

Reformulating U.S. Aviation

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The Air Transport Association of America, Inc.

Combination Services (12)

**AirTran Airways
Alaska Airlines
American Airlines
Continental Airlines
Delta Air Lines
Hawaiian Airlines
JetBlue Airways
Midwest Airlines
Northwest Airlines
Southwest Airlines
United Airlines
US Airways**

All-Cargo Services (6)

**ABX Air
ASTAR Air Cargo
Atlas Air / Polar Air Cargo
Evergreen Int'l Airlines
FedEx Corporation
UPS Airlines**

Associate Members (3)

**Air Canada
Air Jamaica
Mexicana**

The L.A. Metro Area is Not Immune from Service Cuts

<u>Los Angeles (LAX)</u>	<u>Dec-07</u>	<u>Dec-08</u>	<u>Change</u>
Airlines	55	56	1
Weekly Flights	5,914	4,989	(925)
Destinations	153	144	(9)
<u>Ontario (ONT)</u>	<u>Dec-07</u>	<u>Dec-08</u>	<u>Change</u>
Airlines	11	9	(2)
Weekly Flights	867	575	(292)
Destinations	34	17	(17)

Sources: Seabury APGDat airline schedules (July 25, 2008)

For Whom the Bell Tolls

U.S. Airline Bankruptcies Since End of 2007 Include Numerous Shutdowns

<u>Out of Business</u>	<u>Last Day of Ops</u>
MAXjet	25-Dec-07
Big Sky	7-Jan-08
Aloha	31-Mar-08
ATA	2-Apr-08
Skybus	5-Apr-08
Eos	27-Apr-08
Champion	31-May-08
Air Midwest	30-Jun-08
Vintage Props & Jets ¹	18-Jul-08
ExpressJet ²	2-Sep-08

1. Intends to re-launch operations should market conditions permit

2. Ceasing branded commercial operations only; will continue to fly as Continental Express

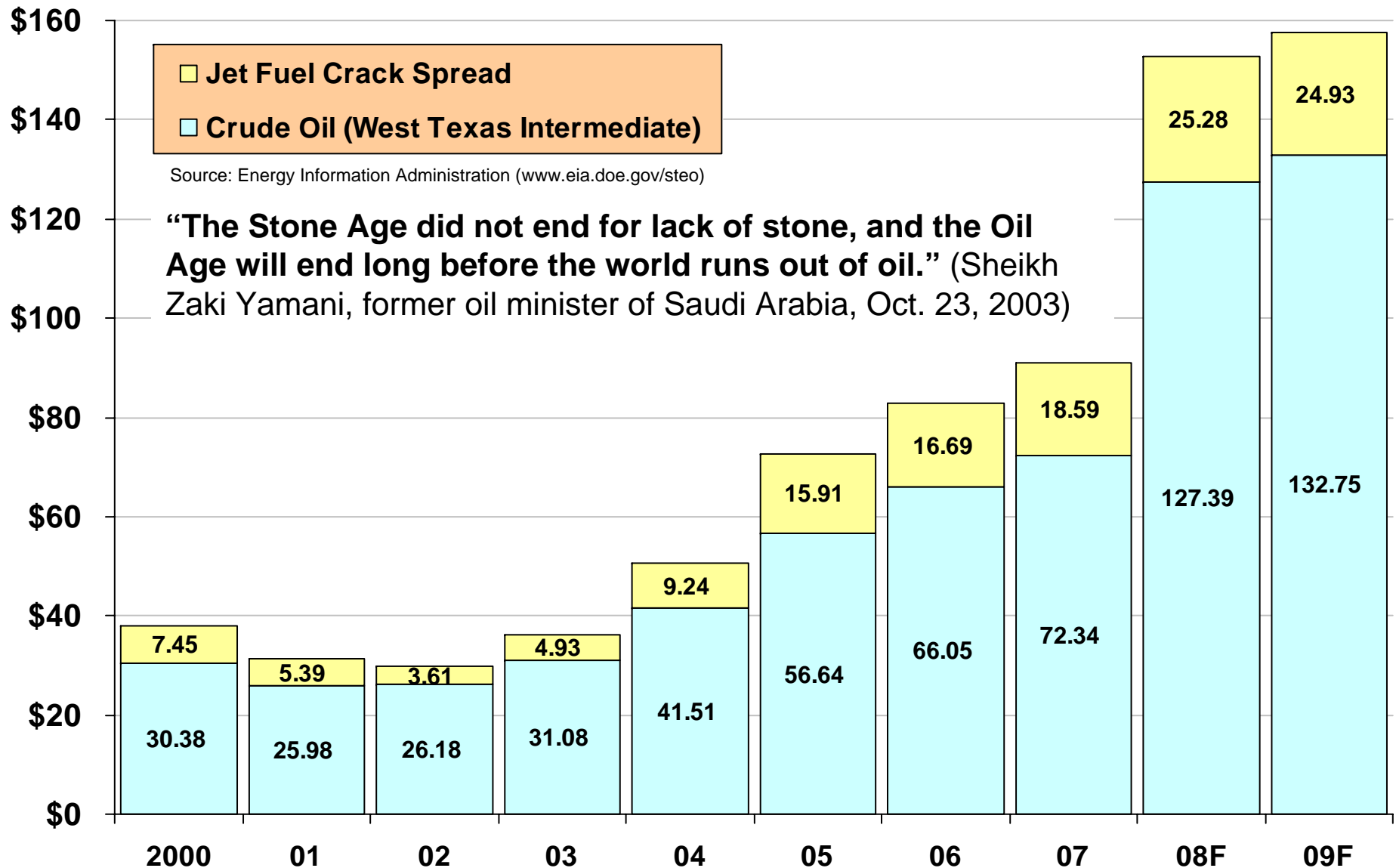
<u>Continuing Operations</u>	<u>Ch. 11 Filing</u>
Frontier	11-Apr-08
Gemini Air Cargo	18-Jun-08

Note: Oasis Hong Kong Airlines and Silverjet are among the non-U.S. airlines that have ceased operations



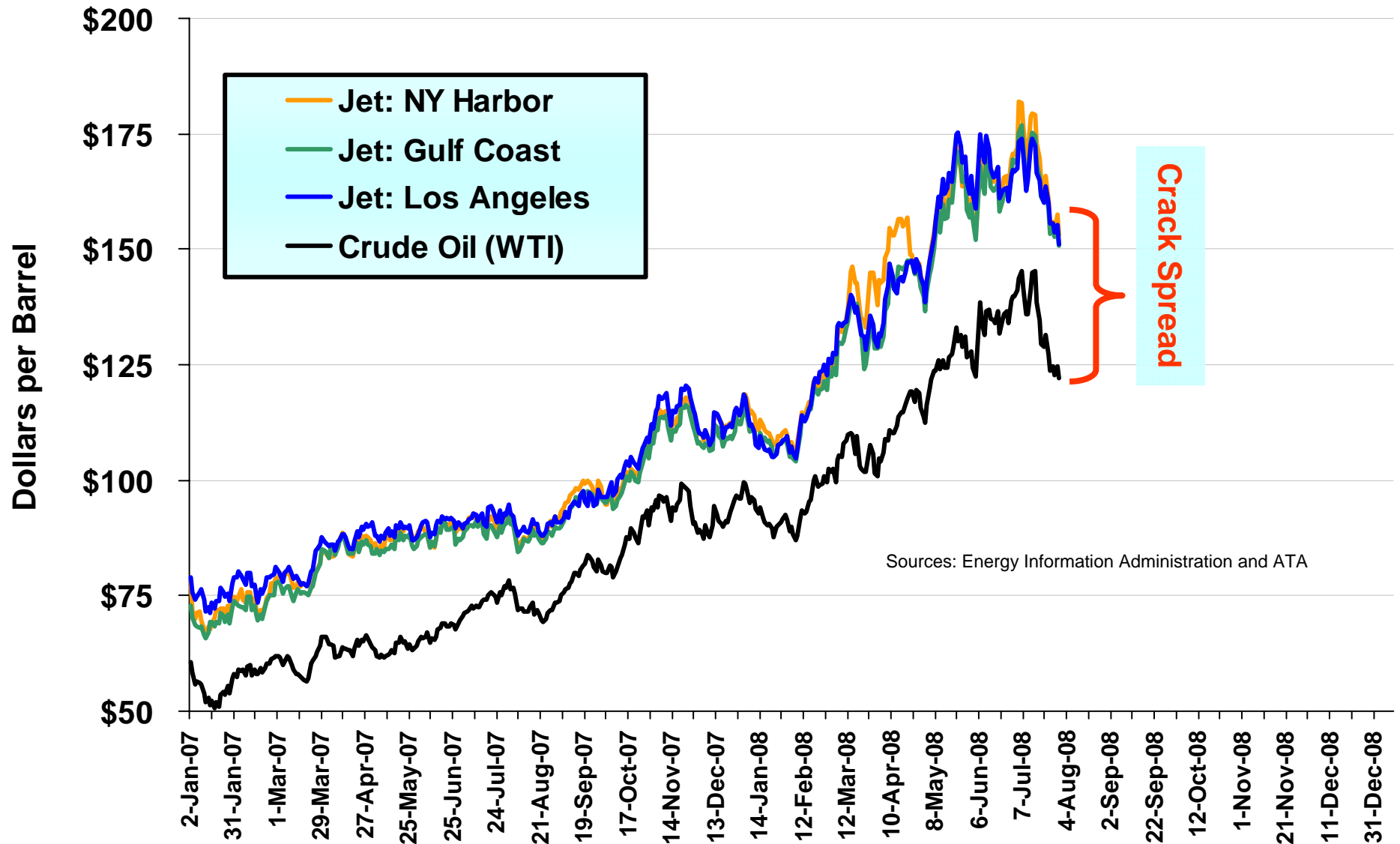
EIA Sees Jet Fuel Prices Soaring in 2008 and 2009

