



evolution

a **new vision** for moving america



AIR TRANSPORT ASSOCIATION
2009 Economic Report

U.S. Airlines by Operating Revenues – 2008

More Than \$1 Billion

ABX Air
AirTran Airways
Alaska Airlines
American Airlines
 American Eagle Airlines
 Atlantic Southeast Airlines
Atlas Air
 Comair
Continental Airlines
Delta Air Lines
 ExpressJet Airlines
FedEx Express
 Frontier Airlines
JetBlue Airways
 Mesa Airlines
 SkyWest Airlines
Southwest Airlines
United Airlines
UPS Airlines
US Airways

\$100 Million to \$1 Billion

Air Transport International
 Air Wisconsin Airlines
 Allegiant Air
 Aloha Airlines
 Amerijet International
 Arrow Air
ASTAR Air Cargo
 Continental Micronesia
Evergreen International
 Executive Airlines
 Florida West Airlines
 Gemini Air Cargo
 GoJet Airlines
Hawaiian Airlines
 Horizon Air
 Kalitta Air
 Mesaba Airlines
 Miami Air International
Midwest Airlines
 North American Airlines
 Omni Air International
 Pinnacle Airlines
 Polar Air Cargo
 PSA Airlines
 Southern Air
 Spirit Airlines
 Sun Country Airlines
 USA 3000 Airlines
 USA Jet Airlines
 World Airways

Less Than \$100 Million

40-Mile Air
 Aerodynamics
 Air Greco
 Air Midwest
 Alaska Central Express
 Alaska Seaplane Service
 Aloha Air Cargo
 Ameristar Air Cargo
 Arctic Circle Air Service
 Arctic Transportation
 Asia Pacific Airlines
 Bemidji Airlines
 Bering Air
 Big Sky Airlines
 Boston-Maine Airways
 Cape Air
 Capital Cargo International
 Cargo 360
 Casino Express
 Centurion Air Cargo
 Chautauqua Airlines
 Colgan Air
 CommutAir
 Compass Airlines
 Ellis Air Taxi
 Empire Airlines
 Eos Airlines
 Era Aviation
 Express.Net Airlines
 Falcon Air Express
 Focus Air
 Freedom Air
 Freedom Airlines
 Frontier Flying Service

Grand Canyon Airlines
 Grand Canyon Helicopters
 Grant Aviation
 Great Lakes Airlines
 Gulf & Caribbean Air
 Gulfstream International Airlines
 Hageland Aviation Services
 Harris Air Services
 Homer Air
 Iliamna Air Taxi
 Inland Aviation Services
 Island Air
 Island Air Service
 Kalitta Charters II
 Katmai Air
 Kenmore Air Harbor
 Kitty Hawk Air Cargo
 L.A.B. Flying Service
 Lynden Air Cargo
 Lynx Aviation
 MAXjet Airways
 Mokulele Flight Services
 Multi-Aero
 National Air Cargo
 NetJets
 New England Airlines
 Northern Air Cargo
 Pace Airlines
 Pacific Airways
 Pacific Wings Airlines
 PenAir
 Piedmont Airlines
 PM Air
 Primaris Airlines

Regions Air
 Republic Airlines
 Ryan International Airlines
 Salmon Air
 Seaborne Aviation
 Servant Air
 Shuttle America
 Sierra Pacific Airlines
 Sky King
 Skybus Airlines
 Skyway Airlines
 Smokey Bay Air
 Spemak Airways
 Swift Air
 Tanana Air Service
 Taquan Air Service
 Tatonduk Flying Service
 Tradewind Aviation
 Tradewinds Airlines
 Trans States Airlines
 US Helicopter
 Victory Air Transport
 Vieques Air Link
 Vintage Props & Jets
 Virgin America
 Vision Airlines
 Warbelow's Air Ventures
 Ward Air
 West Isle Air
 Wings of Alaska
 Wright Air Service
 Yute Air Alaska

