in

earnings

The challenge now is to sustain this vital industry–the key transportation link in our society–and to bring it into an extended period of economic health.

2002 to negative 9.6 percent. One of the outcomes of the terrorist attacks and the subsequent industry plight is that airlines will continue to borrow significant amounts to cover losses. Even after the industry returns to profitability, it will take several years to reduce this higher debt to an acceptable level.

OUTLOOK

The outlook for air transportation depends on continued economic recovery and a restoration of travelers' confidence. The year 2002 was another incredibly difficult one for the United States. The industry has taken many steps to sustain its financial and operational ability to respond to these changing conditions. Passenger and freight volumes should slowly improve, but it will take significantly longer to return economic viability and vitality to the airline industry. Under current conditions, it is unlikely that the industry will record a full-year profit until at least 2005.

The challenge now is to sustain this vital industry—the key transportation link in our society—and to bring it into an extended period of economic health. To meet this challenge, we must work together. The airlines must continue to provide safe, secure, invitingly convenient and affordable air transportation. Airline workers must continue to seek new and better ways to improve efficiency and productivity. The government must do its part by meeting its new security responsibilities, in cooperation with airports and airlines, in a manner that encourages travelers back into the air while resisting the urge to raise taxes and fees.

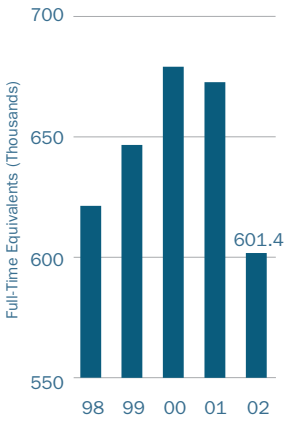
Employment

U.S. Airlines—Full-Time Equivalents

	1992	2001	2002
Pilots and Copilots	51,057	73,789	**67,532**
Other Flight Personnel	8,196	9,615	**7,379**
Flight Attendants	86,287	110,982	**98,071**
Mechanics	58,616	70,792	**61,632**
Aircraft and Traffic Service Personnel	243,074	303,936	**282,358**
Office Employees	40,474	43,290	**39,799**
All Other	52,709	59,565	**44,585**
Total Employment	540,413	671,969	**601,356**
Average Compensation[1]			
Salaries and Wages	$40,379	$54,875	**$55,487**
Benefits and Pensions	8,579	12,001	**15,688**
Payroll Taxes	3,035	3,830	**3,656**
Total Compensation	$51,993	$70,706	**$74,831**

1 Major and national passenger airlines only.

Employees
U.S. Airlines



"Tax policies often have had a major and adverse effect on the industry. Although...tax changes alone will not restore the industry to profitability, we believe there are several tax provisions that impede the ability of the industry to return to financial health.

We believe those provisions violate reasonable principles of common sense and good public policy and we are of the opinion changes must be made to relieve the airline industry's unfair tax burden."

The National Commission to Ensure a Strong Competitive Airline Industry
"Change, Challenge and Competition: A Report to the President and Congress" (August 1993)

taxes

Federally Approved Taxes and Fees: 1972-2003

Fee	1972	1992	2003	Round Trip[3]	Unit of Taxation
Passenger Ticket Tax[1]	8.0%	10.0%	7.5%	nmf	Domestic Airfare
Passenger Flight Segment Tax[1]	-	-	$3.00	$12.00	Domestic Enplanement
Passenger Security Surcharge	-	-	$2.50	$10.00	Enplanement at U.S. Airport
Passenger Facility Charge	-	$3.00 [2]	$4.50 [2]	$18.00	Enplanement at Eligible U.S. Airport
International Departure Tax	$3.00	$6.00	$13.40	nmf	International Passenger Departure
International Arrival Tax	-	-	$13.40	nmf	International Passenger Arrival
INS User Fee	-	$5.00	$7.00	nmf	International Passenger Arrival
Customs User Fee	-	$5.00	$5.00	nmf	International Passenger Arrival
APHIS Passenger Fee	-	$2.00	$3.10	nmf	International Passenger Arrival
Cargo Waybill Tax[1]	5.00%	6.25%	6.25%	nmf	Waybill for Domestic Freight
Frequent Flyer Tax	-	-	7.5%	nmf	Sale of Frequent Flyer Miles
APHIS Aircraft Fee	-	$76.75	$65.25	nmf	International Aircraft Arrival
Jet Fuel Tax[1]	-	-	4.3¢/gal	nmf	Domestic Gallon
LUST Fuel Tax[1]	-	0.1¢/gal	0.1¢/gal	nmf	Domestic Gallon
Air Carrier Security Fee	-	-	Carrier-Specific	nmf	CY2000 Screening Costs

1 Tax applies only to domestic transportation; prorated on flights between mainland U.S. and Alaska/Hawaii.
2 Legislative maximum.
3 Single-connection round trip with maximum passenger facility charge (PFC).