Average Price of U.S. Jet Fuel per Barrel



Jet Fuel Prices Maintaining Premium to Soaring Crude Oil

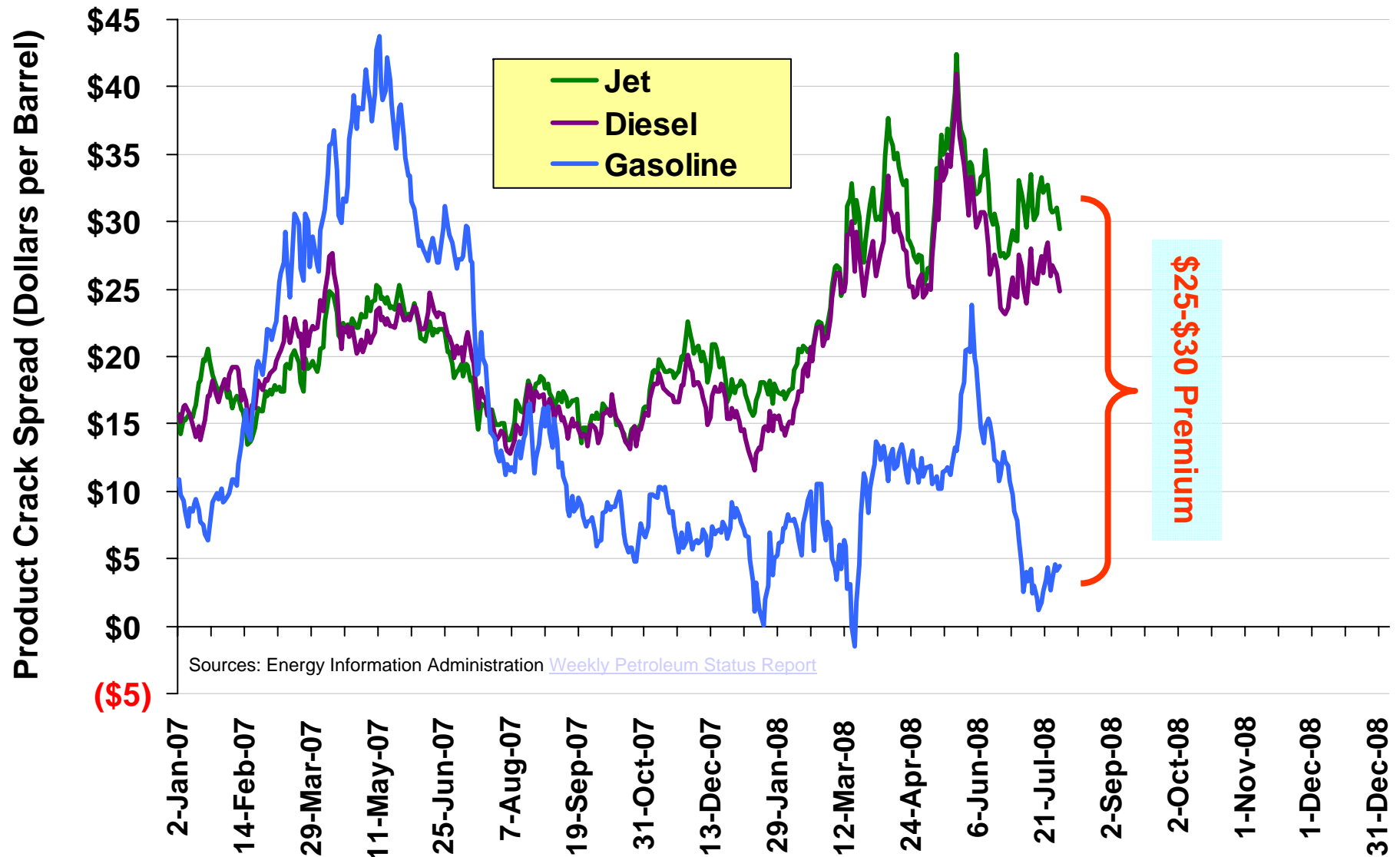
Average Refining Crack Spread Fluctuating Around \$30 per Barrel



Sources: Energy Information Administration and ATA

Jet Fuel Maintaining Premium to Gasoline and Diesel

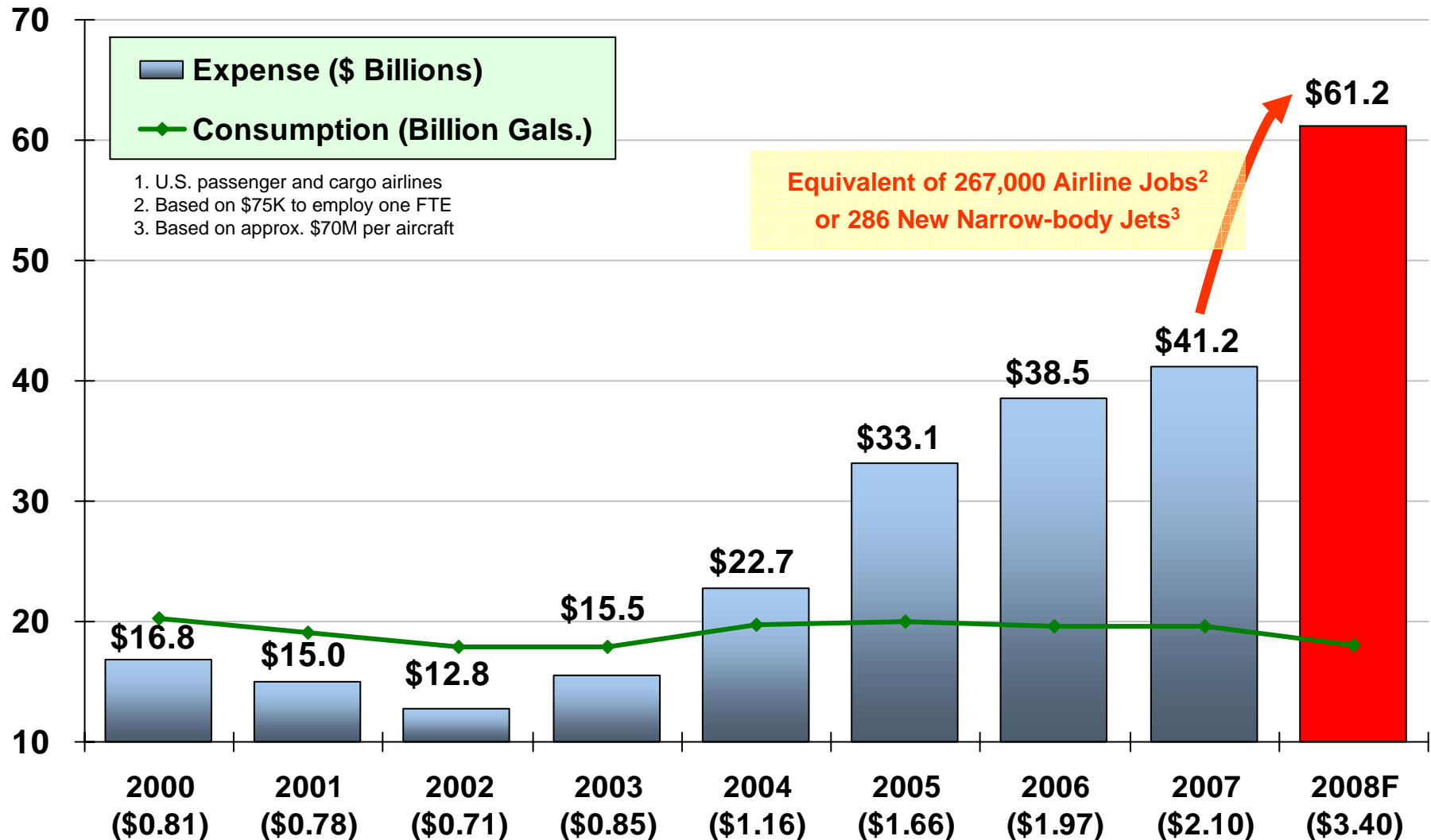
Key Factors Include U.S. Ethanol Mandates and Global Demand for Middle Distillates



(\$5)

2008 Jet Fuel Expense¹ Will Break 2007 Record

Total Expense (Excluding Taxes and Into-Plane Fees) Could Exceed \$61 Billion

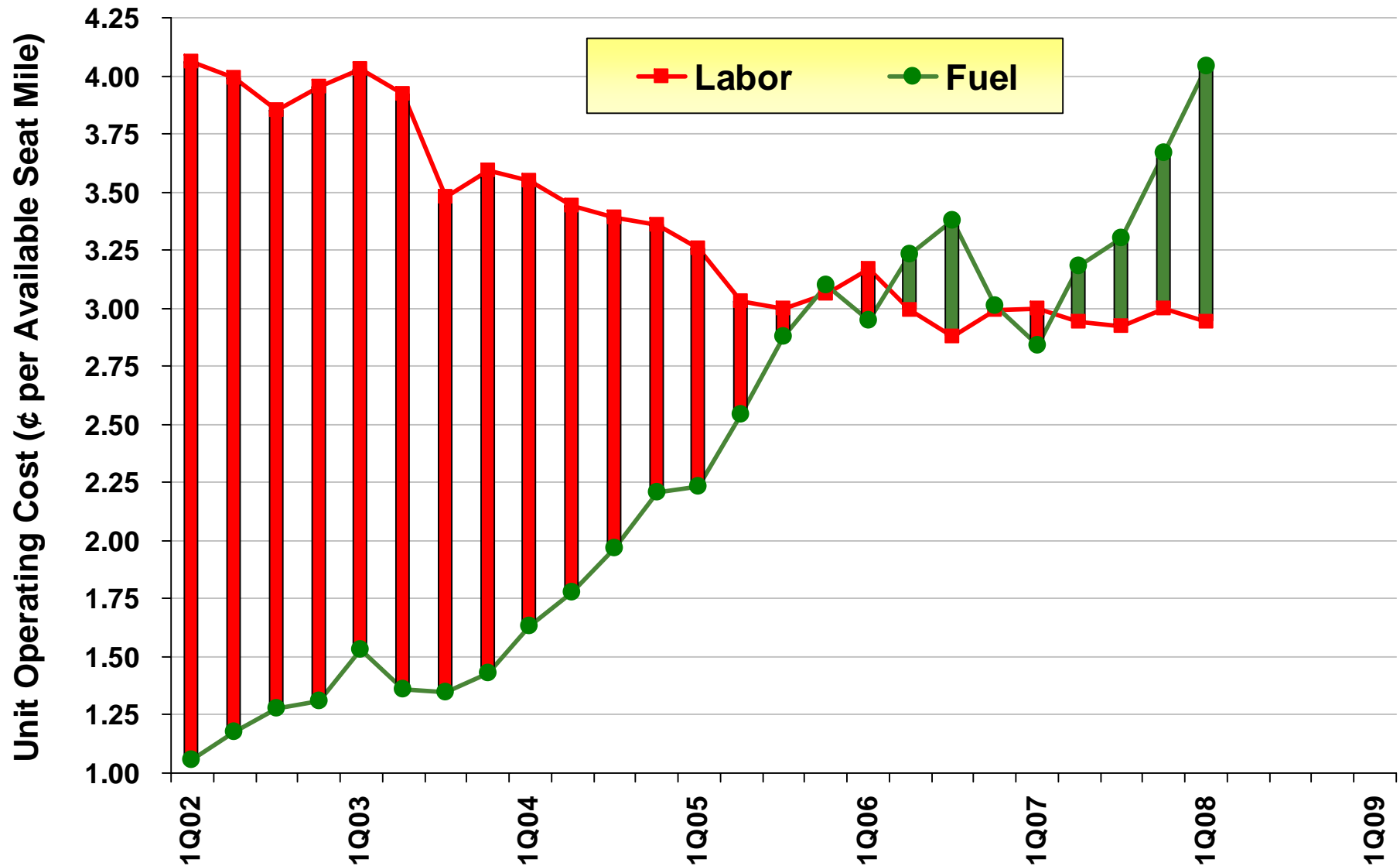


Note: Value in parentheses below year is average price paid per gallon excluding taxes, into-plane fees, pipeline tariffs and hedging costs

