



Air Transport Association

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A N N U A L R E P O R T

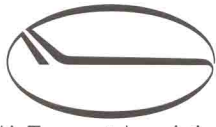
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Windows
of
Opportunity



Air Transport Association

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Our Mission

The Air Transport Association 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.*



Our Goals

The Air Transport Association of America, Inc. (ATA) is the nation's oldest and largest airline trade association. Its membership of 23 U.S. and five associate (non-U.S.) airlines carries over 600 million passengers and more than 25 billion ton miles of cargo each year. U.S. members account for more than 95 percent of the passenger and cargo traffic carried by scheduled U.S. airlines.

In an extraordinarily dynamic industry, ATA enables air carriers 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 also represents its members on major aviation issues in the technical, legal and political arenas. Its activities are designed to advocate and support measures which 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 ATA's agenda of issues continuously changes, its major priorities remain constant. They include:

- ◆ Assisting the airline industry in providing the world's safest system of transportation.
- ◆ Advocating the modernization of the Federal Aviation Administration's (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 60-year history, the Air Transport Association has seen the airline industry grow from the small, pioneering companies of the 1930s into key players in the global transportation market. ATA and its members continue to play a major role in shaping the future of air transportation.

Windows of Opportunity

The airline business is one of constant change and challenge, but most importantly for the men and women who work within the industry, it provides an unequalled opportunity to excel. With each day come new challenges — to refine safety performance, to improve efficiency, to introduce new products to better meet customer demand or to tackle complex environmental problems. Whatever the challenge, our people have proven time and time again that they are up to the task. And, as each challenge is met and mastered, the standard of excellence rises, creating new opportunities for further innovation.

The year 1998 provided outstanding examples of what the people of the U.S. airline industry can do. It was a year in which:

- ◆ More than 8.3 million flights took off and 614 million passengers traveled, without a single passenger fatality.
- ◆ The price of air transportation continued to decline, due to enhanced airline efficiency.
- ◆ Competition continued to thrive, with 85 percent of passengers having a choice of two or more airlines.
- ◆ ATA-member fleets exceeded 86 percent Stage 3 quiet aircraft performance — well on the way to a fully transformed Stage 3 fleet by year-end 1999.
- ◆ The airlines continued to successfully restructure their balance sheets, following the losses of the early '90s, with debt now averaging a more manageable 48 percent of capital.



1998 was a year in which everyone involved in the airline industry took justifiable pride in the industry's accomplishments. Looking forward, we can anticipate that some of the challenges and opportunities ahead will include air traffic control issues, environmental issues, airport infrastructure issues, changing the federal government's treatment of the taxes collected in the Aviation Trust Fund, and efforts to continuously improve our customer service. Working in partnership with government and manufacturers, our talented and dedicated people will continue to set new standards of excellence for the new century.

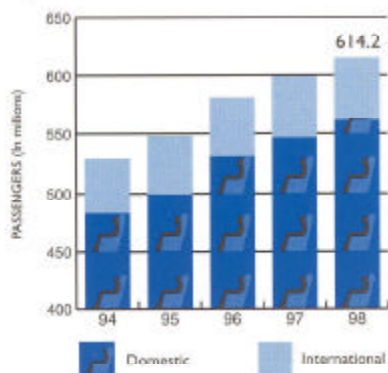
Sincerely,

A handwritten signature in blue ink that reads "Carol B. Hallett". The signature is written in a cursive, flowing style.

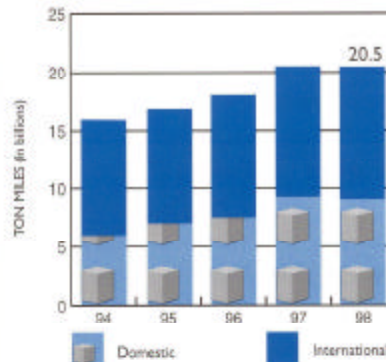
Carol B. Hallett
President & CEO

Highlights

Revenue Passengers Enplaned



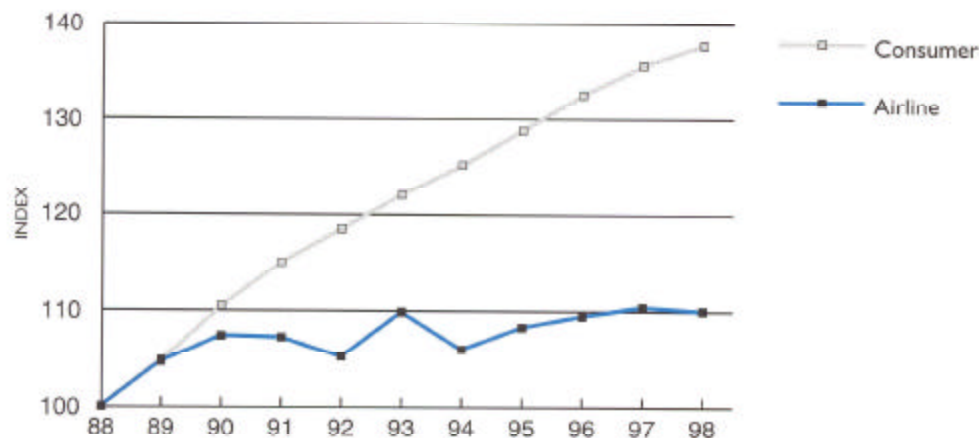
Cargo Revenue Ton Miles



Traffic <i>(In millions, except when noted)</i>	1997	1998	Percent Change
Revenue Passengers Enplaned	599.1	614.2	2.5
Domestic Service	546.4	560.9	2.7
International Service	52.7	53.3	1.1
Revenue Passenger Miles	605,574	619,456	2.3
Available Seat Miles	860,803	874,170	1.6
Passenger Load Factor (%)	70.3	70.9	
Aircraft Departures (in thousands)	8,192	8,309	1.4
Cargo Revenue Ton Miles	20,514	20,476	(0.2)
Freight & Express Revenue Ton Miles	17,959	18,116	0.9
Mail Revenue Ton Miles	2,555	2,360	(7.6)
Total Revenue Ton Miles	81,071	82,422	1.7

Financial <i>(In millions, except when noted)</i>	1997	1998	Percent Change
Passenger Revenues	\$79,471	\$80,986	1.9
Domestic Service	61,842	63,991	3.5
International Service	17,629	16,995	(3.6)
Freight & Express Revenues	10,477	10,651	1.7
Mail Revenues	1,362	1,690	24.1
Total Operating Revenues	109,568	113,346	3.4
Total Operating Expenses	100,982	104,034	3.0
Operating Profit	8,586	9,312	
Net Profit	\$5,170	\$4,894	
Rate of Return on Investment (%)	14.7	12.0	
Operating Profit Margin (%)	7.8	8.2	
Net Profit Margin (%)	4.7	4.3	

Airline Ticket Prices vs. Consumer Prices
(1988=100)