NOTES:
nmf = not meaningful
INS = Immigration and Naturalization Service
APHIS = Animal and Plant Health Inspection Service
LUST = Leaking Underground Storage Tank

Traffic and Operations—2002

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

	Domestic	Atlantic	Latin	Pacific	International[1]	Total
Passenger Traffic—Scheduled Service						
Revenue Passengers Enplaned	558.9	19.0	23.1	10.7	52.8	**611.7**
Revenue Passenger Miles	475,975	77,119	34,825	51,636	163,613	**639,587**
Available Seat Miles	676,768	99,181	52,504	64,234	215,977	**892,745**
Passenger Load Factor (%)	70.3	77.8	66.3	80.4	75.8	**71.6**
Average Trip Segment (Miles)	852	4,065	1,506	4,841	3,098	**1,046**
Cargo Traffic—Scheduled Service						
Revenue Ton Miles—Cargo	10,683	4,990	1,708	6,533	13,826	**24,509**
Freight and Express	9,796	4,718	1,682	6,370	13,364	**23,160**
Mail	887	272	26	163	462	**1,349**
Overall Traffic and Operations						
Revenue Ton Miles—Charter	3,580	283	90	602	3,290	**6,870**
Revenue Ton Miles—All Services	61,860	12,985	5,281	12,298	33,477	**95,337**
Available Ton Miles—All Services	113,751	22,347	10,011	20,025	57,388	**171,139**
Weight Load Factor—All Services (%)	54.4	58.1	52.7	61.4	58.3	**55.7**
Revenue Aircraft Departures—Scheduled Service (Thousands)	8,485	138	302	98	543	**9,029**
Revenue Aircraft Miles—Scheduled Service	5,409	463	354	292	1,119	**6,528**
Revenue Aircraft Hours—Scheduled Service (Thousands)	13,377	904	783	568	2,274	**15,651**
Average Stage Length—Scheduled Service (Miles)	637	3,346	1,173	2,971	2,060	**723**

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

Operating Expenses

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.

Maintenance All expenses, both direct and indirect, 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.

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.

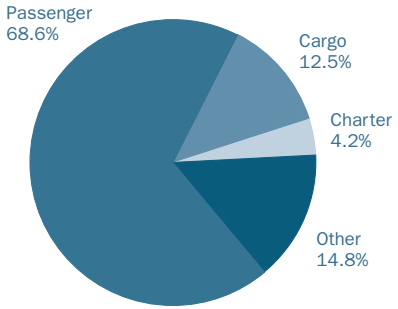
Promotion and Sales Costs incurred in promoting the use of air transportation generally and creating a public preference for the services of particular air carriers. Includes the functions of selling, advertising and publicity, space reservations, and developing tariffs and flight schedules for publication.

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.

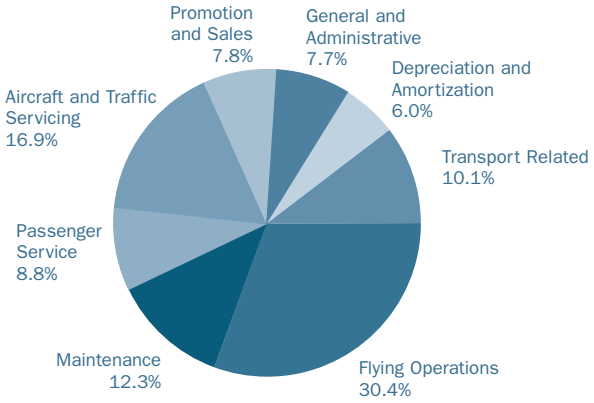
Depreciation and Amortization All depreciation and amortization expenses applicable to owned or leased property and equipment including that categorized as flight equipment or ground property and equipment.