Sources: ATA, Energy Information Administration, Department of Transportation

Surging Fuel Expense Offsetting Labor Restructuring

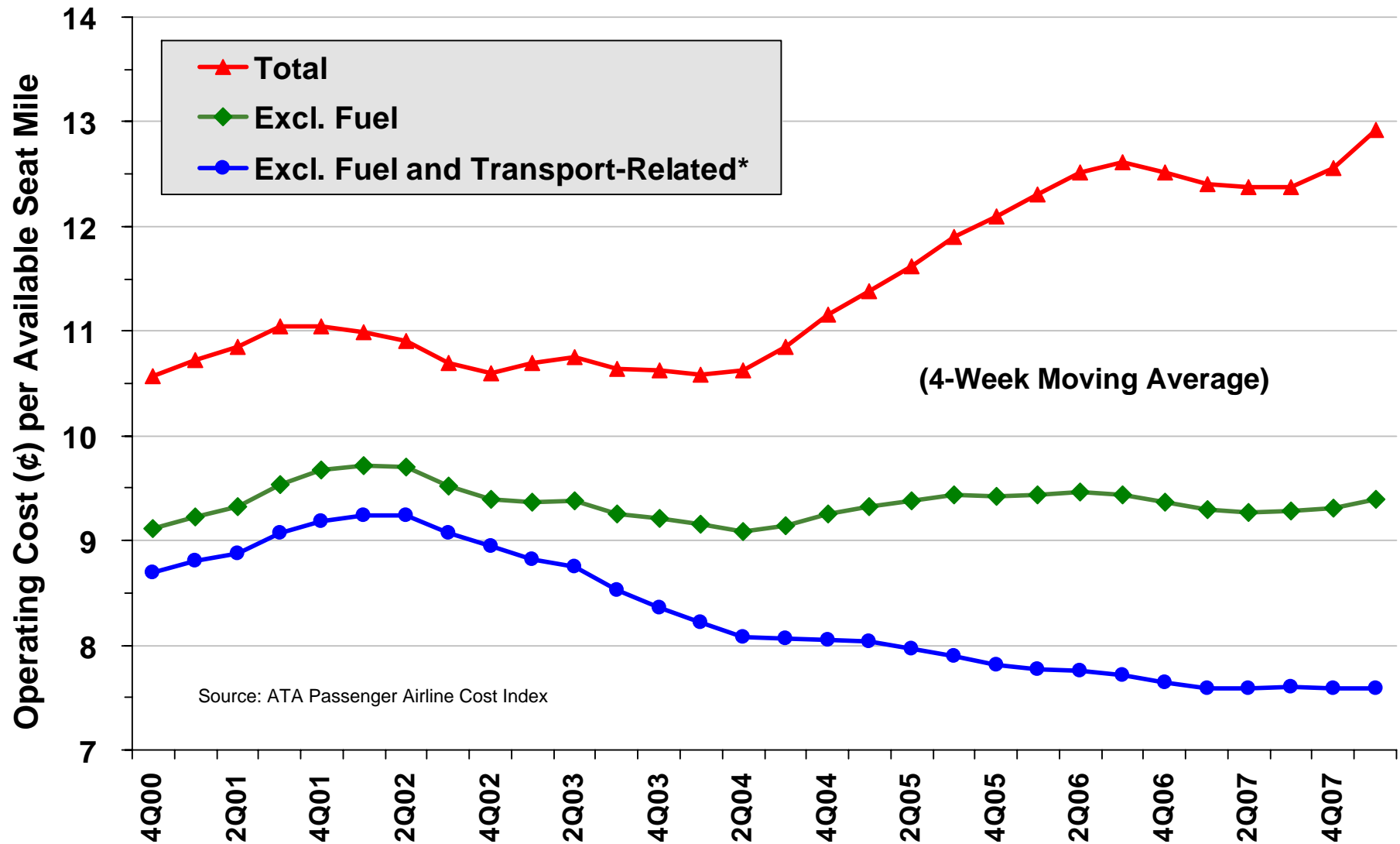
For Passenger Airlines, Fuel CASM Has Overtaken Labor CASM



Source: ATA Passenger Airline Cost Index

Airlines Effectively Managing *Controllable* Costs

Carrier Cost Hikes Overwhelmingly a Function of Higher Fuel Prices

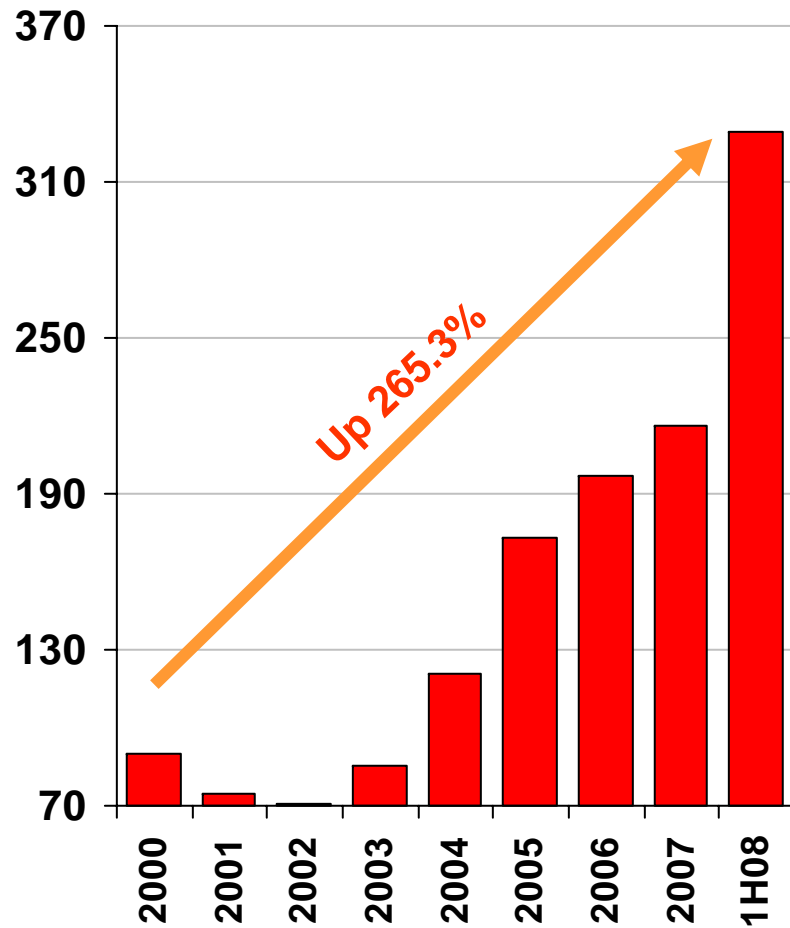


* Expenses incurred for providing air transportation facilities associated with the performance of service which emanate from and are incidental to air transportation services performed by the carrier

Relative to 2000, Jet Fuel Prices Overwhelming Fares

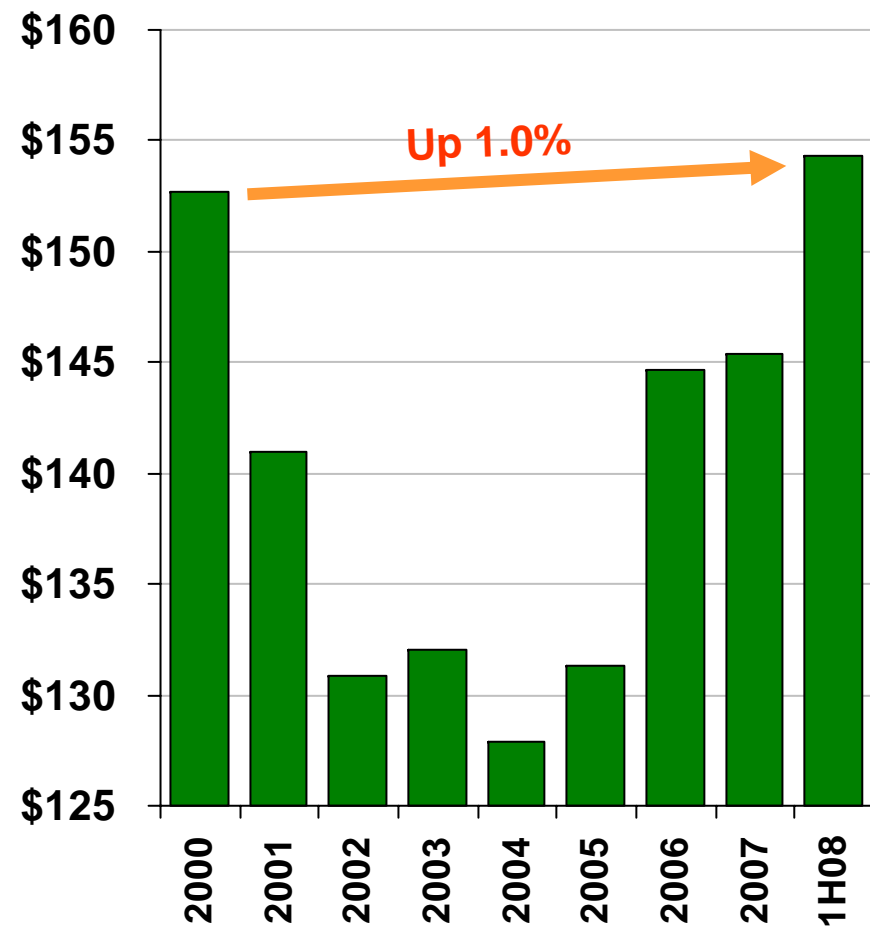
Since 2000, Average U.S. Jet Fuel Price Up 265%, Domestic Fares Up 1%

Average U.S. Jet Fuel Price (Cents per Gallon)



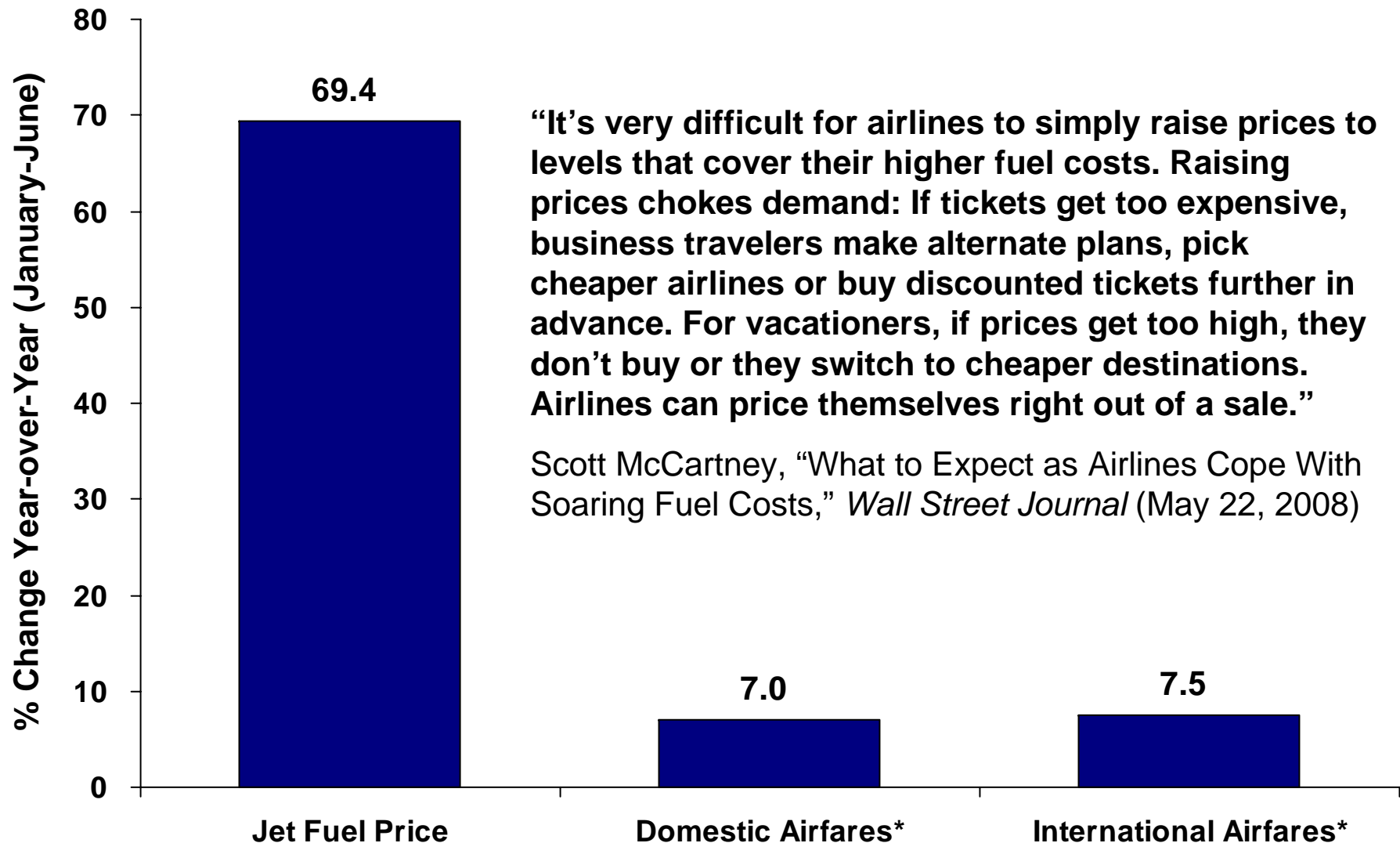
Source: U.S. Energy Information Administration