1988-1998 SUMMARY

U.S. Scheduled Airlines

(In millions, except when noted)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Traffic — Scheduled Service											
Revenue Passengers Enplaned	454.6	453.7	465.6	452.3	475.1	488.5	528.8	547.8	581.2	599.1	614.2
Revenue Passenger Miles	423,302	432,714	457,926	447,955	478,554	489,684	519,382	540,656	578,663	605,574	619,456
Available Seat Miles	676,802	684,376	733,375	715,199	752,772	771,641	784,331	807,078	835,071	860,803	874,170
Passenger Load Factor (%)	62.5	63.2	62.4	62.6	63.6	63.5	66.2	67.0	69.3	70.3	70.9
Average Passenger Trip Length (in miles)	931	954	984	990	1,007	1,002	982	987	996	1,011	1,009
Freight & Express Revenue Ton Miles	9,632	10,275	10,546	10,225	11,130	11,944	13,792	14,578	15,301	17,959	18,116
Aircraft Departures (in thousands)	6,700	6,622	6,924	6,783	7,051	7,245	7,531	8,062	8,230	8,192	8,309
Financial											
Passenger Revenues	\$50,296	\$53,802	\$58,453	\$57,092	\$59,828	\$63,945	\$65,422	\$69,594	\$75,286	\$79,471	\$80,986
Freight & Express Revenues	7,478	6,893	5,432	5,509	5,916	6,662	7,284	8,616	9,679	10,477	10,651
Mail Revenues	972	955	970	957	1,184	1,212	1,183	1,266	1,279	1,362	1,690
Charter Revenues	1,698	2,052	2,877	3,717	2,801	3,082	3,548	3,485	3,447	3,575	3,811
Total Operating Revenues	63,749	69,316	76,142	75,158	78,140	84,559	88,313	94,578	101,938	109,568	113,346
Total Operating Expenses	60,312	67,505	78,054	76,943	80,585	83,121	85,600	88,718	95,729	100,982	104,034
Operating Profit (Loss)	3,437	1,811	(1,912)	(1,785)	(2,444)	1,438	2,713	5,860	6,209	8,586	9,312
Interest Expense	1,846	1,944	1,978	1,777	1,743	2,027	2,347	2,424	1,981	1,733	1,826
Net Profit (Loss)*	\$1,686	\$128	(\$3,921)	(\$1,940)	(\$4,791)	(\$2,136)	(\$344)	\$2,314	\$2,804	\$5,170	\$4,894
Revenue per Passenger Mile (in cents)	11.9	12.4	12.8	12.7	12.5	13.1	12.6	12.9	13.0	13.1	13.1
Rate of Return on Investment (%)	10.8	6.3	(6.0)	(0.5)	(9.3)	(0.4)	5.2	11.9	11.5	14.7	12.0
Operating Profit Margin (%)	5.4	2.6	(2.5)	(2.4)	(3.1)	1.7	3.1	6.2	6.1	7.8	8.2
Net Profit Margin (%)	2.6	0.2	(5.1)	(2.6)	(6.1)	(2.5)	(0.4)	2.4	2.8	4.7	4.3
Employees (Average full-time equivalent)	480,553	506,728	545,809	533,565	540,413	537,111	539,759	546,987	564,425	586,509	621,058

* Excludes fresh-start accounting extraordinary gains of Continental and Trans World in 1993.

1998 Airline Industry Review

In 1998, the average price of air travel continued to decline while the U.S. airlines enplaned a record 614 million passengers. Fuel prices declined dramatically, offsetting cost increases in other areas and allowing carriers to lower prices. Competition in the industry remained intense, with more than 85 percent of passengers having a choice of two or more airlines. With lower ticket prices, profits for the airlines declined to \$4.9 billion from the record \$5.2 billion achieved in 1997.

Traffic

Passenger traffic in 1998 grew by 2.3 percent to 619.5 billion revenue passenger miles. Real growth for the U.S. economy was 3.9 percent for 1998. Growth of that magnitude would normally be expected to generate passenger traffic growth rates of 6 to 8 percent, however, passenger traffic in the U.S. increased at a much more modest pace of 2.5 percent over 1997 levels. The number of passengers enplaned in domestic service increased by nearly 15 million to 561 million.

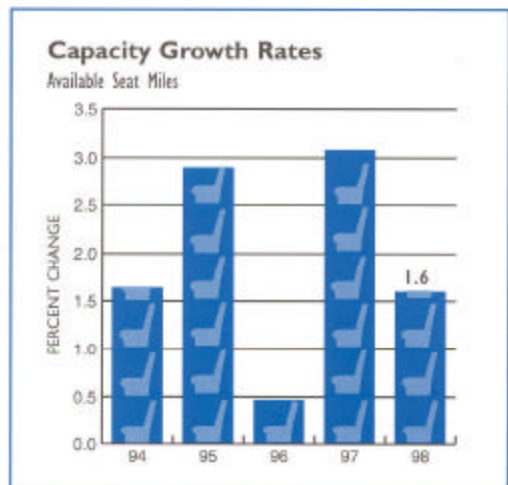
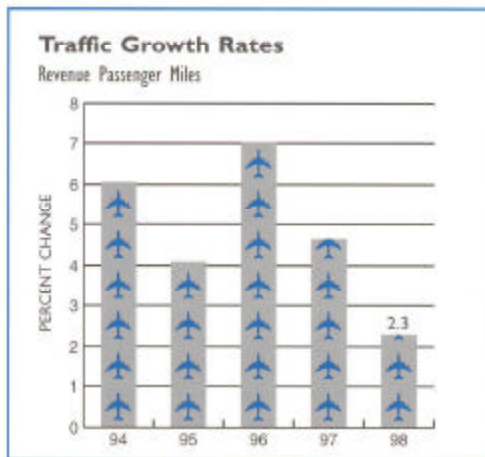
International passenger traffic, reflecting the world economy, showed mixed results, increasing overall by 1.8 percent. Pacific passenger traffic, however, declined by 10 percent, reflecting the slumping economies in that region. Caribbean and Latin American traffic increased by 12 percent, while

Atlantic traffic increased by 8 percent. In international service overall, the number of enplaned passengers increased to more than 53 million in 1998.

Cargo traffic in 1998 showed mixed results, with freight and express revenue ton miles increasing by 0.9 percent. Mail revenue ton miles declined by 7.6 percent,

reflecting the U.S. Postal Service's venture in the express-package business. In spite of cargo traffic declines in the Pacific, total international freight and express grew at an overall pace of 3.2 percent to 11.1 billion ton miles.

Capacity



Capacity in 1998 grew even more slowly than passenger or cargo traffic growth rates, increasing by 1.6 percent to a record 874.2 billion available seat miles. The FAA forecasts that the U.S. airlines will increase capacity by 4.5 percent per year or 70 percent in total through 2010. This continued growth, in response to the demands of the traveling and shipping public, will require major investments in air traffic control and airport capacity. The airlines and their customers pay for these investments

primarily through earmarked taxes paid into the Aviation Trust Fund. The money from the Trust Fund is not being spent, as a result of arcane spending rules, and the Trust Fund surplus continues to grow, while aviation requirements go unmet. This imbalance inevitably causes increased congestion and growing delays.

International capacity overall grew by 3.6 percent to 224.7 billion available seat miles, reflecting the higher level of demand in international markets. Some capacity was shifted from the Pacific markets, which declined by 8 percent, to the Atlantic and Latin markets, which grew by 9 and 16 percent respectively.

The number of flights increased to 8.3 million, more than 22,750 per day, with an average flight distance of 703 miles. The average speed remained unchanged at 419 miles per hour.