■ Member, Air Transport Association of America, Inc. (as of July 2009)

Report Content

Unless otherwise noted, the data provided in this report reflects the worldwide operations of the 150 U.S. passenger and cargo airlines shown on this page, as recorded by the Department of Transportation (DOT) in 2008, under Chapter 411 of Title 49 of the U.S. Code. Throughout the report, net income is shown both as reported to DOT and as adjusted by ATA to exclude selected one-time charges and gains (e.g., fresh-start accounting, impairment of goodwill and other intangible assets, bankruptcy and merger reorganization items). Data for Delta Air Lines reflects the combined results of Delta and Northwest Airlines.

Due to rounding, in some cases, the sum of numbers in this report may not match the printed total. Also, certain historical data has been restated to reflect the most current information available. For a glossary of terms and other information regarding this report and previous editions, visit www.airlines.org.

Cover Art

The flight-pattern cover illustration was created by artist Aaron Koblin, who specializes in data visualization. Aaron's work is shown internationally. He has received the National Science Foundation first-place award for science visualization and his work is part of the permanent collection of the New York Museum of Modern Art (MoMA).

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about

about ata



Founded in 1936, the Air Transport Association of America, Inc. (ATA) is the nation's oldest and largest airline trade association. The association's fundamental purpose is to foster a business and regulatory environment that ensures safe and secure air transportation and enables U.S. airlines to flourish, stimulating economic growth locally, nationally and internationally. By working with its members in the technical, legal and political arenas, ATA leads industry efforts to fashion crucial aviation policy and supports measures that enhance aviation safety, security and well-being. During its more than 70-year history, ATA has seen the airline industry grow from the small, pioneering companies of the 1930s into indispensable facilitators of the global economy. ATA and its members continue to play a vital role in shaping the future of air transportation.

Mission

Consistent with its founding principles, 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 to improve safety, service and efficiency
- Advocating fair airline taxation and regulation worldwide to foster a healthy, competitive industry
- Developing and coordinating industry actions that are environmentally beneficial, economically reasonable and technologically feasible

Goals

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

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Operational Highlights

Operational Highlights

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

	2007	2008	Change (#)	Change (%)
Passengers Enplaned	769.6	741.4	(28.2)	(3.7)
Revenue Passenger Miles (RPMs)	829,422	811,440	(17,982)	(2.2)
Cargo Revenue Ton Miles (RTMs)	29,570	28,383	(1,188)	(4.0)
Aircraft Departures	11.4	10.8	(0.6)	(4.9)
Aircraft Miles	8,116	7,865	(251)	(3.1)
Aircraft Hours	19.4	18.8	(0.6)	(3.1)
Available Seat Miles (ASMs)	1,037,667	1,020,147	(17,519)	(1.7)
Passenger Load Factor (%)	79.9	79.5	(0.4)	nm
On-Flight Trip Length (Miles)	1,078	1,094	17	1.6
Flight Stage Length (Miles)	712	725	14	1.9

Financial Highlights

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

	2007	2008	Change (#)	Change (%)
Operating Revenues	\$174.7	\$186.0	\$11.3	6.5
Operating Expenses	165.4	189.6	24.3	14.7
Operating Profit (Loss)	9.3	(3.7)	(13.0)	nm
Net Profit (Loss)	7.7	(23.6)	(31.3)	nm
Adjusted Net Profit (Loss) ¹	\$5.0	(\$9.5)	(\$14.5)	nm
Passenger Yield (¢/RPM) ²	12.98	13.75	0.76	5.9
Passenger Unit Revenue (¢/ASM) ²	10.38	10.93	0.56	5.4
Cargo Yield (¢/RTM) ²	82.96	105.18	22.22	26.8
Net Profit Margin (%)	4.4	(12.7)	(17.1)	nm
Adjusted Net Profit Margin (%) ¹	2.9	(5.1)	(7.9)	nm

¹ See Report Content, Page 2.