Avg. Fare to Fly 1,000 Miles Domestically (U.S. Dollars, Excluding Govt. Taxes)



Source: ATA passenger revenue report (mainline + regionals)

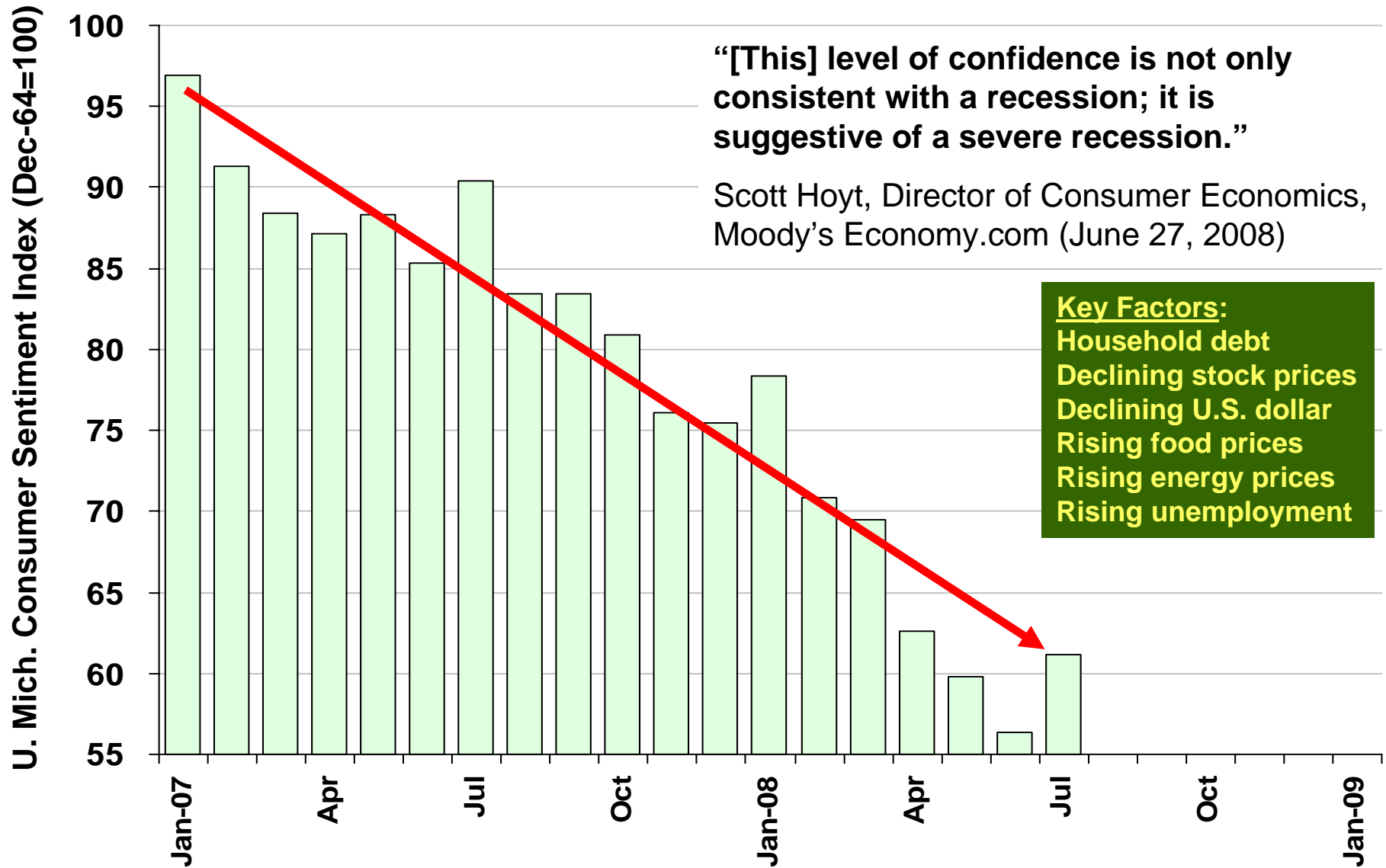
Ticket Prices* Lagging Fuel Prices in 2008



Source: EIA and ATA passenger revenue report

* Fares per mile flown, also known as passenger yield

U.S. Consumer Sentiment at Lowest Level Since May 1980

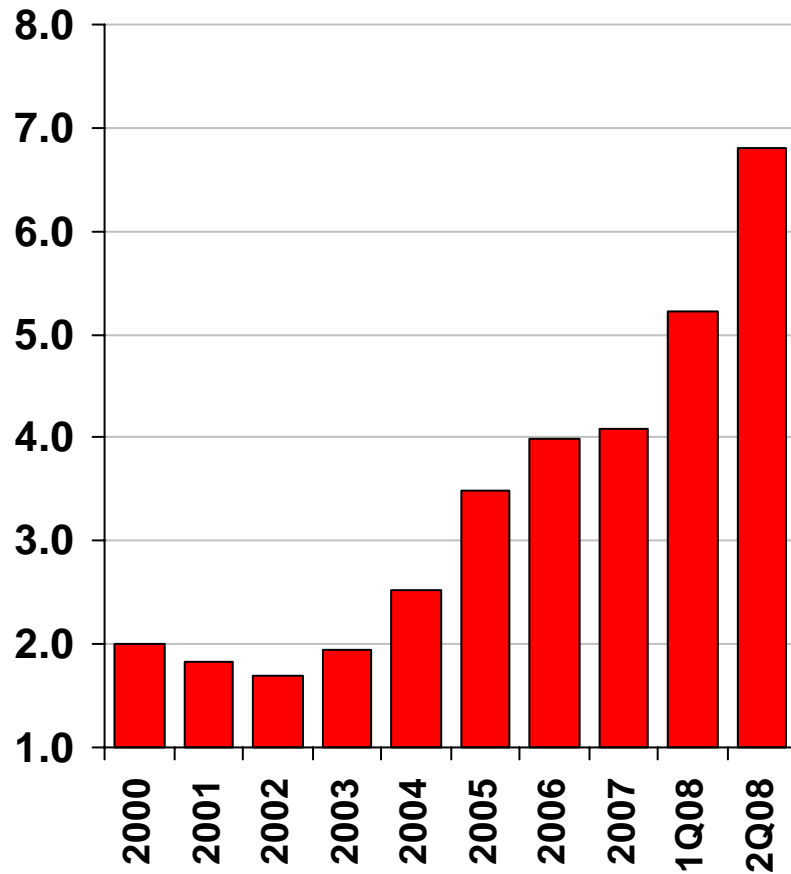


Source: University of Michigan via <https://customers.reuters.com/community/university>

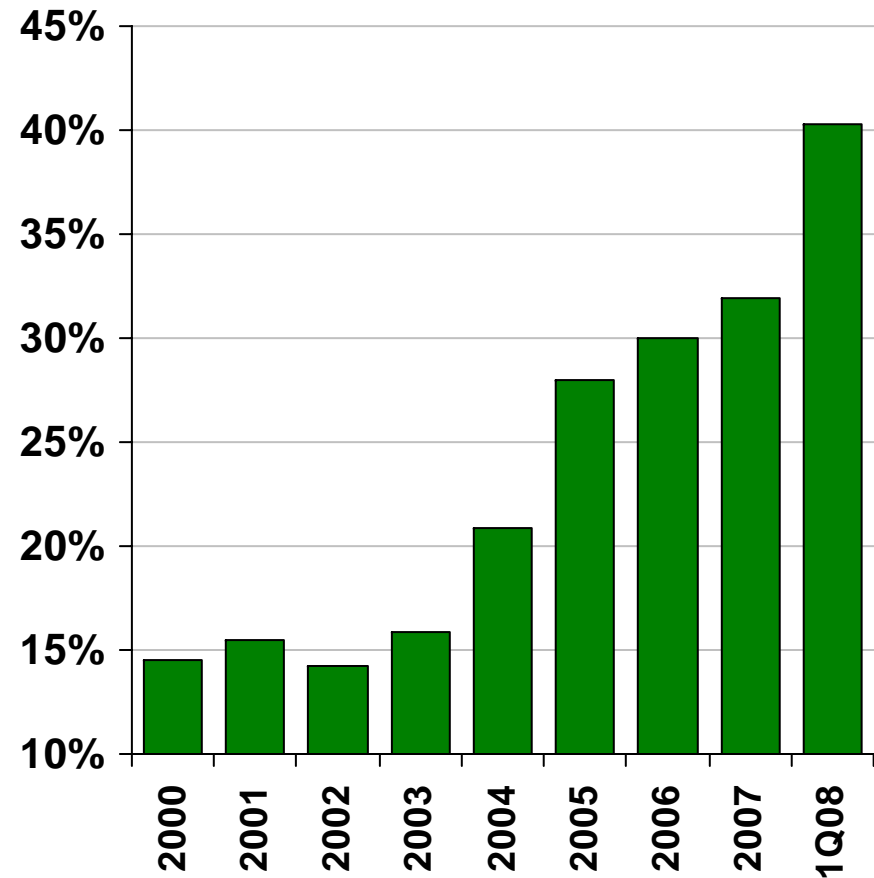
Portion of Ticket Needed to Buy Fuel Exceeds 40%