Load factor, a measurement of the percentage of seats filled with passengers and one of the most important indicators of asset utilization in the industry, reached another post-World War II record. With capacity increasing slightly less rapidly than the increase in traffic, the load factor moved up from 70.3 percent in 1997 to 70.9 percent in 1998. This efficiency improvement was an important element in the airlines' ability to lower overall prices in 1998. The domestic load factor increased to 70.2 percent, while the international load factor declined slightly from 1997, to 72.8 percent in 1998.

Fleet

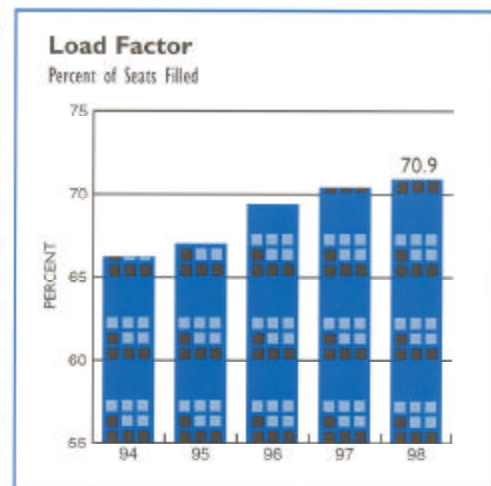
In 1998, nearly 350 aircraft were delivered to U.S. airlines, including over 100 regional jet aircraft. These smaller jets indicate an improving level of service overall and play a particularly important role for mid-size and smaller communities. Reflecting both new acquisitions and aircraft retirement, ATA U.S.-members' fleets increased from 4,738 aircraft in 1997 to 4,822 in 1998. The most commonly used aircraft remained the Boeing B-737, which comprised

22 percent of the fleet. ATA members continue the modernization of their fleets. They are retiring older airplanes at nearly the same rate as they are acquiring new aircraft. This modernization improves not only operational performance, but also significantly benefits noise and other emission characteristics of the fleet. Eighty-six percent of ATA members' fleets, at the end of 1998, were quieter Stage 3 jets. U.S. airlines are completely converting their fleets from the noisier Stage 2 jets to quieter technology by the end of 1999 — two years in advance of the rest of the world. ATA U.S.-member airlines, at the end of 1998, had placed firm orders for over 1,200 aircraft and options for an additional 1,680. These orders and options represent a \$144 billion commitment on the part of U.S. airlines to continue the process of modernization into the future.

Revenues

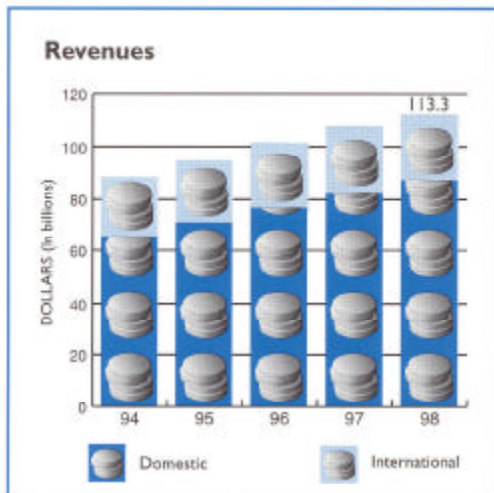
Total revenues for the U.S. scheduled airlines increased by 3.4 percent due to increasing passenger and cargo traffic. Revenues reached \$113 billion in 1998, compared to \$110 billion in 1997. The average price of air travel continued to decline in 1998. Passenger yield, the amount collected by airlines to fly one passenger one mile and the industry standard measure of prices, decreased by nearly one-half of 1 percent to 13.1 cents per mile over the year. Airline ticket prices, declining in 1998 and averaging \$131 for a 1,000-mile one-way trip, have continued

to benefit consumers and have been one of the outstanding success stories of the government's exit from economic regulation. In constant purchasing power, airline prices are now 37 percent below 1978 pre-deregulation prices. It was troubling that in 1998 the Department of Transportation proposed



Competition Guidelines which would attempt to regulate the price of service and capacity offered in certain markets. This proposal, still pending at the time of publication, has been sharply criticized as a misguided step toward re-regulation.

Total passenger revenues increased by \$1.5 billion from \$79.5 billion to \$81 billion in 1998. Domestic passenger revenue increased \$2.1 billion, while international revenue, reflecting the softness in Pacific markets, declined by \$634 million.



Cargo revenues have always been more heavily influenced by conditions in international markets, with more than 40 percent of cargo revenues being generated in international service. In spite of continuing weakness in Pacific markets, U.S. airlines developed new routes and customers in other markets and saw total cargo revenues

increase to more than \$12 billion. Freight and express prices, measured in cents per ton per mile, increased less than 1 percent.

Passenger Yield

Revenue per Passenger Mile (In cents)

	1988	1997	1998
Domestic	12.3	13.9	14.0
International	10.4	11.0	10.4
Total	11.9	13.1	13.1

Freight & Express Yield

Revenue per Freight & Express Ton Mile (In cents)

	1988	1997	1998
Domestic	114.9	79.8	82.5
International	41.3	44.0	43.9
Total	78.4	58.3	58.8

Expenses

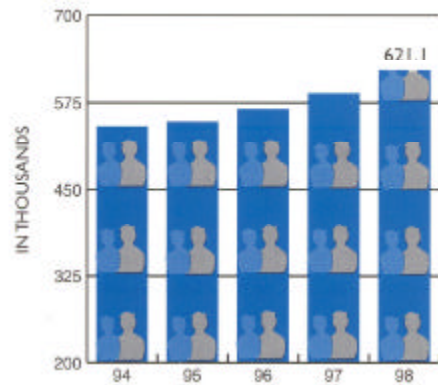
Airline prices are closely related to trends in airline costs. Profit margins in the industry have always been very thin, reflecting intense competition and the fact that the gap between revenues and costs is small. The largest single item of expense for the airlines is employee wages and benefits. This cost comprises 35 percent of total operating costs. In 1998, airlines added over 34,500 employees to handle increasing traffic and aircraft operations. Total full-time equivalent employment grew to 621,058.

Airlines require, on average, five cockpit crews per aircraft. The number of pilots, copilots and other cockpit personnel increased to more than 75,000. In 1998, average salaries and benefits for airline employees increased to \$63,800 from \$63,300 in 1997. Productivity gains supported by continuing investment in new aircraft and computer technologies normally are expected to partially offset these cost increases. However, the number of passengers handled per employee fell from 1,021 in 1997 to 989 in 1998. Some of the decline was the result of a strike at a major airline late in 1998.

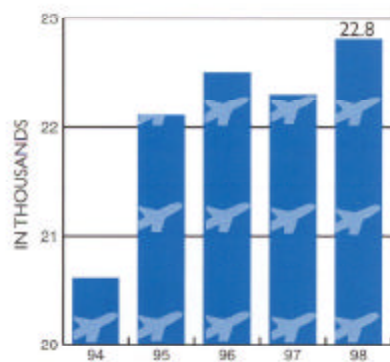
Jet fuel (kerosene) costs are the airlines' second largest expense item. Fuel prices declined steadily and dramatically throughout 1998. The average price paid fell from 63 cents per gallon in 1997 to 50 cents in 1998. This 13-cent reduction in the average price of fuel resulted in a \$2 billion reduction in total fuel costs. This cost reduction offset other costs, including labor, that continued to rise through 1998. Lower fuel cost was the single most important factor in allowing the airlines to lower average prices in 1998. More recent trends in fuel prices have not been favorable. Since early 1999, crude oil prices have risen by 50 percent, from about \$12 per barrel to over \$18 per barrel. Jet fuel prices have seen similar increases in the spot markets.