² Scheduled service only.
nm=not meaningful



president's letter

evolution: a new vision for moving america

As the forces of nature play out around us, the world continues to evolve. Consider the world of commercial aviation, where the relentless forces of economic turbulence accelerate the evolutionary process to unprecedented levels – a world where constant change is the only path to tomorrow.

With a clear vision, focused unflinchingly on the goal of moving people and products in ever safer and more efficient ways, those relentless forces can deliver tremendous value. Indeed, despite the difficult financial period that the industry has endured, U.S. airlines have:

- achieved a safety record second to none;
- continued to improve our record of environmental excellence; and
- introduced a wide variety of passenger-convenience technologies designed to streamline and simplify the passenger experience, alongside an equally impressive array of technologies to facilitate the just-in-time movement of cargo.

It is indeed a tribute to the remarkable perseverance and ingenuity of the people of the airline industry that they have so effectively harnessed stress to nurture success.

With the release of our *2009 Economic Report*, it is clear that those evolutionary forces have not abated. In fact, the imperative for continuous improvement is more pressing than ever. The case for the effective and rapid deployment of a modern, GPS-oriented, digitally enabled, *smart* air traffic management system could not be stronger. Higher levels of domestic productivity, greater operational efficiency and customer service, better environmental performance and improvements in an already remarkable culture of safety are all achievable – and they are achievable now.

With the right type of public investments, as well as national policies crafted to enable airlines to continue to apply their resources to improving environmental performance and operational efficiency, we will have the type of air transportation system essential to our nation's future economic expansion. Finally, we need to halt, once and for all, unmonitored, destructive energy price speculation that has done so much harm to the U.S. and world economies.

What we need is strong leadership and unflinching vision to get the job done. If we are to succeed, the airlines cannot act alone. As America invests in and plans for its future, air transportation must take its proper place as a national priority. Our economy, our geography and our role in the world demand nothing less.

We are calling on all Americans, and in particular our colleagues in government, to join us now in using the forces of evolution to deliver a new vision for moving America.



the vision

vibrant and expanding



At its core, the key value proposition in commercial aviation – both for passenger travel and cargo shipment – is speed and reliability. Unfortunately, today's air traffic control (ATC) infrastructure, technology and procedures too often compromise the industry's ability to deliver the service that the public has every right to expect. The airlines, however, embrace the future optimistically. They know that our aging ATC systems can be transformed, replacing mid-20th century design concepts with 21st century, satellite-based, GPS-oriented, *smart* technology. With that transformation, we know that we will be able to provide the on-time service that the public expects and do so in the most environmentally responsible way – all while helping to grow stronger and more vibrant national and world economies.

U.S. Export Value by Transport Mode

Dollars per Kilogram



Source: BTS and Census Bureau

Commercial Aviation Economic Contribution

	Aviation Impact
U.S. Economic Output	\$1.142 trillion/year
Contribution to U.S. GDP	\$692 billion/year
Share of U.S. GDP	5.2 percent
U.S. Job Impact	10.2 million

Source: Federal Aviation Administration, "The Economic Impact of Civil Aviation on the U.S. Economy" (October 2008)

U.S. Exports by Air – Top Destinations

Destination	\$ Millions	Share (%)
United Kingdom	33,814	8.7
Germany	28,132	7.2
Japan	27,919	7.2
China	21,169	5.5
Switzerland	19,409	5.0
France	18,714	4.8
The Netherlands	18,072	4.7
Canada	17,723	4.6
Singapore	15,740	4.1
Hong Kong	13,669	3.5
Other	173,984	44.8
Total	388,347	100.0