Airline Fuel Expense per Passenger-Mile Will Exceed 7 Cents in 3Q08

Fuel Cost (¢) per Passenger Mile



Fuel Cost as % of Passenger Revenue



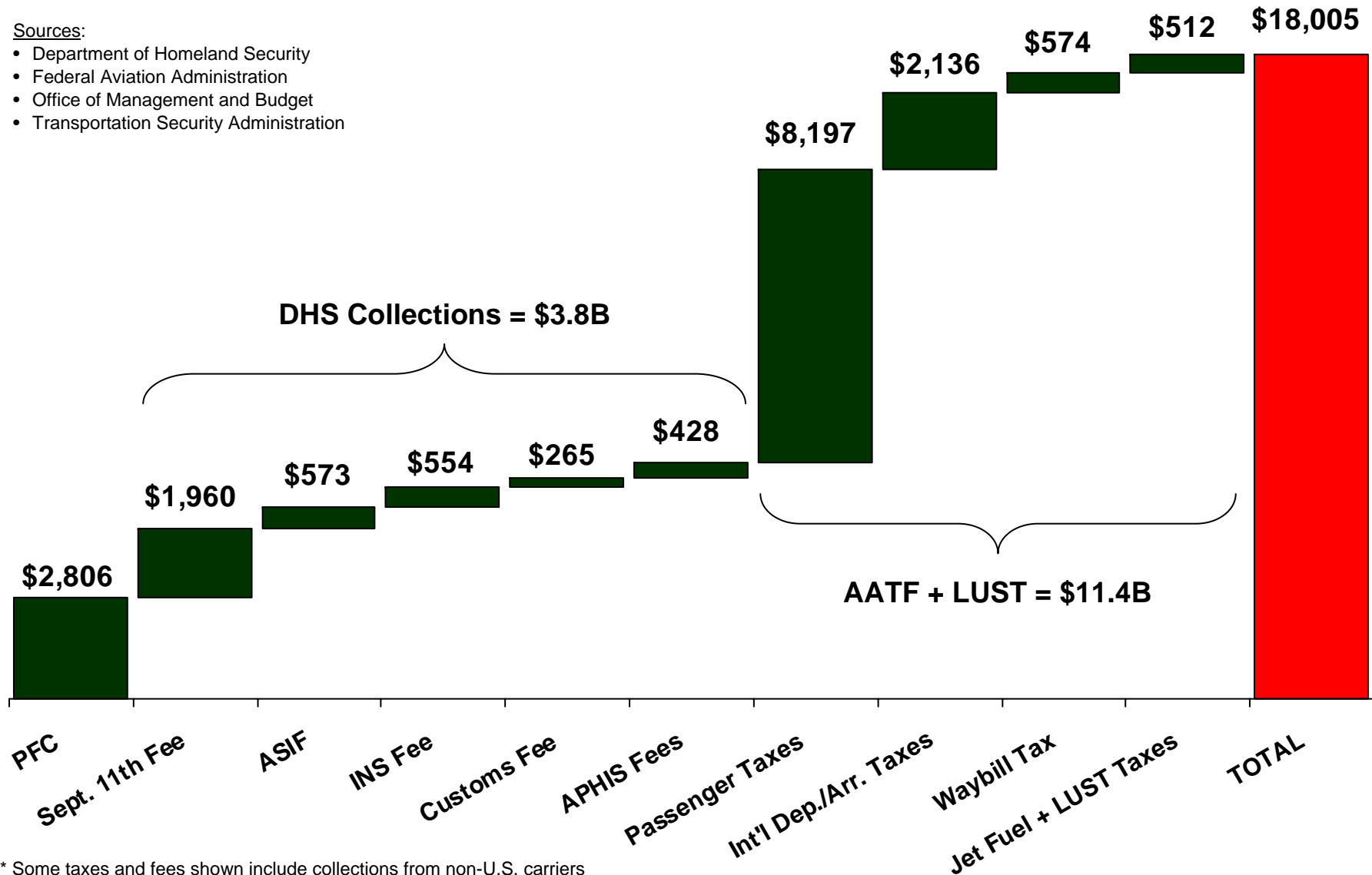
Source: ATA quarterly airline cost index, reflecting systemwide (domestic and international) operations

“Special” Aviation Taxes/Fees* Add \$18B Burden

Estimated Collections Shown in \$Millions

Sources:

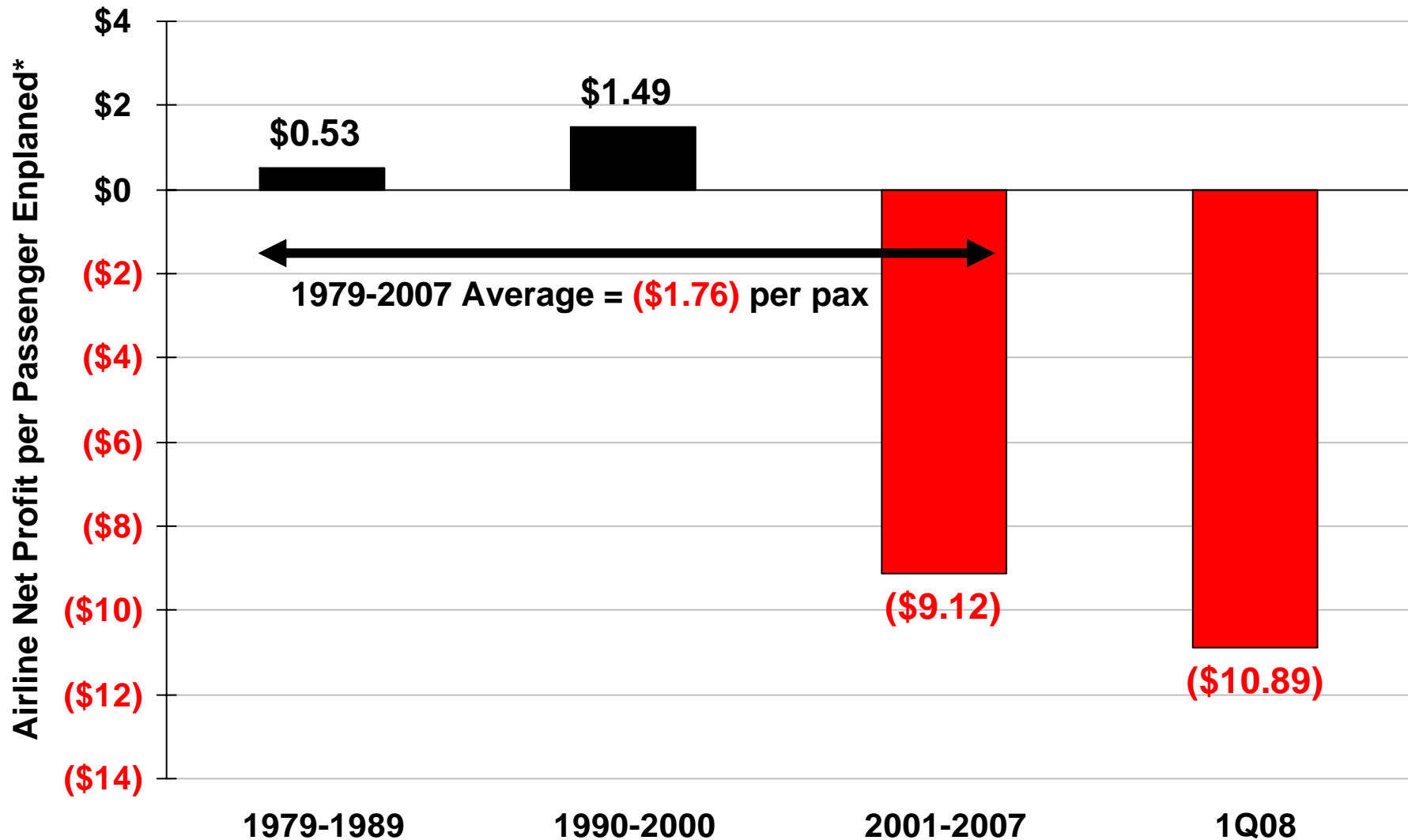
- Department of Homeland Security
- Federal Aviation Administration
- Office of Management and Budget
- Transportation Security Administration



* Some taxes and fees shown include collections from non-U.S. carriers

“It’s Only a Few Bucks per Passenger”

In “Deregulated” Era, ATA Member Airlines Average \$1.76 **Net Loss** per Passenger

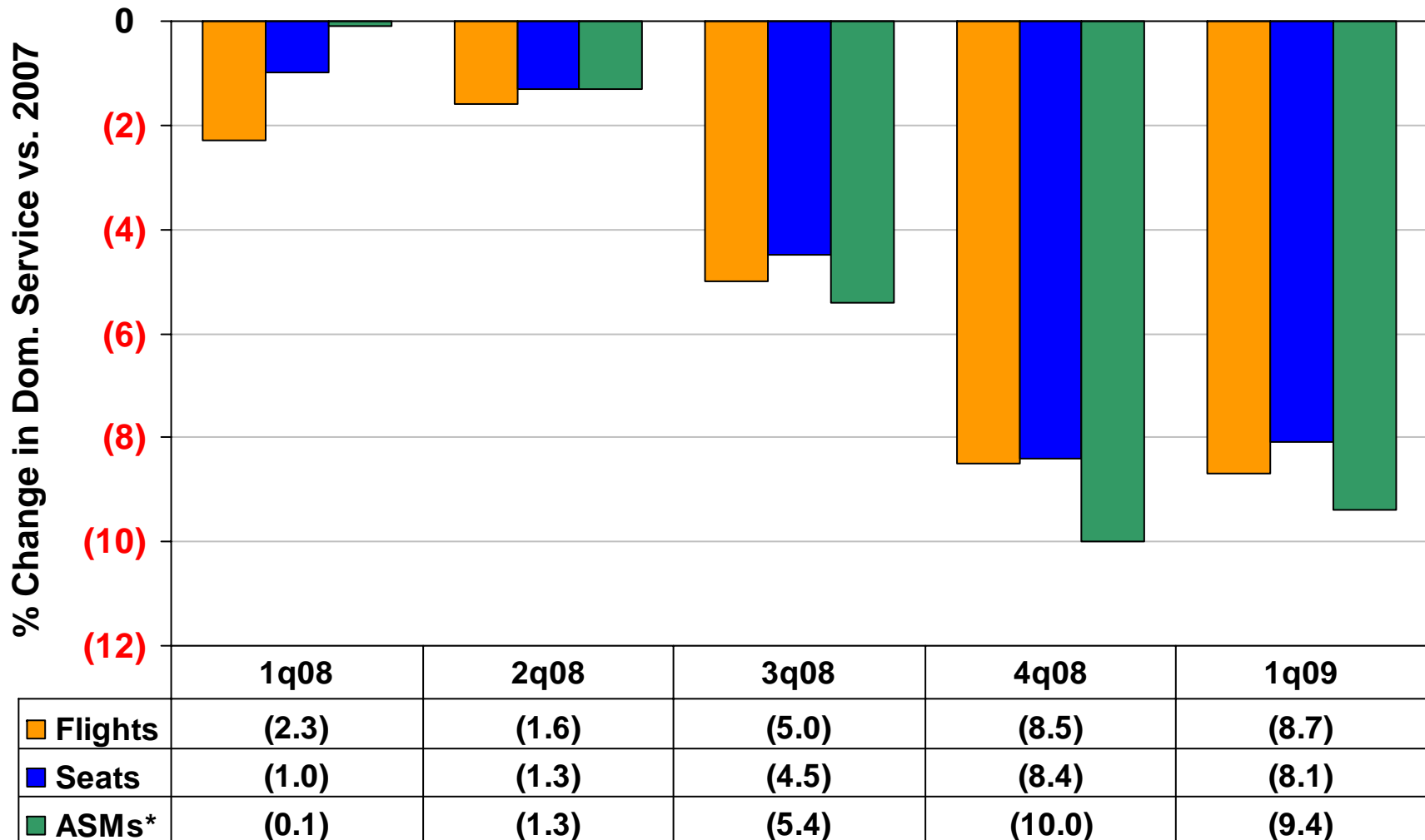


* Based on ATA-member passenger airlines only for each respective year

Sources: ATA Annual Reports of the U.S. Airline Industry and carrier reports and www.acte.org/resources/press_release.php?id=307