Driven in part by Y2K compliance requirements, airline communications costs, after declining in 1997, increased in 1998 to more than \$1.4 billion. Modern communication technologies are becoming an increasingly important component in the reservation and ticketing process, as well as for cargo operations. More automation with less direct labor promises significant cost reductions and, consequently, lower prices for both travelers and shippers.

Airline Employees

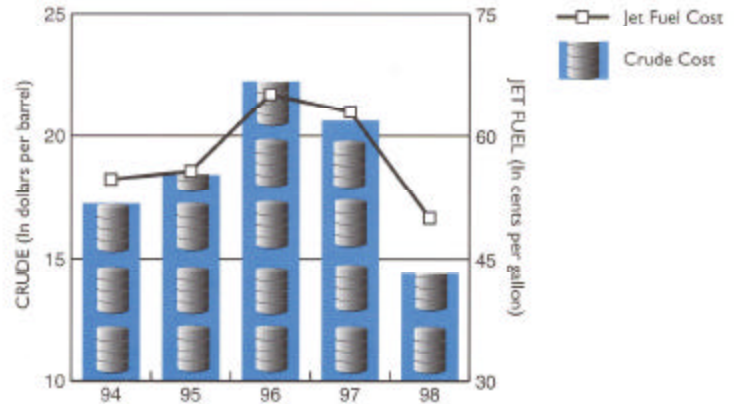


Daily Departures



Fuel Cost

Jet Fuel Compared to Crude Oil



Employment

U.S. Scheduled Airlines

	1988	1997	1998
Pilots & Copilots	43,795	60,434	64,099
Other Flight Personnel	7,807	10,713	11,060
Flight Attendants	76,297	96,198	97,574
Mechanics	55,001	65,500	69,927
Aircraft & Traffic			
Service Personnel	211,795	269,581	290,109
Office Employees	40,611	38,354	40,944
All Other	45,247	45,729	47,345
Total Employment	480,553	586,509	621,058

Average Compensation per Employee

Salaries & Wages	\$35,877	\$50,008	\$50,420
Benefits & Pensions	5,774	9,714	9,819
Payroll Taxes	2,684	3,543	3,558
Total Compensation	\$44,335	\$63,265	\$63,797

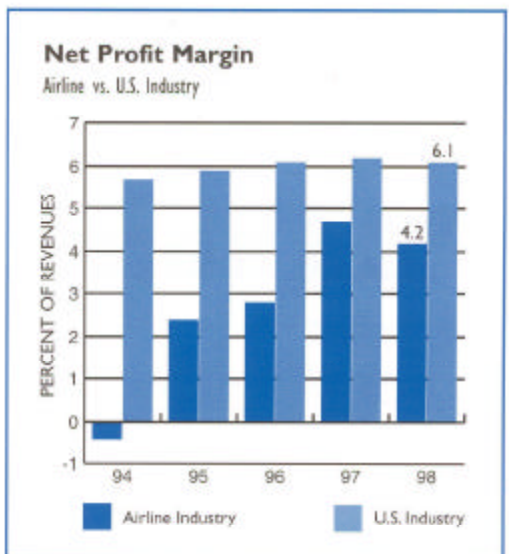
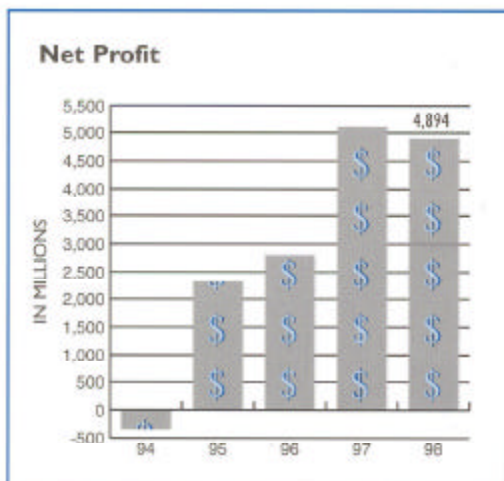
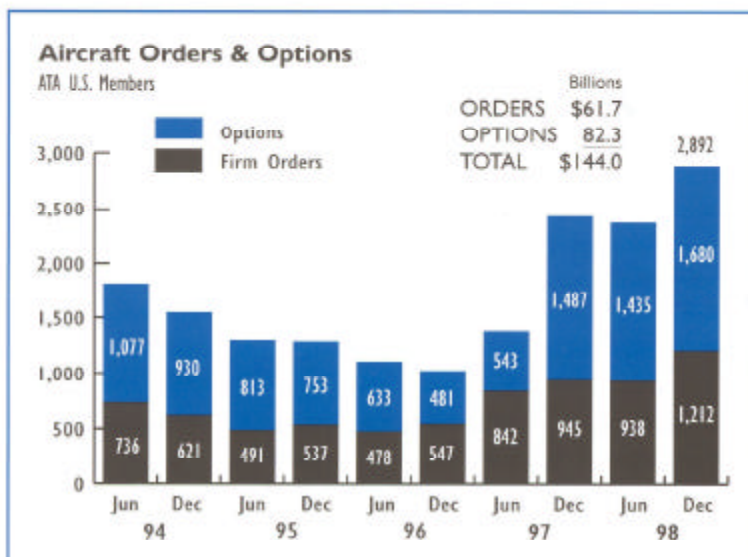
Balance Sheet

The airline industry is an asset-intensive industry, requiring major investments in aircraft, facilities and equipment. The total value of these investments, net of depreciation, reached \$66 billion, out of total assets amounting to \$118 billion. The return on investment (ROI) slipped a bit in 1998 to 12 percent. The airline industry has seldom been able to achieve even average returns, and the decline in ROI in 1998 should be a warning flag to regulators and government officials to eliminate excessive tax-

ation and charges, and to avoid interference with the industry's pursuit of reasonable returns.

In the past several years, airlines have used some of their profits to pay down debt and restructure their balance sheets, in order to reduce the level of risk associated with high levels of debt. When the industry was losing money in the early part of this decade, they borrowed heavily in order to maintain operations. Debt as a percentage of total capital reached a high of 68 percent in 1992. Normal levels of debt for U.S. industry are about 35 percent of total capital. In 1998, debt levels in the airline industry had fallen to 48 percent and interest costs also dropped to more manageable levels.

Although 1998 earnings declined to \$4.9 billion from \$5.2 billion in 1997, the outlook for 1999 holds some promise. The economy, with strong growth in 1998, is expected to continue to grow in 1999, although at a slower pace. Jet fuel prices rose sharply in the first quarter and, as a consequence, earnings in the first quarter were somewhat below those of 1998. The FAA projects that the number of passengers will reach nearly 1 billion annually by 2010, and the number of jet aircraft in the U.S. fleet will rise to over 8,300. Significant and sustained earnings will be required to fund the aircraft, airway and airport infrastructure that will be needed to accommodate this growth.