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

Operating Revenues—2002



Operating Expenses—2002

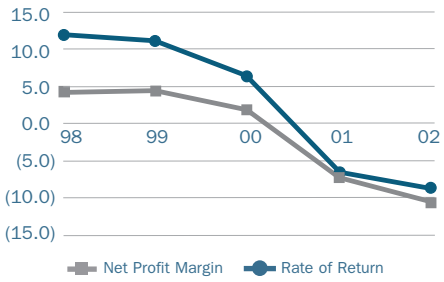


Income Statement—2002

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

	Domestic	International	Total
Operating Revenues			
Passenger	$57,006	$16,275	**$73,281**
Freight and Express	5,971	6,691	**12,662**
Mail	430	228	**658**
Charter	3,210	1,245	**4,456**
Other	12,785	3,040	**15,825**
Total Operating Revenues	79,402	27,479	**106,881**
Operating Expenses			
Flying Operations	25,949	9,179	**35,127**
Maintenance	11,088	3,125	**14,213**
Passenger Service	7,087	3,100	**10,187**
Aircraft and Traffic Servicing	14,892	4,586	**19,477**
Promotion and Sales	6,726	2,239	**8,965**
General and Administrative	6,541	2,291	**8,833**
Depreciation and Amortization	5,008	1,925	**6,933**
Transport Related	9,576	2,139	**11,715**
Total Operating Expenses	86,866	28,584	**115,450**
Operating Profit (Loss)	($7,464)	($1,105)	**($8,569)**
Other Income (Expense)			
Interest Income (Expense)	(2,444)	(818)	**(3,262)**
Income Tax Credit (Provision)	2,412	371	**2,783**
Other	(1,803)	(444)	**(2,247)**
Net Profit (Loss)	($9,299)	($1,996)	**($11,295)**
Operating Profit Margin (%)	(9.4)	(4.0)	**(8.0)**
Net Profit Margin (%)	(11.7)	(7.3)	**(10.6)**

Profitability vs. Return on Investment



Balance Sheet—2002

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

Assets	**2001**	**2002**
Current Assets	$33,493	**$29,181**
Investments and Special Funds	16,437	**19,013**
Flight Equipment Owned	103,508	**106,300**
Ground Equipment and Property	23,092	**24,226**
Reserve for Depreciation (Owned)	(42,666)	**(44,371)**
Leased Equipment and Property Capitalized	9,053	**8,124**
Reserve for Amortization (Leased)	(3,051)	**(2,764)**
Other Property	15,434	**16,174**
Deferred Charges	3,217	**2,308**
Total Assets	$158,516	**$158,191**
Liabilities and Stockholders' Equity		
Current Liabilities	$42,030	**$39,558**
Long-Term Debt	41,414	**48,670**
Other Non-Current Liabilities	26,248	**37,553**
Deferred Credits	17,174	**14,926**
Stockholders' Equity—Net of Treasury Stock	31,650	**17,484**
Preferred Stock	466	**334**
Common Stock	1,051	**1,116**
Other Paid-In Capital	19,906	**20,579**
Retained Earnings	14,138	**(579)**
Less: Treasury Stock	(3,911)	**(3,966)**
Total Liabilities and Stockholders' Equity	$158,516	**$158,191**

One of the outcomes of the terrorist attacks and the subsequent industry plight is that airlines will continue to borrow significant amounts to cover losses. Even after the industry returns to profitability, it will take several years to reduce this higher debt to an acceptable level.

balance

ATA Airline Statistics—2002

	Operating Aircraft (Year-End)	Employees (Full-Time Equivalents)	Departures	Revenue Passengers[1] (Thousands)	Revenue Passenger Miles[1] (Millions)	Available Seat Miles[1] (Millions)	Cargo Ton Miles (Millions)	Revenues ($Millions) Passenger[1]	Cargo	Operating	Profit (Loss) ($Millions) Operating	Net
Airborne Express	121	5,290	74,004	-	-	-	685	-	1,101	1,117	26	33
Alaska	102	10,124	177,127	14,138	13,178	19,346	65	1,624	70	1,832	(81)	(75)
Aloha	25	2,196	62,509	4,367	1,605	2,222	9	278	37	329	(23)	(44)
America West	145	11,500	201,834	19,426	19,855	26,964	71	1,920	27	2,021	(164)	(377)
American	819	97,760	994,576	94,048	121,668	172,079	2,014	14,418	557	15,871	(3,313)	(3,496)
American Trans Air	69	6,826	64,884	7,846	9,415	12,892	15	820	-	1,150	(141)	(169)
Atlas Air	36	1,148	12,851	-	-	-	2,376	-	65	292	(34)	(41)
Continental	366	36,496	398,394	39,486	57,003	76,841	859	6,585	242	7,353	(481)	(451)
Delta	573	65,566	826,273	90,799	93,494	131,458	1,458	10,768	451	12,410	(1,035)	(1,295)
DHL Airways	35	931	21,731	-	-	-	218	-	253	254	16	9
Evergreen International	17	450	6,128	-	-	-	389	-	358	378	68	41
FedEx	322	115,811	362,588	-	-	-	9,094	-	7,841	15,941	736	402
Hawaiian	26	2,969	52,291	5,183	4,450	5,672	57	529	20	632	(55)	(58)
JetBlue	37	2,924	44,149	5,672	6,830	8,240	4	615	2	635	106	55
Midwest Express	32	2,460	45,170	2,164	1,966	3,191	9	306	5	359	(16)	(32)
Northwest	444	44,254	566,106	51,743	72,002	93,385	2,224	7,753	729	9,152	(783)	(766)
Polar Air Cargo	15	700	7,523	-	-	-	1,349	-	504	527	7	2
Southwest	375	33,056	948,169	72,448	45,396	68,907	128	5,237	85	5,522	418	241
United	567	78,727	650,254	68,350	109,395	148,702	2,276	11,519	673	13,916	(3,022)	(3,326)
UPS Airlines	246	5,828	142,355	-	-	-	4,534	-	2,827	2,852	204	47
US Airways	280	33,321	538,279	47,155	40,024	56,338	406	5,224	138	6,915	(919)	(1,659)
Total U.S. Members	**4,652**	**558,337**	**6,197,195**	**522,825**	**596,281**	**826,237**	**28,240**	**67,596**	**15,985**	**99,458**	**(8,486)**	**(10,959)**
Aeromexico[2]	67	6,650	112,979	8,681	8,164	12,596	54	1,142	34	1,255	(48)	(50)
Air Canada[3]	219	34,750	264,964	23,429	43,135	57,325	1,187	4,639	358	5,577	(84)	(524)
Air Jamaica	20	2,749	23,343	2,016	3,142	4,756	36	388	18	431	(79)	(92)
KLM Royal Dutch[4]	102	33,038	201,016	19,436	36,920	46,494	2,608	4,576	1,105	7,049	(145)	(452)
Mexicana[2]	50	6,398	101,030	7,903	7,222	11,315	736	1,038	24	1,164	(46)	(100)
Total Associate Members	**458**	**83,585**	**703,332**	**61,465**	**98,583**	**132,486**	**4,621**	**11,783**	**1,539**	**15,476**	**(402)**	**(1,218)**
GRAND TOTAL	**5,110**	**641,922**	**6,900,527**	**584,290**	**694,864**	**958,723**	**32,861**	**79,379**	**17,524**	**114,934**	**(8,888)**	**(12,177)**