Soaring Fuel Prices Forcing Industry Contraction

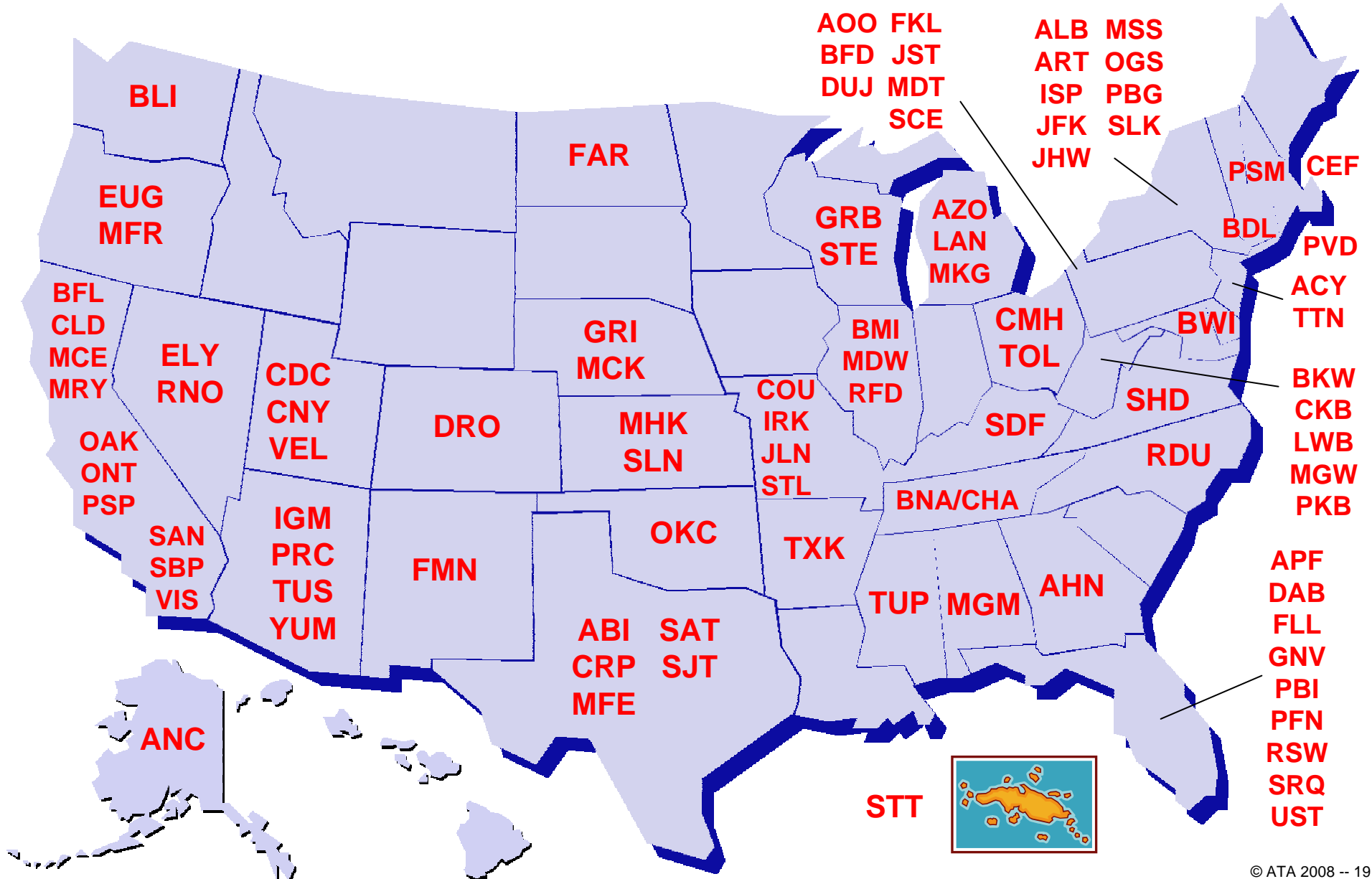
Reduction in Domestic Route Frequency and Seating Capacity Reverses 2007 Trend



* An available seat mile (ASM) is one seat flown one mile and is the standard unit of capacity in the passenger airline sector

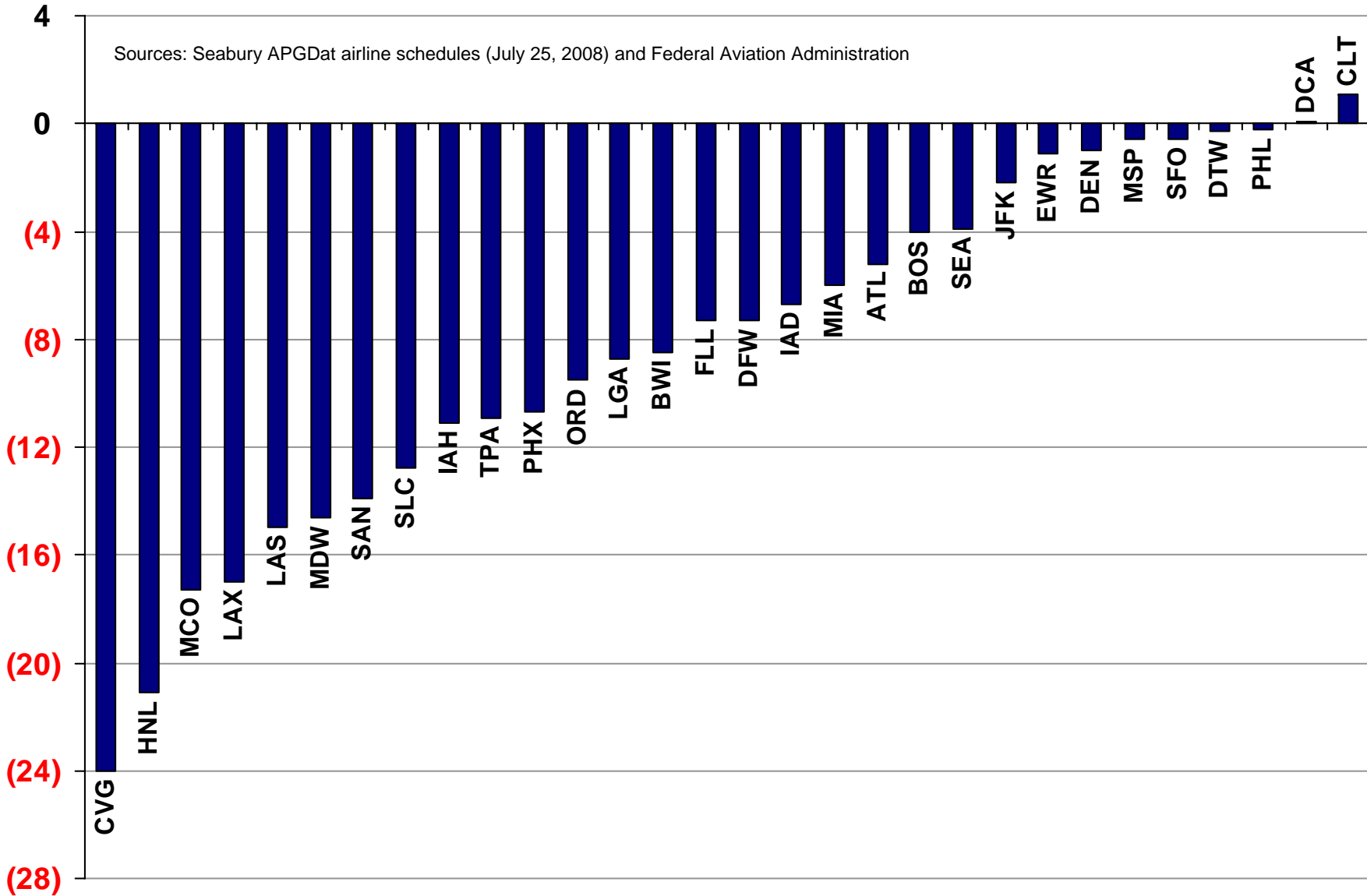
Source: ATA analysis of Seabury APGDat airline schedules as of July 25, 2008

Dozens of U.S. Station Closings Announced or Implemented by Individual U.S. Airlines in 2008



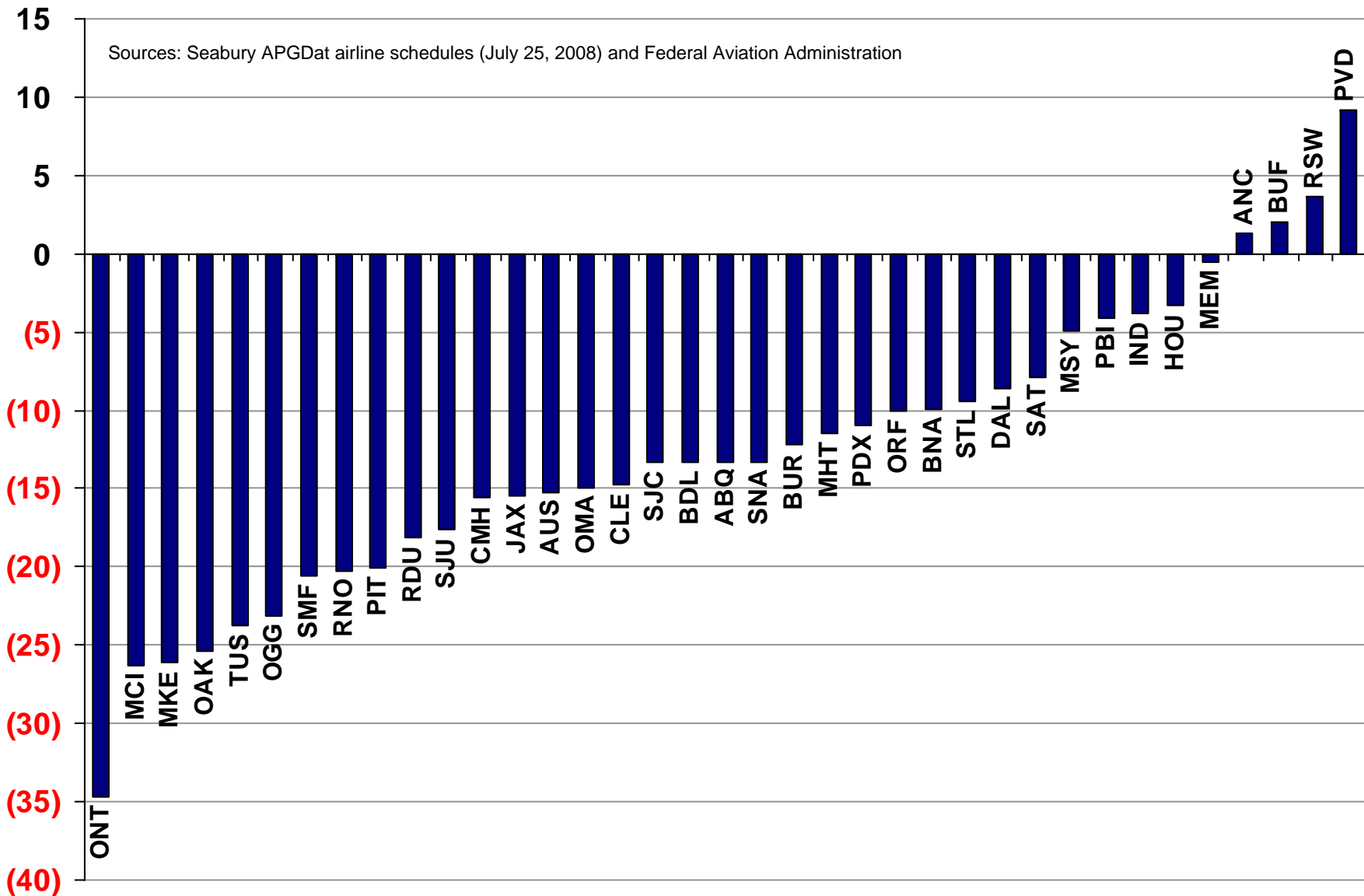
Few FAA “Large Hub” Airports Have Escaped Flight Cuts