Environmental Update

The airlines have long treated the environment with great concern and have made substantial progress on a variety of fronts. The industry has improved its performance by transitioning to more energy-efficient engines; using lighter-weight, more durable materials; and seeking greater efficiency through automated navigational and operational systems. The continued modernization of air traffic management systems will further improve the environmental performance of our aircraft.



In 1998, the airlines participated in a number of pro-active environmental activities, including:

- ◆ Leading the Environmental Protection Agency/FAA local air-quality initiative to evaluate cost-effective opportunities for reducing ground-level emissions.
- ◆ Working with the EPA and California officials on an agreement to reduce emissions from ground-service equipment in Southern California.
- ◆ Developing a Risk Based Corrective Action protocol for use by airlines in cleaning up fuel spills on airport grounds.
- ◆ Initiating the first comprehensive evaluation of available hydrant fuel system leak-detection technologies with the American Petroleum Institute. This evaluation will enable the industry and regulators to select the best available hydrant fuel system leak-detection technology for a given airport.
- ◆ Working with the EPA in its evaluation of regulations regarding airline/airport uses of deicing fluid.

In the international arena, the airlines participate in many diverse working groups to study, develop and enhance sound environmental practices. Airline representatives are actively engaged in the International Air Transport Association's Environmental Task Force, as well as the working groups within the International Civil Aviation Organization/Committee on Environmental Protection studying the environmental benefits from implementation of Communications, Navigation and Surveillance/Air Traffic Management (CNS/ATM), discretionary operational practices, new engine certification standards, and other appropriate mechanisms for reducing aviation emissions. In addition, airline representatives participated in the drafting and analysis of the report, *Aviation and the Global Atmosphere*, prepared by the UN Intergovernmental Panel on Climate Change. The airlines remain committed to the development of responsible and achievable international environmental policies through international forums, while they continue to meet the demands of their customers.



Aviation Millennium Project

As the Year 2000 rapidly approaches, the airline industry's Year 2000 program, the Aviation Millennium Project, is moving full steam ahead. Created by the AEA Board of Directors in 1998, the project was later expanded to include the members of the Air Transport Association of Canada and the Regional Airline Association. The Aviation Millennium Project office is working with airlines to gather Y2K information on the status of third-party suppliers, airport operators and government agencies in the U.S. and Canada.

While current indications suggest that, come the turn of the millennium, the aviation industry will continue to operate "business as usual," the industry has, nonetheless, developed contingency plans. Working with the FAA, airlines and airport operators, the Aviation Millennium Project is helping to coordinate contingency planning efforts, so that reactions to system failures have been anticipated and all relevant parties have plans in place.

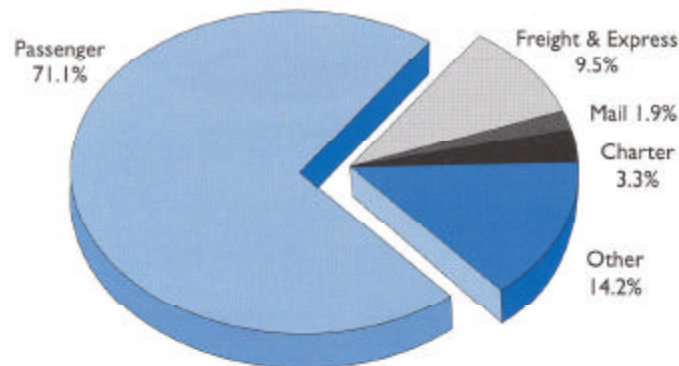
Finally, the Aviation Millennium Project is working with the FAA, airport operators, airlines and air traffic providers to establish an emergency communication network to cover the millennium changeover. Should problems arise, this network will facilitate communication so that all appropriate parties are informed, allowing contingency plans to be implemented quickly.

Working as a team, the airline industry is tackling the Year 2000 bug in an efficient and effective manner. The project has been lauded by the President's Council on Year 2000 Conversion as an example of how industries can most effectively work together to resolve Y2K concerns.



Facts & Figures

Operating Revenues



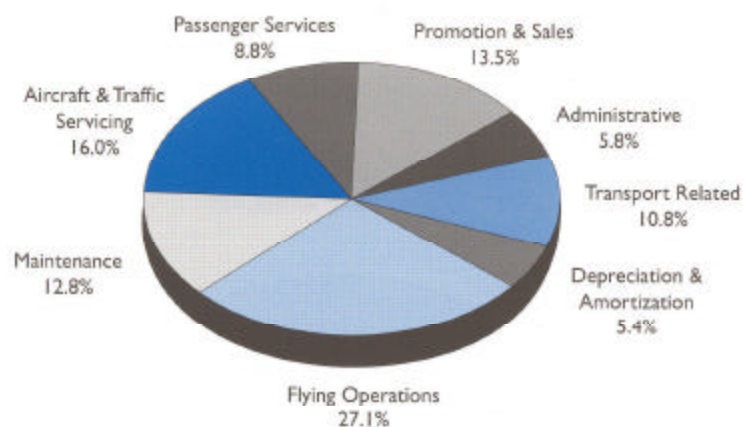
TRAFFIC & OPERATIONS

U.S. Scheduled Airlines

(In millions, except when noted)

	Domestic	1997 International	Total	Domestic	1998 International	Total
Passenger Traffic — Scheduled Service						
Revenue Passengers Enplaned	546.4	52.7	599.1	560.9	53.3	614.2
Revenue Passenger Miles	444,795	160,779	605,574	455,800	163,656	619,456
Available Seat Miles	643,890	216,913	860,803	649,442	224,728	874,170
Passenger Load Factor (%)	69.1	74.1	70.3	70.2	72.8	70.9
Average Passenger Trip Length (in miles)	814	3,051	1,011	813	3,070	1,009
Cargo Traffic (Revenue Ton Miles) — Scheduled Service						
Total	9,163	11,351	20,514	8,838	11,638	20,476
Freight & Express	7,170	10,789	17,959	6,987	11,129	18,116
U.S. Mail	1,993	562	2,555	1,851	509	2,360
Overall Traffic & Operations						
Total Revenue Ton Miles — Charter Service	5,235	3,515	8,750	5,781	3,450	9,231
Total Revenue Ton Miles — All Services	58,659	30,944	89,603	60,199	31,454	91,653
Total Available Ton Miles — All Services	102,331	50,592	152,923	105,193	53,817	159,010
Weight Load Factor — All Services (%)	57.3	61.2	58.6	57.2	58.4	57.6
Revenue Aircraft Departures — Scheduled Service (in thousands)	7,730	462	8,192	7,820	489	8,309
Revenue Aircraft Miles — Scheduled Service	4,694	992	5,686	4,768	1,072	5,840
Revenue Aircraft Hours — Scheduled Service (in thousands)	11,574	1,988	13,562	11,803	2,150	13,953

Operating Expenses



INCOME STATEMENT

U.S. Scheduled Airlines

(In millions, except when noted)