1 Scheduled service only.
2 Converted at 10.42 Mexican Pesos/USD.
3 Converted at 1.58 Canadian Dollars/USD.
4 Converted at 0.92 Euros/USD; fiscal year ended March 31, 2003.

Top 25 U.S. Airlines—2002

	Passengers[1] (Thousands)		Revenue Passenger Miles[1] (Millions)		Freight, Express and Mail Ton Miles[2] (Millions)		Total Operating Revenues[2] (Millions)
1	**American 94,048**	**1**	**American 121,668**	**1**	**FedEx 9,094**	**1**	**FedEx $15,941**
2	**Delta 90,799**	**2**	**United 109,395**	**2**	**UPS Airlines 4,534**	**2**	**American 15,871**
3	**Southwest 72,448**	**3**	**Delta 93,494**	**3**	**Atlas Air 2,376**	**3**	**United 13,916**
4	**United 68,350**	**4**	**Northwest 72,002**	**4**	**United 2,276**	**4**	**Delta 12,410**
5	**Northwest 51,743**	**5**	**Continental 57,003**	**5**	**Northwest 2,224**	**5**	**Northwest 9,152**
6	**US Airways 47,155**	**6**	**Southwest 45,396**	**6**	**American 2,014**	**6**	**Continental 7,353**
7	**Continental 39,486**	**7**	**US Airways 40,024**	**7**	**Delta 1,458**	**7**	**US Airways 6,915**
8	**America West 19,426**	**8**	**America West 19,855**	**8**	**Polar Air Cargo 1,349**	**8**	**Southwest 5,522**
9	**Alaska 14,138**	**9**	**Alaska 13,178**	**9**	**Continental 859**	**9**	**UPS Airlines 2,852**
10	American Eagle 11,835	**10**	**American Trans Air 9,415**	**10**	**Airborne Express 685**	**10**	**America West 2,021**
11	AirTran 9,654	**11**	**JetBlue 6,830**	11	Gemini Air Cargo 440	**11**	**Alaska 1,832**
12	Continental Express 9,212	12	AirTran 5,582	**12**	**US Airways 406**	12	American Eagle 1,199
13	Comair 8,732	**13**	**Hawaiian 4,450**	**13**	**Evergreen Int'l 389**	**13**	**American Trans Air 1,150**
14	Atlantic Southeast 8,329	14	Spirit 4,096	14	Southern Air 249	**14**	**Airborne Express 1,117**
15	**American Trans Air 7,846**	15	Continental Express 3,951	15	Tradewinds 225	15	Atlantic Southeast 752
16	**JetBlue 5,672**	16	Comair 3,748	**16**	**DHL Airways 218**	16	AirTran 733
17	Mesaba 5,587	17	American Eagle 3,673	17	Arrow Air 205	**17**	**JetBlue 635**
18	**Hawaiian 5,183**	18	Frontier 3,363	18	Air Transport Int'l 199	**18**	**Hawaiian 632**
19	Horizon Air 4,815	19	Atlantic Southeast 3,296	19	Kalitta Air 178	**19**	**Polar Air Cargo 527**
20	**Aloha 4,367**	20	National 2,469	20	Express.Net 159	20	Frontier 465
21	Frontier 3,722	21	Continental Micronesia 2,394	21	World 149	21	Air Wisconsin 445
22	Spirit 3,672	**22**	**Midwest Express 1,966**	22	Kitty Hawk Air Cargo 140	22	Horizon Air 415
23	**Midwest Express 2,164**	23	Mesaba 1,607	**23**	**Southwest 128**	23	Spirit 404
24	Trans States 2,018	**24**	**Aloha 1,605**	24	Florida West Int'l 99	24	World 384
25	National 1,910	25	Horizon Air 1,515	25	Capital Cargo Int'l 86	**25**	**Evergreen Int'l 378**