U.S. Exports by Air – Top Customs Districts

District	\$ Millions	Share (%)
New York, NY	90,096	23.2
Los Angeles, CA	41,513	10.7
Chicago, IL	35,863	9.2
Miami, FL	29,775	7.7
San Francisco, CA	27,187	7.0
New Orleans, LA	23,007	5.9
Cleveland, OH	22,443	5.8
Dallas-Fort Worth, TX	17,561	4.5
San Juan, PR	14,044	3.6
Savannah, GA	12,376	3.2
Other	74,482	19.2
Total	388,347	100.0

Source: Census Bureau

U.S. Imports by Air – Top Origins

Origin	\$ Millions	Share (%)
China	74,133	17.8
Japan	32,969	7.9
Germany	31,909	7.6
United Kingdom	27,497	6.6
Ireland	25,734	6.2
France	19,501	4.7
Malaysia	19,005	4.6
Israel	16,774	4.0
South Korea	16,432	3.9
Italy	12,842	3.1
Other	140,429	33.7
Total	417,227	100.0

U.S. Imports by Air – Top Customs Districts

District	\$ Millions	Share (%)
New York, NY	92,561	22.2
Chicago, IL	61,395	14.7
Los Angeles, CA	37,154	8.9
New Orleans, LA	32,211	7.7
Anchorage, AK	31,257	7.5
San Francisco, CA	26,228	6.3
Dallas-Fort Worth, TX	23,212	5.6
Savannah, GA	20,123	4.8
Cleveland, OH	18,724	4.5
Philadelphia, PA	14,500	3.5
Other	59,862	14.3
Total	417,227	100.0

Ten years ago, Microsoft Chairman Bill Gates observed that the Wright Brothers “created one of the greatest cultural forces since the development of writing, for their invention effectively became the World Wide Web of that era, bringing people, languages, ideas and values together. It also ushered in an age of globalization, as the world’s flight paths became the superhighways of an emerging international economy. Those superhighways of the sky not only revolutionized international business; they also opened up isolated economies, carried the cause of democracy around the world and broke down every kind of political barrier. And they set travelers on a path that would eventually lead beyond Earth’s atmosphere.” A 2008 Federal Aviation Administration study found that commercial aviation is ultimately responsible for more than 5 percent of U.S. gross domestic product, helping generate more than \$1 trillion in annual economic activity and more than 10 million jobs.