	1997			1998		
	Domestic	International	Total	Domestic	International	Total
Operating Revenues						
Passenger	\$61,842	\$17,629	\$79,471	\$63,991	\$16,995	\$80,986
Freight & Express	5,725	4,752	10,477	5,764	4,887	10,651
Mail	1,087	275	1,362	1,405	285	1,690
Charter	2,479	1,096	3,575	2,766	1,045	3,811
Public Service	3	27	30	4	0	4
Other	11,114	3,539	14,653	12,463	3,741	16,204
Total Operating Revenues	82,250	27,318	109,568	86,393	26,953	113,346
Operating Expenses						
Flying Operations	22,156	7,463	29,619	21,011	7,148	28,159
Maintenance	9,475	2,899	12,374	10,304	2,951	13,255
Aircraft & Traffic Servicing	12,058	3,823	15,881	12,710	3,978	16,688
Passenger Services	5,854	2,736	8,590	6,252	2,920	9,172
Promotion & Sales	10,780	3,476	14,256	10,732	3,374	14,106
Administrative	3,963	1,220	5,183	4,520	1,519	6,039
Transport Related	7,506	2,352	9,858	8,635	2,406	11,041
Depreciation & Amortization	3,940	1,281	5,221	4,139	1,435	5,574
Total Operating Expenses	75,732	25,250	100,982	78,303	25,731	104,034
Operating Profit (Loss)	6,518	2,068	8,586	8,090	1,222	9,312
Other Income (Expense)						
Interest Expense	(1,280)	(453)	(1,733)	(1,278)	(548)	(1,826)
Income Taxes	(1,943)	(799)	(2,742)	(3,070)	(224)	(3,294)
Other	808	251	1,059	619	83	702
Net Profit (Loss)	\$4,103	\$1,067	\$5,170	\$4,361	\$533	\$4,894
Operating Profit Margin (%)	7.9	7.6	7.8	9.4	4.5	8.2
Net Profit Margin (%)	5.0	3.9	4.7	5.0	2.0	4.3

BALANCE SHEET

U.S. Scheduled Airlines

(In millions)

Assets	1997	1998
Current Assets	\$24,074	\$24,716
Investments & Special Funds	9,658	12,094
Flight Equipment Owned	66,523	75,279
Ground Equipment & Property	17,643	19,973
Reserve for Depreciation (Owned)	(32,789)	(35,949)
Leased Equipment & Property Capitalized	8,597	9,547
Reserve for Depreciation (Leased)	(3,004)	(3,349)
Other Property	11,202	11,290
Deferred Charges	3,322	4,551
Total Assets	\$105,226	\$118,152
Liabilities	1997	1998
Current Liabilities	\$30,956	\$32,404
Long-Term Debt	15,054	18,689
Other Non-Current Liabilities	19,706	21,763
Deferred Credit	11,609	12,935
Stockholders' Equity — Net of Treasury Stock	27,901	32,361
Preferred Stock	0	0
Common Stock	636	667
Other Paid-In Capital	15,236	16,537
Retained Earnings	12,980	16,973
Less: Treasury Stock	951	1,816
Total Liabilities & Stockholders' Equity	\$105,226	\$118,152



TOP-30 DOMESTIC AIRLINE MARKETS*

Passengers — Outbound plus Inbound

(Twelve months ended December 1998, in thousands)

1	New York	Los Angeles	3,625	16	Honolulu	Lihue, Kauai	1,637
2	New York	Chicago	3,069	17	New York	West Palm Beach	1,560
3	New York	Miami	2,834	18	Honolulu	Kona, Hawaii	1,467
4	New York	San Francisco	2,683	19	Chicago	Atlanta	1,467
5	New York	Boston	2,651	20	Los Angeles	Oakland	1,459
6	Honolulu	Kahului, Maui	2,541	21	Chicago	Detroit	1,458
7	New York	Orlando	2,521	22	New York	Dallas/Ft. Worth	1,457
8	New York	Atlanta	2,377	23	Los Angeles	Phoenix	1,344
9	New York	Washington	2,372	24	Boston	Washington	1,340
10	Dallas/Ft. Worth	Houston	2,213	25	Los Angeles	Honolulu	1,335
11	Los Angeles	Las Vegas	2,055	26	Chicago	Dallas/Ft. Worth	1,329
12	Los Angeles	San Francisco	2,020	27	Chicago	Minneapolis/St. Paul	1,278
13	New York	Ft. Lauderdale	1,808	28	Los Angeles	Seattle	1,246
14	New York	San Juan	1,798	29	New York	Detroit	1,229
15	Chicago	Los Angeles	1,680	30	Chicago	San Francisco	1,193

* Includes all commercial airports in a metropolitan area. Does not include connecting passengers.

Source: DOT Passenger Origin-Destination Survey.

ATA-AIRLINE STATISTICS — 1998

	Number of Aircraft	Employees (full-time equivalent)	Aircraft Departures	Passengers (in thousands)	Revenue Passenger Miles (in millions)	Passenger Revenues (in millions)	Cargo Revenues (in millions)	Total Operating Revenues (in millions)	Operating Profit (Loss) (in millions)	Net Profit (Loss) (in millions)
Members										
Airborne Express	109	5,283	75,441	—	—	—	\$974	\$979	\$114	\$118
Alaska	84	8,476	167,334	13,029	11,266	\$1,371	83	1,581	195	116
Aloha	19	1,971	76,188	5,144	712	193	28	229	8	5
America West	111	10,159	205,217	17,769	16,357	1,853	45	1,983	198	103
American	648	81,493	791,825	81,431	108,873	14,688	649	16,299	1,748	1,063
American Trans Air	48	5,239	47,281	4,274	5,803	510	—	879	80	43
Atlas Air [†]	28	756	329	—	—	—	—	422	137	46
Continental	363	35,461	459,376	41,613	50,943	6,388	229	7,299	660	383
Delta	580	68,040	962,695	105,213	103,245	13,179	569	14,630	1,793	1,078
DHL Airways	27	9,088	75,799	—	—	—	667	1,349	93	(5)
Emery Worldwide [†]	41	2,837	58,032	—	—	—	717	766	13	31
Evergreen Int'l [†]	18	475	13,065	—	—	—	241	283	35	(4)
Federal Express	626	115,409	338,643	—	—	—	5,686	13,666	907	435
Hawaiian	24	2,423	56,240	5,000	3,619	354	20	426	17	8
Midwest Express	27	1,883	41,310	1,881	1,623	312	12	351	53	33
Northwest	409	48,618	538,948	50,490	66,706	7,513	633	8,707	(129)	(241)
Polar Air Cargo	14	511	5,583	—	—	—	198	309	(27)	(38)
Reeve Aleutian	5	322	3,377	54	34	13	7	31	(2)	(1)
Southwest	280	24,702	806,822	59,053	31,423	3,964	99	4,164	684	433
Trans World	184	21,086	279,544	23,893	24,422	2,895	102	3,259	(65)	(120)
United	577	88,118	801,881	86,799	124,540	15,202	912	17,518	1,435	803
United Parcel Service [†]	224	4,701	130,621	—	—	—	495	1,997	62	8
US Airways	376	38,485	707,112	57,990	41,252	7,021	164	8,556	990	559

Associate Members

Aeromexico	63	6,253	108,770	7,815	6,662	875	17	945	48	47
Air Canada	158	22,837	NA	14,800	23,211	4,977	369	5,932	144	(16)
Canadian	83	14,123	NA	8,500	16,695	2,752	235	3,171	(22)	(138)
KLM-Royal Dutch ^{**}	121	25,800	NA	NA	35,627	4,756	934	6,491	207	222
Mexicana	54	6,354	73,129	7,503	6,728	829	16	908	41	(6)

[†] Includes non-scheduled service.