1 Scheduled service only. 2 All services. ■ ATA Member

U.S. Airlines—2002

Majors (14)
Airborne Express[1]
Alaska
America West
American
American Eagle
American Trans Air
Continental
Delta
FedEx
Northwest
Southwest
United
UPS Airlines
US Airways

Nationals (35)
Air Transport Int'l
Air Wisconsin
AirTran
Aloha
Arrow Air
Atlantic Southeast
Atlas Air
Centurion
Champion Air
Comair
Continental Express
Continental Micronesia
DHL Airways
Evergreen Int'l
Executive
Express One Int'l
Frontier
Gemini Air Cargo
Hawaiian
Horizon Air
JetBlue
Kitty Hawk Air Cargo
Mesaba
Midway
Midwest Express
National
Pace
Polar Air Cargo
Ryan Int'l
Spirit
Sun Country
Trans States
USA Jet
Vanguard
World

Regionals (92)
40-Mile Air
Air Midwest
Air-Serve
Alaska Central Express
Alaska Seaplanes
Allegheny
Allegiant Air
Aloha Island Air
Amerijet Int'l
Ameristar Air Cargo
Arctic Circle
Arctic Transportation
Arizona Express
Asia Pacific
Atlantic Coast
Baker Aviation
Bellair
Bemidji
Bering Air
Boston-Maine Airways
Caimai Air
Cape Smythe Air Services
Capital Cargo Int'l
Casino Express
Chautauqua
Chicago Express
Colgan Air
Commutair
Eagle Canyon
Ellis Air Taxi
Express.Net
Falcon Air Express
Florida West Int'l
Freedom Air
Frontier Flying Service
Grant Aviation
Great Plains
Gulfstream Int'l
Hageland Aviation
Iliama Air Taxi
Inland Aviation
Island Air Service
Kalitta Air
Katmai Air
Kenmore Air Harbor
Lab Flying Service
Larry's Flying Service
Lynden Air Cargo
Miami Air Int'l
Mountain Bird/Salmon Air
North American
Northern Air Cargo
Northwest Seaplanes
Olson Air
Omni Air
Pacific Island Aviation
Pan American Airways
Peninsula Airways
Piedmont
Pinnacle
Planet Airways
Promech
PSA
Reliant
Rio Grande Air
Servant Air
Shuttle America
Sierra Pacific
Skagway Air
Sky King
Sky West
Skyway
Smokey Bay Air
Southeast
Southern Air
Spernak Airways
Sunworld Int'l
Tanana Air
Taquan Air Service
Tatonduk
Tradewinds
Trans Air Link
Transmeridian
USA 3000
Vieques Air Link
Vintage Props & Jets
Warbelows Air
West Isle Air
Wings of Alaska
Wright Air
Yute Air
Zantop Int'l

Note: Major airlines have annual revenues in excess of $1 billion; nationals have revenues between $100 million and $1 billion; regionals have revenues under $100 million.
1 Not included in summary industry data. ■ ATA Member

Operating Fleet—ATA Airlines

(Mainline aircraft as of December 31, 2002)