zoom in on the **economy**

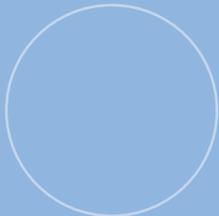
Top 25 U.S. Airlines – 2008

Aircraft Departures ¹	Thousands	Passengers Enplaned ²	Millions	Revenue Passenger Miles ²	Billions	Cargo Revenue Ton Miles ¹	Millions	Operating Revenues ¹	Millions
1 Southwest	1,192.5	1 Delta	120.4	1 Delta	176.8	1 FedEx	10,591	1 Delta	\$35,068
2 Delta	939.2	2 Southwest	101.9	2 American	131.7	2 UPS	6,866	2 FedEx	24,680
3 American	735.8	3 American	92.8	3 United	109.8	3 Atlas	3,187	3 American	23,696
4 SkyWest	584.6	4 United	63.1	4 Continental	80.4	4 Delta	2,861	4 United	20,237
5 United	510.3	5 US Airways	54.8	5 Southwest	73.5	5 American	2,014	5 Continental	15,033
6 American Eagle	507.0	6 Continental	46.9	6 US Airways	60.5	6 United	1,921	6 US Airways	12,459
7 US Airways	496.1	7 AirTran	24.6	7 JetBlue	26.1	7 Polar	1,435	7 Southwest	11,023
8 ExpressJet	412.1	8 JetBlue	21.8	8 AirTran	18.7	8 Southern	1,400	8 UPS	5,800
9 Continental	388.6	9 SkyWest	20.7	9 Alaska	18.7	9 Kalitta	1,175	9 JetBlue	3,390
10 FedEx	366.4	10 Alaska	16.8	10 SkyWest	11.2	10 Continental	951	10 Alaska	3,221
11 Atlantic Southeast	288.9	11 American Eagle	16.6	11 Frontier	9.9	11 World	782	11 AirTran	2,552
12 Pinnacle	265.9	12 ExpressJet	14.8	12 ExpressJet	9.1	12 ABX	614	12 American Eagle	2,224
13 AirTran	260.2	13 Atlantic Southeast	12.5	13 Hawaiian	7.8	13 Evergreen Int'l	611	13 SkyWest	2,064
14 Mesa	254.9	14 Mesa	11.2	14 American Eagle	7.4	14 Arrow	433	14 Atlantic Southeast	1,464
15 JetBlue	205.4	15 Frontier	10.6	15 Spirit	6.6	15 US Airways	300	15 Frontier	1,371
16 Comair	203.3	16 Pinnacle	10.3	16 Atlantic Southeast	5.9	16 Tradewinds	274	16 ExpressJet	1,306
17 Chautauqua	181.9	17 Comair	8.1	17 Mesa	5.1	17 Centurion	232	17 Comair	1,286
18 Mesaba	181.3	18 Hawaiian	7.8	18 Pinnacle	4.8	18 ASTAR	183	18 ABX	1,270
19 Alaska	169.7	19 Horizon	7.4	19 Comair	4.1	19 Florida West	176	19 Hawaiian	1,212
20 Air Wisconsin	161.9	20 Republic	7.1	20 Republic	3.6	20 Air Transport Int'l	162	20 Atlas	1,130
21 Horizon	160.3	21 Spirit	6.8	21 Allegiant	3.5	21 Gemini	161	21 Mesa	1,038
22 UPS	152.0	22 Chautauqua	6.3	22 Virgin America	3.4	22 Southwest	138	22 World	796
23 Piedmont	133.7	23 Air Wisconsin	5.6	23 Midwest	3.1	23 Capital Cargo	100	23 Spirit	791
24 Cape	128.2	24 Mesaba	5.3	24 Chautauqua	2.8	24 Kalitta Charters II	96	24 Kalitta	785
25 PSA	122.0	25 PSA	4.7	25 Shuttle America	2.7	25 Hawaiian	77	25 Horizon	734

¹ All services.

² Scheduled service only.

■ Member, Air Transport Association of America, Inc. (as of July 2009)





review

2008 industry review

From \$99.64 to \$87.16 – and then from \$145.29 to \$33.87 – what a wild ride the price of a barrel of crude oil took through the course of 2008. On the way up, in just 103 days of trading on the New York Mercantile Exchange (NYMEX), the price of crude soared 67 percent (more than \$58 per barrel) to its July 3 peak, followed immediately by a precipitous 77 percent decline (more than \$111) in just 118 days of trading. That remarkable, unprecedented volatility carried through to jet fuel prices, whose daily average incredibly spanned \$2.96 per gallon, ranging from a low of \$1.26 to a high of \$4.26. The industry's already largest cost center also became its most volatile with a 235 percent fluctuation in the span of a year.

The consequences of the industry's staggering \$58 billion fuel tab were pronounced and widespread, taking a heavy toll on airline workers, investors, customers and communities. Sadly, some 28,000 pilots, flight attendants, mechanics, ramp workers, gate agents, reservation sales and service representatives, and office workers lost their jobs while communities across the country lost air service. By the end of 2008, the U.S. airline industry was markedly smaller and financially weaker, incurring a net loss of \$9 billion to \$24 billion, depending on which "one-time" charges or gains were included.