% Change in Scheduled Domestic Departures: 4Q08 vs. 4Q07



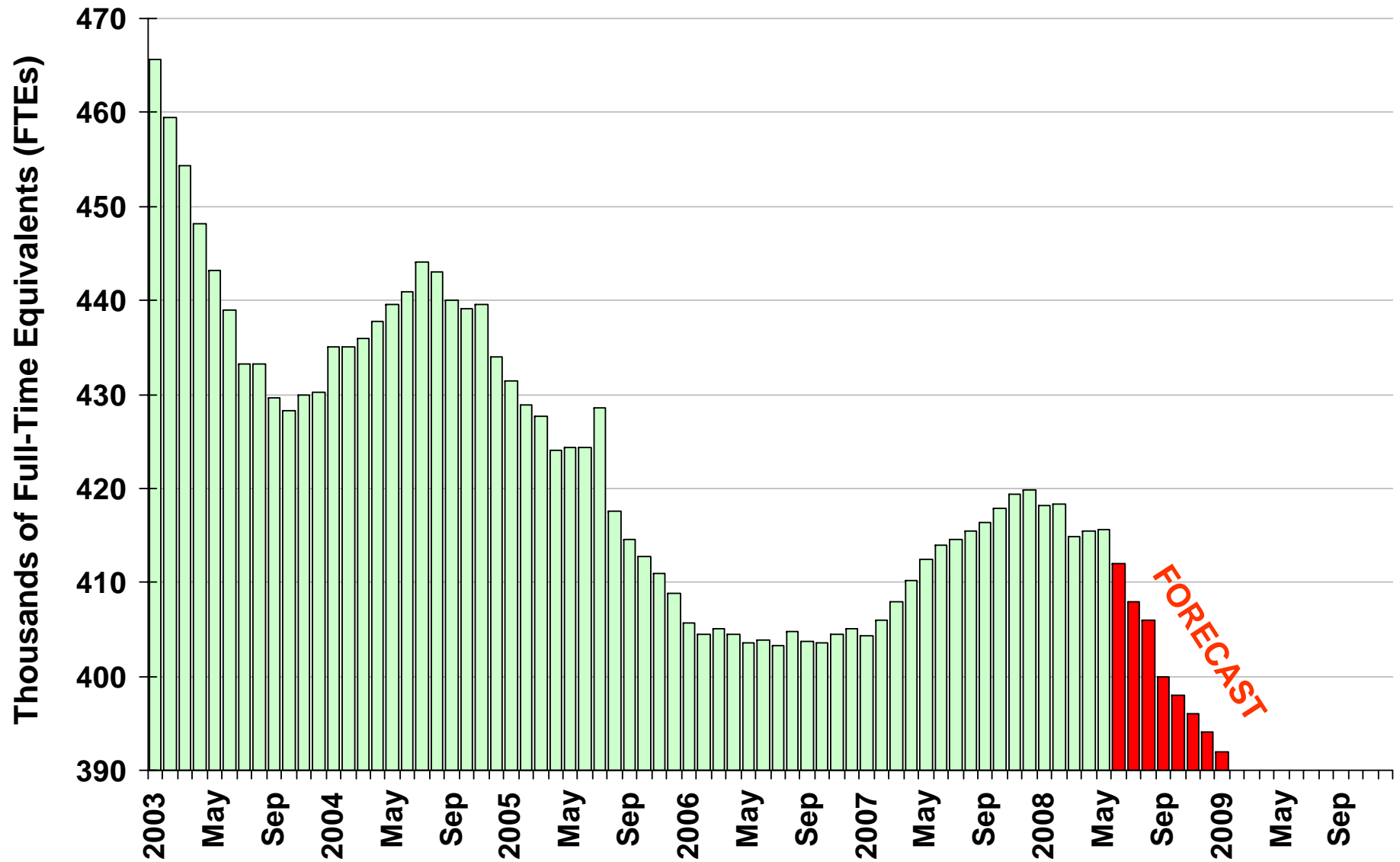
Few FAA “Medium Hub” Airports Have Escaped Flight Cuts

% Change in Scheduled Domestic Departures: 4Q08 vs. 4Q07



Soaring Fuel Prices Taking Heavy Toll on Airline Workers

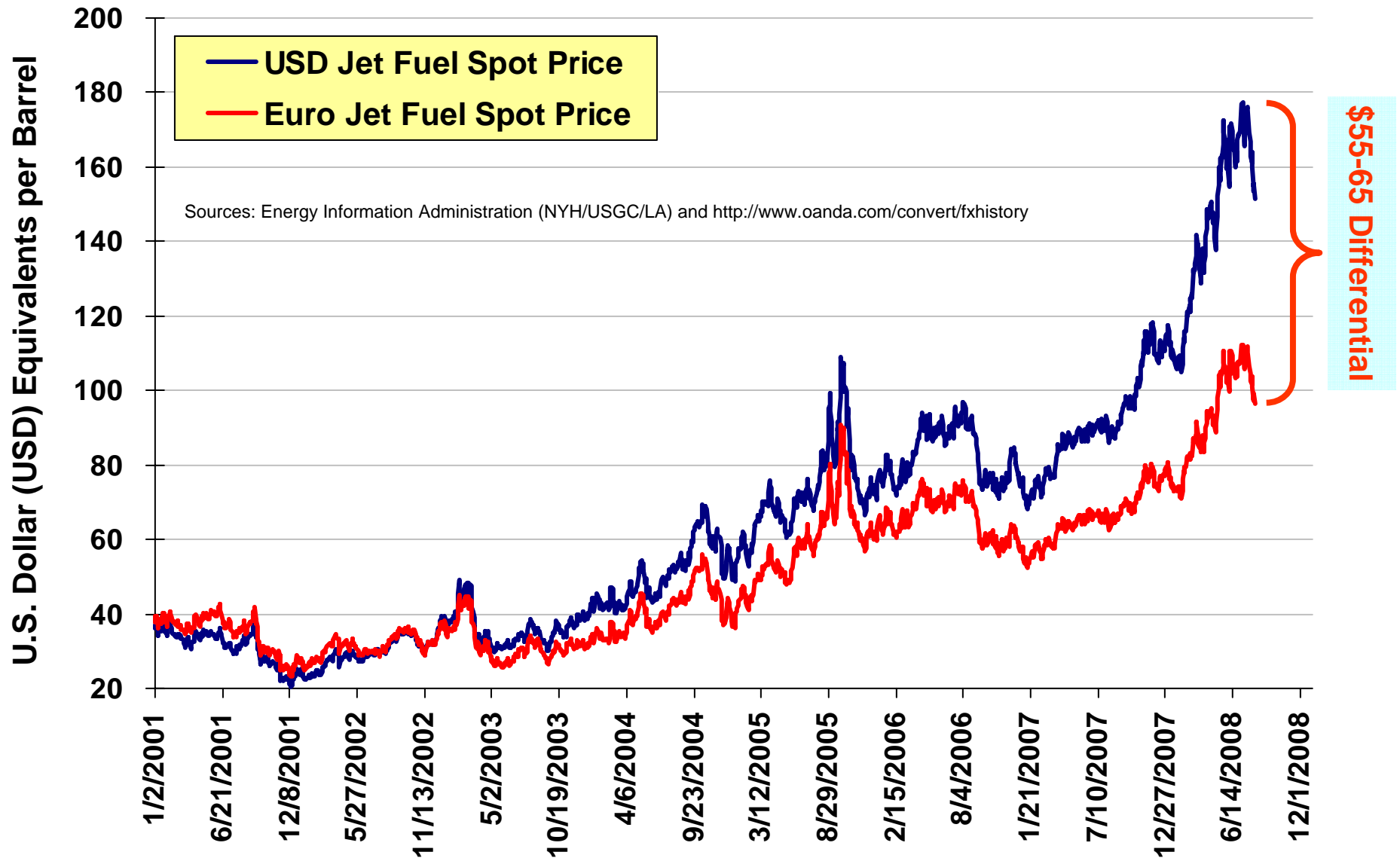
U.S. Passenger Airline Jobs Will Fall Below 400,000 Before 2009



Source: U.S. [Bureau of Transportation Statistics](#)