^{**} KLM data is for the 12 months ended March 31, 1999, at a rate of 48.7 cents per guilder.

NA Not available.



TOP-25 AIRLINES — 1998*

Scheduled Service

	Passengers (in thousands)	Revenue Passenger Miles (in millions)	Freight Ton Miles (in millions)	Total Operating Revenues (in millions)
1 Delta	105,213	1 United 124,540	1 Federal Express 6,586.9	1 United \$17,518
2 United	86,799	2 American 108,873	2 United Parcel Service** 3,816.2	2 American 16,299
3 American	81,431	3 Delta 103,245	3 United 2,343.8	3 Delta 14,630
4 Southwest	59,053	4 Northwest 66,706	4 Northwest 1,698.5	4 Federal Express 13,666
5 US Airways	57,990	5 Continental 50,943	5 American 1,607.0	5 Northwest 8,707
6 Northwest	50,490	6 US Airways 41,252	6 Delta 1,316.5	6 US Airways 8,556
7 Continental	41,613	7 Southwest 31,423	7 Emery Worldwide** 963.5	7 Continental 7,299
8 Trans World	23,893	8 Trans World 24,422	8 Polar Air Cargo 911.5	8 Southwest 4,164
9 America West	17,769	9 America West 16,357	9 Evergreen Int'l** 871.9	9 Trans World 3,259
10 Alaska	13,029	10 Alaska 11,266	10 Continental 602.1	10 United Parcel Service 1,997
11 American Eagle	10,284	11 American Trans Air 5,803	11 Airborne Express 578.1	11 America West 1,983
12 Continental Express	5,683	12 Continental Micronesia 4,040	12 DHL Airways 364.7	12 Alaska 1,581
13 AirTran	5,464	13 Tower 3,980	13 Challenge 222.5	13 DHL Airways 1,349
14 Aloha	5,144	14 Hawaiian 3,619	14 US Airways 200.5	14 Airborne Express 979
15 Reno	5,099	15 AirTran 3,025	15 Trans World 147.9	15 American Eagle 913
16 Hawaiian	5,000	16 Reno 2,752	16 Continental Micronesia 100.7	16 American Trans Air 879
17 Horizon Air	4,389	17 American Eagle 2,259	17 Amerijet 96.6	17 Emery Worldwide 766
18 American Trans Air	4,274	18 Midwest Express 1,623	18 Southwest 67.8	18 Continental Micronesia 615
19 Mesaba	4,120	19 Continental Express 1,564	19 Alaska 65.8	19 Continental Express 571
20 Atlantic Southeast	4,027	20 Frontier 1,287	20 Florida West 59.9	20 Tower 484
21 Air Wisconsin	2,757	21 Spirit Air 1,162	21 Arrow 59.5	21 AirTran 439
22 Trans States	2,450	22 Horizon Air 1,144	22 Hawaiian 56.5	22 Hawaiian 426
23 Continental Micronesia	2,282	23 Mesaba 1,050	23 America West 44.0	23 Atlas Air 422
24 Midwest Express	1,881	24 Atlantic Southeast 1,032	24 Atlas Air** 36.7	24 American Int'l 418
25 Midway	1,875	25 Midway 996	25 American Int'l 23.7	25 Atlantic Southeast 410

* Carriers certificated under Section 401, Federal Aviation Act.

** Includes non-scheduled service.

■ ATA member.

FAA AVIATION FORECASTS

Commercial Air Carriers FY 1999-2010

Fiscal Year	Passengers (in millions)	Passenger Miles (in billions)	Jet Aircraft	Domestic Departures (in millions)
1999	623.9	638.4	5,433	7.2
2000	639.8	661.8	5,610	7.4
2001	656.9	687.7	5,822	7.6
2002	682.9	721.3	6,052	7.8
2003	710.2	756.8	6,320	8.0
2004	738.2	792.7	6,572	8.3
2005	767.4	830.3	6,903	8.6
2006	798.0	869.3	7,170	8.8
2007	830.0	910.0	7,448	9.1
2008	862.4	951.9	7,737	9.4
2009	896.1	995.9	8,040	9.6
2010	931.1	1,041.6	8,360	9.9



OPERATING FLEET — ATA AIRLINES

(As of December 31, 1998)

	Airborne Express	Alaska	Aloha	America West	American	American Trans Air	Atlas Air	Continental	Delta	DHL Airways	Emery Worldwide	Evergreen Int'l	Federal Express	Hawaiian	Midwest Express	Northwest	Polar Air Cargo	Reeve Aleutian	Southwest	Trans World	United	United Parcel Service	US Airways	Aeromexico	Air Canada	Canadian	KLM-Royal Dutch	Mexicana	Total	
B-747							28	3				10				41	14				49	16			6	4	32		203	
A340																									9					9
L-1011						15		33																						48
B-777								6													34									40
DC-10					18			36					75	11		38					24						10		212	
MD-11					11				15				26														10		62	
A300					35								30																65	
B-767	3				75				85											16	46	27	12	5	29	12	11		321	
B-757				13	96	9		32	100							48				16	96	73	34	7				5	529	
MD-90									16																				16	
B-727					78	24		32	125	19			163			38			2	22	75	59						23	660	
A320				34												63					71		6		69	13		14	270	
B-737		45	19	64				165	86										280		182		203			44	37		1,125	
MD-80		39			260			69	120						3	8				76			31	34					640	
DC-9	71							20				8		13	24	173				54			50	17	20				450	
A310													39																	39
DC-8	35									8	41											49								133
F-100					75																		40							129
L-188																			3											3
F-50																												10		10
CRJ																										25				25
F-70																												10		10
Saab 340B																												9		9
F-27													32																	32
Cessna 208													261																	261
Total	109	84	19	111	648	48	28	363	580	27	41	18	626	24	27	409	14	5	280	184	577	224	376	63	158	83	121	54	5,301	

AIRCRAFT OPERATING STATISTICS — 1998

(Figures are averages for most commonly used models)

	Number of Seats	Average Cargo Payload (in tons)	Airborne Speed	Flight Length	Fuel (gallons per hour)	Aircraft Operating Cost (per hour)
B747-100	458	8.75 [*]	515	2,350	3,742	\$6,284
B747-400	383	8.89 [*]	539	4,899	3,364	6,787
B747-200/300	370	8.33 [*]	523	3,376	3,660	7,632
B747-F	—	75.42	511	2,231	3,666	6,791
L-1011-100/200	315	7.64	495	1,352	2,502	4,253
B-777	290	9.52	522	2,994	2,124	3,810
DC-10-10	289	10.94	499	1,525	2,271	5,157
DC-10-40	285	5.18	508	2,108	2,689	5,685
DC-10-30	262	9.76 [*]	523	2,706	2,603	5,627
L-1011-500	251	4.22	492	1,356	2,253	3,857
MD-11	249	10.10 [*]	524	3,068	2,468	5,928
A300-600	244	4.98 [*]	476	1,262	1,700	5,196
B767-300ER	213	8.63	498	2,273	1,606	3,348
B757-200	186	2.20	467	1,240	1,064	2,614
B767-200ER	180	4.76	490	2,307	1,480	3,130
B737-800	154	0.45	363	363	774	2,221
MD-90	150	0.40	445	693	840	1,689
B727-200	150	0.87	436	713	1,311	2,505
B727-F	—	12.63	468	603	1,296	4,753
A320-100/200	147	0.65	461	1,179	807	2,147
B737-400	142	0.41	413	656	785	1,933
MD-80	140	0.39	432	795	940	2,010
B737-300	132	0.40	416	605	783	1,879
DC-9-50	124	0.35	373	334	922	1,962
B737-100/200	111	0.40	390	460	830	1,864
B737-500	110	0.34	417	640	752	1,828
DC-9-40	108	0.30	386	490	844	1,693
DC-9-30	98	0.41	382	480	839	2,022
F-100	97	0.10	386	513	656	1,907
DC-9-10	88	0.50	324	476	805	1,265

* Passenger aircraft models only.