Traffic and Operations

In the early months of 2008, traffic and capacity were on the rise. However, significant year-over-year declines in the second half of 2008 resulted in lower aggregate levels of traffic and capacity for the full year. Passenger traffic, as measured in systemwide revenue passenger miles (RPMs), decreased 2.2 percent, reversing the 4 percent year-over-year increase from 2006 to 2007. Domestic RPMs fell 3.9 percent, contrasting with 2.7 percent growth in international RPMs. Meanwhile, in the last four months of 2008, capacity fell more than 6 percent, resulting in a 1.7 percent decrease in available seat miles (ASMs) for the year – the first annual decline since 2003. Notably, domestic capacity cuts of 3.8 percent more than offset a 4.1 percent increase in international ASMs. After six consecutive years of rising systemwide passenger load factors, 2008 utilization of seating capacity fell 0.4 percentage points to 79.5 percent. Air cargo traffic, as measured in revenue ton miles (RTMs), decreased 4 percent. As with passenger volumes, cargo movements were on the rise in early 2008, only to decline sharply later in the year.

With respect to operations, the industry posted a domestic on-time arrival rate of 76 percent despite persistent challenges in the National Airspace System (NAS). Given the substantial number of flights that originate in, terminate in or traverse New York airspace, it is notable that, according to Federal Aviation Administration (FAA) data, only 51 percent of departures left New York-area airports on time in 2008 versus 70 percent at other major U.S. airports. Unfortunately, delays in the New York area have grown disproportionately in recent times, rising from 2.7 percent of flight operations in 2002 to 11.8 percent in 2008; over the same period, the rate of delay at other major U.S. airports grew marginally from 1.4 percent to 1.7 percent.

The New York metropolitan area was included in nine of the 10 most traveled domestic city pairs, led by New York-Fort Lauderdale, which averaged 4,450 local passengers per day, each way. Other cities ranking among the most traveled domestic markets included Atlanta, Chicago, Las Vegas, Los Angeles, Miami, Orlando, San Francisco and West Palm Beach. Hartsfield-Jackson Atlanta International Airport topped the list with 43.6 million annual passenger enplanements and 978,084 aircraft takeoffs and landings. Chicago's O'Hare International Airport ranked

second in both categories, with 33.7 million passengers and 881,566 takeoffs and landings. Memphis International Airport, home to FedEx Express, remained the busiest air cargo facility, enplaning 1.9 million tons of freight and mail, followed by 1.1 million tons of cargo enplaned at Louisville Standiford Field, home to UPS Airlines.

Revenues

Despite shrinking traffic and capacity, industry operating revenues grew 6.5 percent in 2008 to \$186 billion, fueled principally by a 22 percent jump in cargo revenue. Cargo transport accounted for 16 percent of total industry revenues and generated \$5.3 billion more sales than in 2007, reaching an all-time high of \$30 billion. A robust global economy in the first half of 2008 helped drive the average cargo yield up 27 percent to more than \$1.05 per ton per mile, easily offsetting the 4 percent drop in cargo RTMs.

Passenger revenue increased 3.6 percent as a 5.9 percent gain in the average price paid (excluding taxes) to fly a mile more than offset a 2.2 percent decline in miles flown by paying passengers. Of the \$3.9 billion increase, domestic travel accounted for slightly more than \$1.2 billion. Unfortunately, relative to the size of the U.S. economy, domestic passenger revenue fell for the second consecutive year. At 0.563 percent of U.S. gross domestic product (GDP), it stood 0.168 percentage points below the 1991-2000 average, translating in historical terms to a \$24 billion revenue shortfall for the industry in 2008. As Barclays Capital airline analyst Gary Chase observed on Feb. 10, 2009, "The events of 9/11 marked...a permanent decline in domestic airline demand. We estimate that the gap between pre-9/11 demand and the post-9/11 period demand resulted in...the equivalent of the industry having no domestic revenue in 2007 and 2008."