		Airborne Express (GB)	Alaska (AS)	Aloha (AQ)	America West (HP)	American (AA)	American Trans Air (TZ)	Atlas Air (5Y)	Continental (CO)	Delta (DL)	DHL Airways (ER)	Evergreen Int'l (EZ)	FedEx (FX)	Hawaiian (HA)	JetBlue (B6)	Midwest Express (YX)	Northwest (NW)	Polar Air Cargo (PO)	Southwest (WN)	United (UA)	UPS Airlines (5X)	US Airways (US)	**Total U.S. Members**	Aeromexico (AM)	Air Canada (AC)	Air Jamaica (JM)	KLM Royal Dutch (KL)	Mexicana (MX)	**Total All Members**
Airbus	A300					34					7		39								24		**104**						**104**
	A310												45										**45**			4			**49**
	A319				32												57			55		66	**210**		46			10	**266**
	A320				49										37		76			98		24	**284**		50	10		24	**368**
	A321																					28	**28**		13	3			**44**
	A330																					9	**9**		8				**17**
	A340																						-		9	3			**12**
Boeing	B-717													13									**13**						**13**
	B-727									21	20		126				13				44		**224**					7	**231**
	B-737		71	25	51	77	30		248	149									375	158		110	**1,294**		32		46		**1,372**
	B-747							36				10					46	15		44	17		**168**		6		34		**208**
	B-757				13	151	26		45	121							63			97	75	32	**623**	8				9	**640**
	B-767	27				78			26	123				11						55	32	11	**363**	5	55		12		**435**
	B-777					43			18	8										60			**129**						**129**
	DC-8	20									8										49		**77**						**77**
	DC-9	74										7				20	167						**268**	12					**280**
	DC-10												48	2			22						**72**						**72**
	MD-10												22										**22**						**22**
	MD-11									15			42								5		**62**				10		**72**
	MD-80		31			362			29	120						12							**554**	42					**596**
	MD-90									16													**16**						**16**
Canadair	CL-65																						-		25				**25**
Fokker	F-100					74																	**74**						**74**
Lockheed	L-1011						13																**13**						**13**
Total		**121**	**102**	**25**	**145**	**819**	**69**	**36**	**366**	**573**	**35**	**17**	**322**	**26**	**37**	**32**	**444**	**15**	**375**	**567**	**246**	**280**	**4,652**	**67**	**244**	**20**	**102**	**50**	**5,135**

( ) Airline Code

Aircraft Operating Statistics—2002

(Figures are averages for most commonly used models.)

	Seats	Cargo Payload (Tons)	Airborne Speed (Miles per Hour)	Stage Length (Statute Miles)	Fuel (Gallons per Hour)	Operating Cost ($ per Hour)	Operating Cost (¢ per Seat Mile)
B747-200/300*	370	16.60	520	3,148	3,625	9,153	5.11
B747-400	367	8.06	534	3,960	3,411	8,443	4.60
B747-100*	-	46.34	503	2,022	1,762	3,852	-
B747-F*	-	72.58	506	2,512	3,593	7,138	-
L-1011	325	0.04	494	2,023	1,981	8,042	5.67
DC-10*	286	24.87	497	1,637	2,405	7,374	5.11
B767-400	265	6.26	495	1,682	1,711	3,124	2.71
B-777	263	9.43	525	3,515	2,165	5,105	3.98
A330	261	11.12	509	3,559	1,407	3,076	2.51
MD-11*	261	45.07	515	2,485	2,473	7,695	4.75
A300-600*	235	19.12	460	947	1,638	6,518	5.93
B757-300	235	0.30	472	1,309	985	2,345	2.44
B767-300ER*	207	7.89	497	2,122	1,579	4,217	4.38
B757-200*	181	1.41	464	1,175	1,045	3,312	4.47
B767-200ER	175	3.72	487	1,987	1,404	3,873	5.08
A321	169	0.44	454	1,094	673	1,347	2.05
B737-800/900	151	0.37	454	1,035	770	2,248	3.88
MD-90	150	0.25	446	886	825	2,716	4.93
B727-200*	148	6.46	430	644	1,289	4,075	6.61
B727-100*	-	11.12	417	468	989	13,667	-
A320	146	0.31	454	1,065	767	2,359	4.14
B737-400	141	0.25	409	646	703	2,595	5.48
MD-80	134	0.19	432	791	953	2,718	5.72
B737-700LR	132	0.28	441	879	740	1,692	3.28
B737-300/700	132	0.22	403	542	723	2,388	5.49
A319	122	0.27	442	904	666	1,913	4.22
A310-200*	-	25.05	455	847	1,561	8,066	-
DC-8*	-	22.22	437	686	1,712	8,065	-
B737-100/200	119	0.11	396	465	824	2,377	6.08
B717-200	112	0.22	339	175	573	3,355	12.89
B737-500	110	0.19	407	576	756	2,347	6.49
DC-9	101	0.15	387	496	826	2,071	6.86
F-100	87	0.05	398	587	662	2,303	8.46
B737-200C	55	2.75	387	313	924	3,421	19.89
ERJ-145	50	0.00	360	343	280	1,142	8.63
CRJ-145	49	0.01	397	486	369	1,433	9.45
ERJ-135	37	0.00	357	382	267	969	9.83
SD 340B	33	0.00	230	202	84	644	11.66

* Data includes cargo operations.

safety

The worst financial year in the industry's history saw not a single fatality.