SAFETY

U.S. Air Carriers — Scheduled Service

(Aircraft with 10 seats or more)

	Departures (in millions)	Fatal Accidents	Fatalities	Fatal Accident Rates (per 100,000 departures)
1988	6.7	3	285	0.030*
1989	6.6	8	131	0.121
1990	6.9	6	39	0.087
1991	6.8	4	62	0.059
1992	7.1	4	33	0.057
1993	7.2	1	1	0.014
1994	7.5	4	239	0.053
1995	8.1	2	166	0.025
1996	8.2	3	342	0.036
1997	8.2	3	3	0.037
1998	8.3	1	1**	0.012

* Sabotage-caused accidents are included in Accidents and Fatalities but not in the Accident Rates.

** Ongoing employee fatality.

Source: National Transportation Safety Board.

AIRCRAFT ON ORDER — ATA AIRLINES

(As of December 31, 1998)

Aircraft Type	Number		Firm Order Delivery Dates			
	Firm	Options	1999	2000	2001	2002+
Airbus						
A300	36	30	5	5	7	19
A320	361	447	73	65	69	154
A330	29	27	2	8	3	16
A340	8	4	3	—	—	5
Ayres						
LM-200	50	—	—	—	1	49
Boeing						
B-717	50	50	—	15	15	20
B-737	394	674	125	69	72	128
B-747	24	19	15	3	2	4
B-757	88	160	36	16	1	35
B-767	76	151	23	20	13	20
B-777	74	143	34	25	15	—
MD-80	24	—	24	—	—	—
MD-11	33	—	10	10	7	6
Total	1,247	1,705	350	236	205	456

Note: The value of firm aircraft orders was \$64.5 billion.

TOP-20 U.S. AIRPORTS — 1998

(In thousands)

Passengers (Arriving & Departing)

1 Atlanta	73,474	11 New York Kennedy	31,044
2 Chicago O'Hare	72,370	12 Houston	31,026
3 Los Angeles	61,216	13 Las Vegas	30,218
4 Dallas/Ft. Worth	60,483	14 St. Louis	28,640
5 San Francisco	40,060	15 Minneapolis/St. Paul	28,532
6 Denver	36,818	16 Orlando	27,749
7 Miami	33,935	17 Boston	26,416
8 Newark	32,521	18 Seattle	25,826
9 Phoenix	31,772	19 Philadelphia	24,231
10 Detroit	31,544	20 Charlotte	22,948

Cargo Metric Tonnes (Enplaned & Deplaned)

1 Memphis	2,369	11 Indianapolis	814
2 Los Angeles	1,861	12 Dallas/Ft. Worth	802
3 Miami	1,793	13 San Francisco	770
4 New York Kennedy	1,761	14 Oakland	707
5 Chicago O'Hare	1,440	15 Toledo	537
6 Louisville	1,395	16 Honolulu	502
7 Anchorage	1,388	17 Philadelphia	494
8 Newark	1,207	18 Denver	447
9 Atlanta	907	19 Boston	440
10 Dayton	887	20 Seattle	427

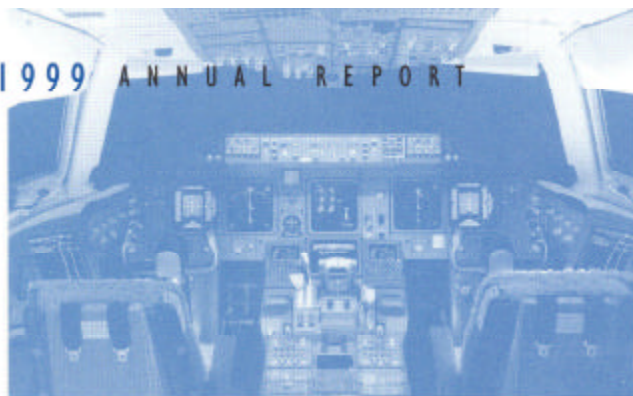
Source: Airports Council International.

U.S. SCHEDULED AIRLINES*

Majors (13) <i>(Annual revenues of over \$1 billion)</i>	Nationals (34) <i>(Annual revenues of \$100 million to \$1 billion)</i>	Regionals (51) <i>(Annual revenues of under \$100 million)</i>
Alaska	Air Transport Int'l	Flagship
America West	Air Wisconsin	Frontier
American	AirTran	Hawaiian
Continental	Aloha	Horizon Air
Delta	American Eagle	Mesa
DHL Airways	American Int'l	Midway
Federal Express	American Trans Air	Midwest Express
Northwest	Arrow	Polar Air Cargo
Southwest	Atlantic Southeast	Reno
Trans World	Atlas Air	Rich
United	Carnival	Southern Air
United Parcel Service	Challenge	Sun Country
US Airways	Continental Express	Tower
	Continental Micronesia	Trans States
	Emery Worldwide	US Airways Shuttle
	Evergreen Int'l	Western Pacific
	Executive	World
		Air South
		Kiwi
		Ryan Int'l
		Sierra Pacific
		Allegiant
		Laker
		Skytrek
		Amerijet
		Lynden
		Spirit Air
		AV Atlantic
		Mesaba
		Sun Jet
		Capital Cargo
		Miami Air
		Sun Pacific
		Casino Express
		Millon
		Sunworld
		Champion Air
		Nations Air
		Tatonduk
		Custom Air
		North American
		Trade Winds
		Eastwind
		Northern Air
		Trans Air Link
		Express One
		Omni
		Trans Continental
		Falcon Air
		Pace Aviation
		Transmeridian
		Fine
		Pan American
		Transmeridian
		Florida West
		Panagra
		USF, Inc.
		Prestige
		USA Jet
		Gemini
		Pro Air
		Vanguard
		Great American
		Reeve Aleutian
		Winair
		Gulf and Caribbean
		Renown
		Zantop
		Kitty Hawk

* Data for the following 98 carriers are included herein, except when noted.

■ ATA member.



Definition of Terms

Air Cargo Total volume of freight, mail and express traffic transported by air. Statistics include the following:

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

U.S. 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 (passengers and/or cargo) transported one mile.

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

Net Profit Margin Net profit after interest and taxes as a percent of operating revenues.

Operating Profit Margin Operating profit (operating revenues minus operating expenses) as a percent of operating revenues.

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 A revenue passenger boarding an aircraft in scheduled service, including origination, stopover and any connections.

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

Revenue Ton Mile One ton of revenue traffic (passengers 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.

U.S. Scheduled Airlines Carriers certificated by the federal government under Section 401 of the Federal Aviation Act permitting the operation of large aircraft designed to have a maximum seating capacity of more than 60 seats.

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

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