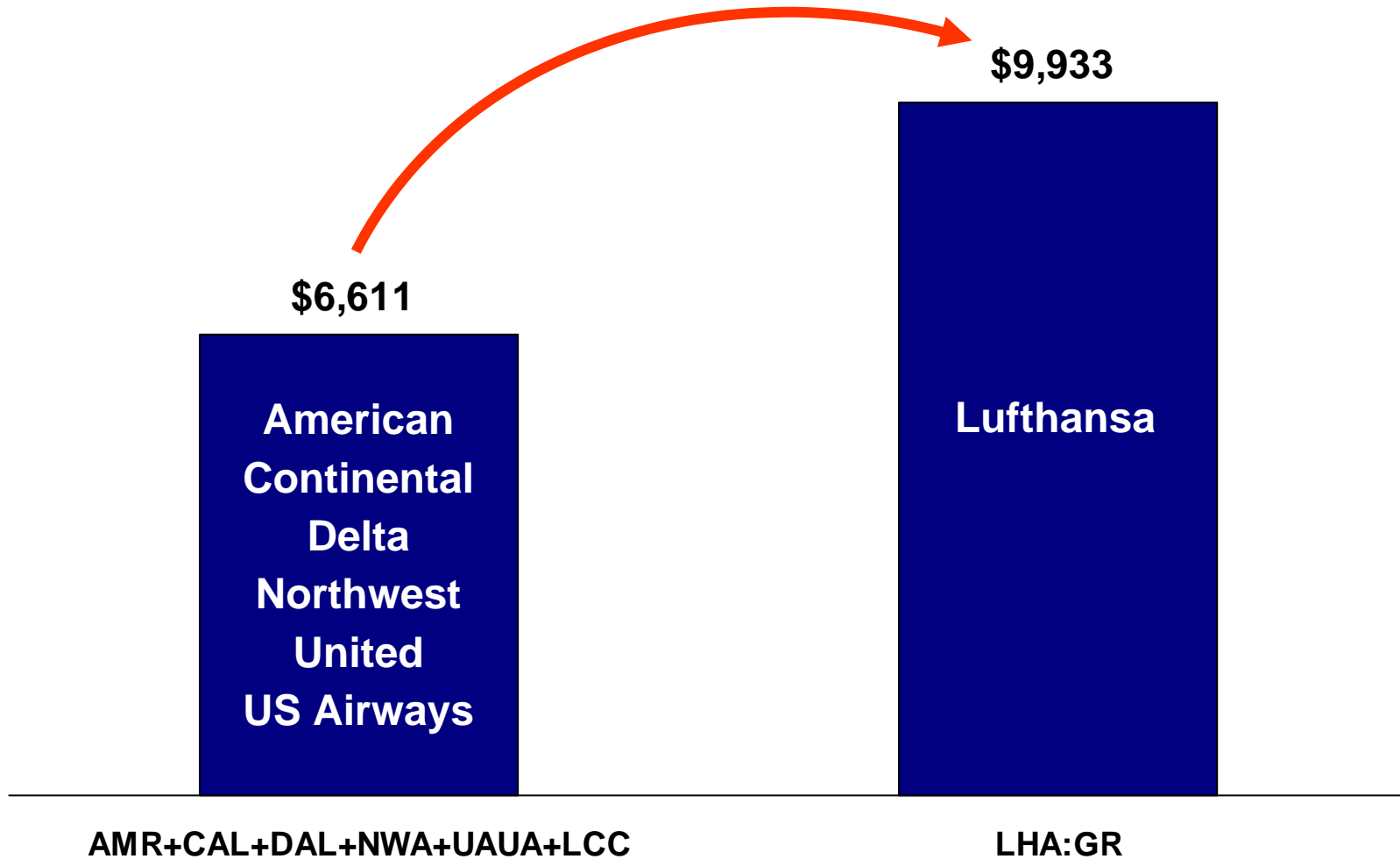
U.S. Airlines Paying Transatlantic Premium for Jet Fuel

USD-Euro Exchange Rate Has Boosted Fuel Price Differential to Nearly 60%



The Transatlantic Blues

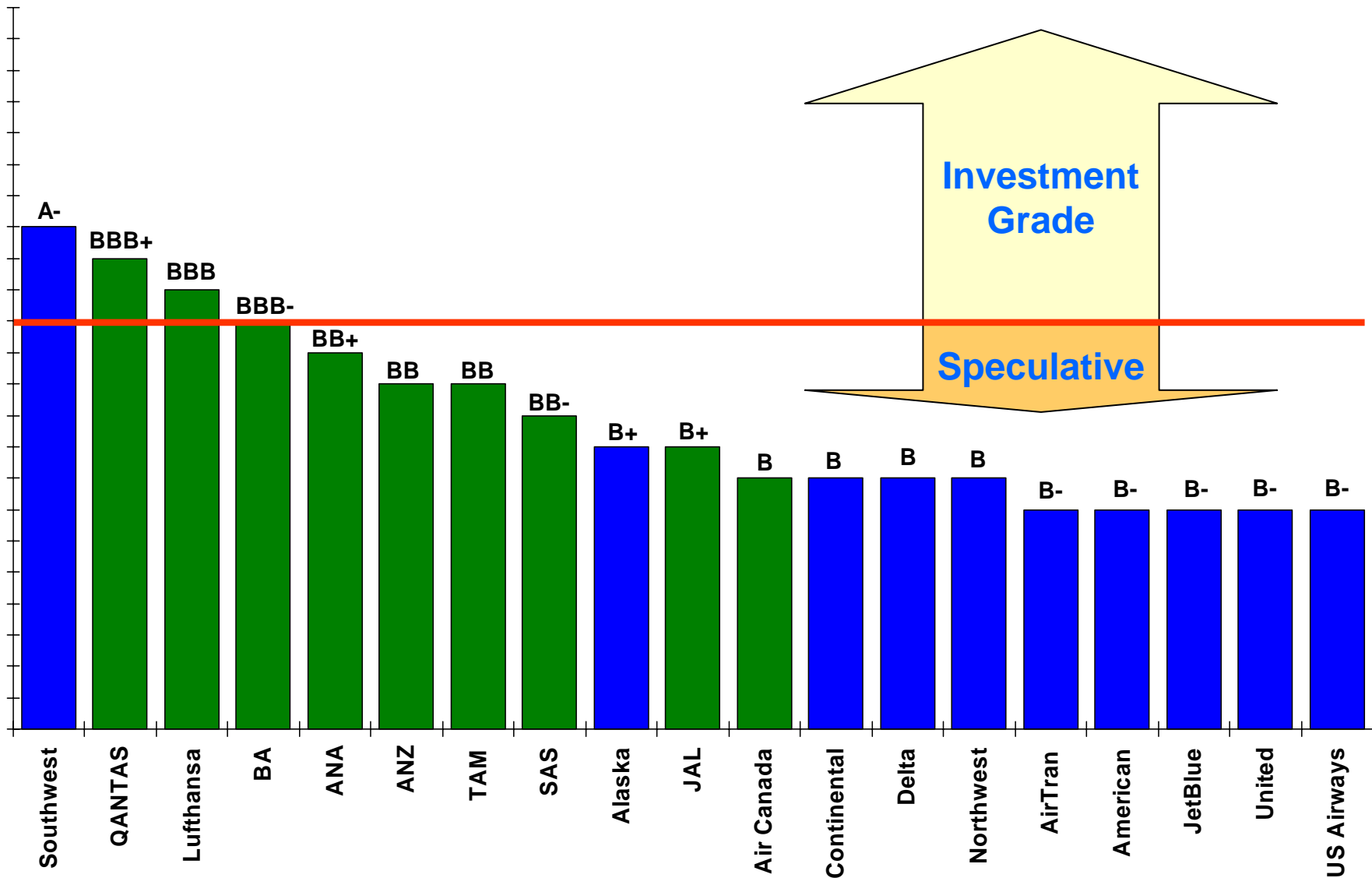
Equity Market Capitalization (Millions USD) on July 16, 2008



Sources: Bloomberg (for Deutsche Lufthansa AG – LHA:GR) and MSN

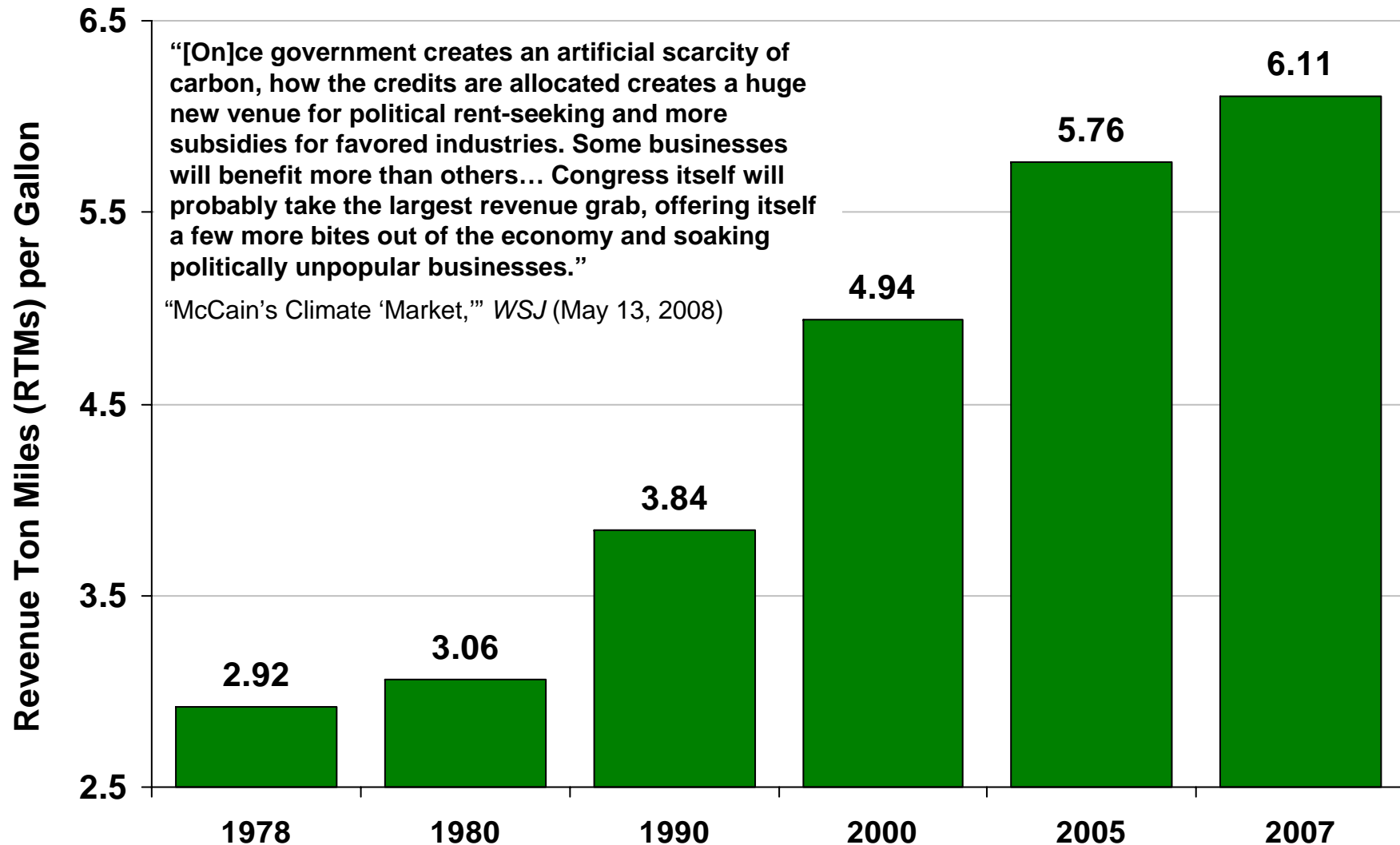
U.S. Carriers Suffer From Comparatively Weak Credit

Standard & Poor's (S&P) Corporate Credit Ratings as of July 25, 2008

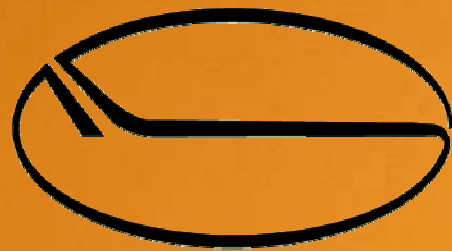


U.S. Airlines* Greener Than Ever

Fuel Efficiency Up 24% from 2000 to 2007 and 110% from 1978 to 2007



* U.S. passenger and cargo airlines operating worldwide – passenger and cargo revenue ton miles (RTMs) in all services
Source: ATA analysis of DOT Form 41 traffic data (T2-Z240) and gallons (T2-Z921)



AIR TRANSPORT ASSOCIATION