Safety Trend

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

Year	Departures (Millions)	Total Accidents	Fatal Accidents	Fatal Accident Rates[1]	Fatalities
1992	7.5	16	4	0.053	33
1993	7.7	22	1	0.013	1
1994	7.8	19	4	0.051	239
1995	8.1	34	2	0.025	166
1996	7.9	32	3	0.038	342
1997	9.9	44	3	0.030	3
1998	10.5	43	1	0.009	1
1999	10.9	46	2	0.018	12
2000	11.0	50	3	0.027	92
2001	9.8	41	6	0.020	531
2002	10.1	34	0	0.000	0

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

Source: National Transportation Safety Board

Safety Comparison

U.S. Passenger Fatalities Per 100 Million Passenger Miles

Year	Autos[1]	Buses[2]	Railroads[3]	Airlines[4]
1991	0.91	0.04	0.06	0.03
1992	0.83	0.04	0.02	0.01
1993	0.86	0.02	0.45	0.01
1994	0.91	0.03	0.04	0.06
1995	0.97	0.03	0.00	0.04
1996	0.96	0.02	0.09	0.08
1997	0.92	0.01	0.05	0.01
1998	0.86	0.05	0.03	0.00
1999	0.83	0.07	0.10	0.003
2000	0.80	0.01	0.03	0.02
10-Yr. Avg.	**0.88**	**0.03**	**0.08**	**0.02**

1 Passenger cars/taxis; drivers considered passengers; data from the National Safety Council Fatality Analysis Reporting System.
2 Does not include school buses; data from the National Safety Council Fatality Analysis Reporting System.
3 Data from the Federal Railroad Administration.
4 Large and commuter scheduled airlines, excluding cargo; data from the National Transportation Safety Board.

FAA Aviation Forecasts

U.S. Commercial Air Carriers—Fiscal Years 2003-2014

Fiscal Year	Scheduled Passengers (Millions)	Scheduled Passenger Miles (Billions)	Combination Carrier Revenue Ton Miles (Millions)	All-Cargo Carrier Revenue Ton Miles (Millions)	Passenger Jet Aircraft	Cargo Jet Aircraft	Air Carrier Departures[1] (Thousands)	Commuter Departures[1] (Thousands)	Total Departures[1] (Thousands)
2003	646.9	654.9	10,283.4	18,332.6	5,362	1,052	6,469	5,653	12,122
2004	679.8	680.5	10,700.9	19,268.2	5,575	1,082	6,681	5,879	12,559
2005	709.1	710.9	11,230.4	20,322.0	5,844	1,127	6,870	6,114	12,984
2006	737.6	740.9	11,792.9	21,481.8	6,146	1,170	7,033	6,310	13,343
2007	765.0	771.4	12,357.3	22,661.1	6,453	1,218	7,183	6,498	13,680
2008	793.2	802.7	12,932.9	23,873.0	6,702	1,270	7,343	6,671	14,014
2009	822.8	835.8	13,527.8	25,137.8	6,938	1,313	7,515	6,840	14,354
2010	854.0	870.5	14,157.8	26,477.5	7,154	1,362	7,698	7,005	14,704
2011	886.8	906.8	14,776.9	27,836.1	7,377	1,411	7,893	7,169	15,062
2012	921.3	944.9	15,420.1	29,258.6	7,615	1,458	8,100	7,330	15,430
2013	957.8	985.0	16,065.4	30,718.7	7,858	1,504	8,321	7,488	15,810
2014	996.2	1,027.0	16,724.2	32,232.3	8,095	1,547	8,568	7,645	16,213

1 Departures based on projected air carrier operations at U.S. airports only; includes non-U.S. carriers.

Top 25 U.S. Airports—2002

	Passengers (Arriving+Departing)	(000)		Cargo Metric Tons (Loaded+Unloaded)	(000)		Operations (Takeoffs+Landings)	(000)
1	Atlanta (ATL)	76,876	1	Memphis (MEM)	3,390	1	Chicago (ORD)	924
2	Chicago (ORD)	66,501	2	Anchorage (ANC)	2,028	2	Atlanta (ATL)	890
3	Los Angeles (LAX)	56,198	3	Los Angeles (LAX)	1,758	3	Dallas/Fort Worth (DFW)	765
4	Dallas/Fort Worth (DFW)	52,826	4	Miami (MIA)	1,624	4	Los Angeles (LAX)	645
5	Denver (DEN)	35,651	5	New York (JFK)	1,574	5	Phoenix (PHX)	546
6	Phoenix (PHX)	35,534	6	Louisville (SDF)	1,524	6	Minneapolis/St. Paul (MSP)	507
7	Las Vegas (LAS)	35,009	7	Chicago (ORD)	1,279	7	Los Angeles (VNY)	498
8	Houston (IAH)	33,946	8	Indianapolis (IND)	866	8	Las Vegas (LAS)	497
9	Minneapolis/St. Paul (MSP)	32,630	9	Newark (EWR)	822	9	Denver (DEN)	494
10	Detroit (DTW)	32,437	10	Atlanta (ATL)	733	10	Detroit (DTW)	491
11	San Francisco (SFO)	31,448	11	Dallas/Fort Worth (DFW)	670	11	Cincinnati (CVG)	487
12	Miami (MIA)	30,060	12	Oakland (OAK)	650	12	Philadelphia (PHL)	463
13	Newark (EWR)	28,972	13	San Francisco (SFO)	594	13	Houston (IAH)	457
14	New York (JFK)	28,889	14	Philadelphia (PHL)	542	14	Charlotte (CLT)	456
15	Seattle (SEA)	26,688	15	Ontario (ONT)	496	15	Miami (MIA)	446
16	Orlando (MCO)	26,651	16	Boston (BOS)	391	16	St. Louis (STL)	437
17	St. Louis (STL)	25,614	17	Dayton (DAY)	390	17	Pittsburgh (PIT)	425
18	Philadelphia (PHL)	24,402	18	Seattle (SEA)	374	18	Salt Lake City (SLC)	407
19	Charlotte (CLT)	23,613	19	Honolulu (HNL)	373	19	Memphis (MEM)	399
20	Boston (BOS)	22,624	20	Cincinnati (CVG)	353	20	Newark (EWR)	394
21	New York (LGA)	21,271	21	Houston (IAH)	340	21	Boston (BOS)	392
22	Cincinnati (CVG)	20,813	22	Denver (DEN)	333	22	Phoenix (DVT)	390
23	Honolulu (HNL)	20,390	23	Washington (IAD)	325	23	Washington (IAD)	373
24	Baltimore (BWI)	19,009	24	Minneapolis/St. Paul (MSP)	320	24	Oakland (OAK)	372
25	Salt Lake City (SLC)	18,653	25	Phoenix (PHX)	310	25	Orlando (SFB)	369

Note: Airport data reflects the scheduled and non-scheduled services of commercial, general and military aviation.
Source: Airports Council International, preliminary data—April 2003.

Top 25 Domestic Airline Markets—2002[1]

Passengers (Thousands)[2]

1	New York	Fort Lauderdale	3,158	10	Dallas/Fort Worth	Houston	1,520	19	New York	Tampa	1,272
2	New York	Chicago	2,707	11	New York	San Francisco	1,500	20	Honolulu	Kona, Hawaii	1,263
3	New York	Orlando	2,646	12	New York	Las Vegas	1,472	21	Los Angeles	Oakland	1,241
4	New York	Los Angeles	2,401	13	Honolulu	Lihue, Kauai	1,430	22	Chicago	Orlando	1,210
5	New York	Atlanta	2,215	14	Chicago	Las Vegas	1,421	23	New York	Dallas/Fort Worth	1,209
6	Honolulu	Kahului, Maui	2,019	15	New York	West Palm Beach	1,410	24	Chicago	Phoenix	1,124
7	New York	Boston	1,637	16	New York	San Juan	1,393	25	Honolulu	Hilo, Hawaii	1,103
8	New York	Washington, DC	1,627	17	New York	Miami	1,345				
9	Chicago	Los Angeles	1,521	18	Los Angeles	Las Vegas	1,330				

1 Includes all commercial airports in a metropolitan area.
2 Outbound plus inbound; does not include connecting passengers.

Definitions of Terms

Air Cargo Total volume of freight, mail and express traffic transported by air. Statistics include the following: ***Freight and Express*** Commodities of all kinds—includes small-package counter services, express services and priority reserved freight. ***Mail*** All classes of mail transported for the U.S. Postal Service.

Available Seat Mile One seat transported one mile.

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

Load Factor The percentage of seating or freight capacity that is utilized.

Return on Investment Net profit plus interest expense (on long-term debt) divided by long-term debt plus stockholders' equity (net worth).

Revenue Passenger Enplanement One revenue passenger boarding an aircraft, including origination, stopover and any connections.

Revenue Passenger Mile One fare-paying passenger transported one mile.

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

Scheduled Service Transport service operated over the routes of a U.S. scheduled airline, based on published flight schedules including extra sections.

Stage Length The distance traveled by an aircraft from takeoff to landing. Average is computed as the ratio of revenue aircraft miles flown to revenue aircraft departures completed.

Trip Segment Length The distance traveled by a passenger on a single flight number (i.e., coupon). Average is computed as the ratio of revenue passenger miles flown to revenue passengers enplaned.

U.S. Airlines Carriers certificated under Chapter 411 of Title 49 of the U.S. Code (formerly Section 401 of the Federal Aviation Act), and which operate large aircraft designed to have a maximum seating capacity of more than 60 seats or a maximum payload of more than 18,000 pounds.

Yield Average revenue per revenue passenger mile or revenue ton mile.

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Air Transport Association (ATA) Member Airlines—2003

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