Along with record-high jet fuel prices, the onset of the worst global recession since the 1930s compelled most carriers to cut deeper into their published schedules as 2008 progressed, and many to accelerate and broaden the implementation of ancillary revenue programs. Given the contraction in seating capacity, 2008 marked just the fifth time since domestic air service was deregulated in 1978 that the industry saw both domestic and international yields outpace inflation. In that period, average revenue per passenger per mile flown rose 63 percent domestically and 81 percent internationally, easily outpaced by a 230 percent increase in the U.S. Consumer Price Index over the same period. Consequently, inflation-adjusted (real) passenger yields for U.S. airlines fell 51 percent domestically and 45 percent internationally from 1978 to 2008.

Also in 2008, charter revenue dropped 23 percent to \$4.3 billion, an economic sign of the times. Transport-related revenue rose more than 8 percent to \$36.5 billion as regional carrier operations continued to expand as a portion of major carriers' global networks. Other revenue grew 18 percent to \$3.9 billion.

Electronic Ticketing Trend

E-Ticketing as Percent of Tickets Processed¹ by U.S. Travel Agencies



¹ Includes non-U.S. airlines and Amtrak.

Source: Airlines Reporting Corporation

Expenses

Though industry operating revenues grew a healthy \$11 billion in 2008, operating expenses surged \$24 billion, swinging the industry's operating income \$13 billion into the red, from a \$9.3 billion profit to a \$3.7 billion loss. Overwhelmingly driven by higher fuel costs, 2008 operating expenses jumped nearly 15 percent to \$190 billion. Flying operations, which constituted 42 percent of industry costs, increased 27 percent on a \$16 billion year-over-year spike in fuel expense to \$58 billion. The average price paid for a gallon of jet fuel jumped 96 cents – the largest annual increase in history – to an all-time high of \$3.07. Transport-related expense, the industry's second largest cost center, rose 13 percent to more than \$31 billion. Expenses for maintenance, passenger service, aircraft and traffic servicing, promotion and sales were virtually unchanged from 2007, while general and administrative costs climbed 25 percent and aircraft and other ownership costs rose 11 percent.

For U.S. passenger airlines, the average cost of employing a full-time worker rose marginally but remained below \$76,000 for the fourth consecutive year, with gains in average wages and payroll taxes slightly offsetting a 1 percent decline in average benefits and pension expense. Given the rapid pace of restructuring in late 2008, capacity fell more quickly than the number of employees, driving a modest increase in the average cost of labor per ASM from 2.98 cents to 3.01 cents.

Earnings

On June 16, 2009, management consultant and recruiter Michael Bell made the following observation in *BusinessWeek*:

The airline business is truly the school of hard knocks. There is always something – high fuel prices, the threat of terrorism, epidemics, storms, cyclical passenger gluts and droughts, labor issues, accidents, and government intrusion – to upset operations, disrupt aviation economics, and spark a chorus of critics from consumers to government. It's hard for deregulated airlines to make money, and if one does, within five years a cyclical downturn will likely drain away accumulated earnings. The airline business embodies much of the complexity, volatility, uncertainty and challenge that more and more businesses are getting a taste of in the current economy...

Indeed, in late 2008, airlines found themselves transitioning from an unprecedented fuel-price spike to a deep global recession, with the financial meltdown deflating demand in some of the most lucrative markets. In turn, having posted slim profits in 2006 and 2007, U.S. airlines reported a net loss of \$23.6 billion in 2008, including several extraordinary accounting charges such as impairment of goodwill and other intangible assets, merger and reorganization expenses, and various bankruptcy-related charges. Excluding these items, the net loss was still massive at \$9.5 billion. As noted in a Lehman Brothers equity research report on June 27, 2008, “The industry hasn’t seen a real upcycle. 2006-2007 in retrospect now looks more like a brief reprieve from a downcycle.”

From 2001 through 2008, U.S. passenger and cargo airlines reported a cumulative deficit of \$55 billion. Not surprisingly, over the same period, U.S. passenger airlines were left with no choice but to contract sharply, shedding some 150,000 jobs. At the time of publication, not a single U.S. passenger airline enjoyed a Standard and Poor’s corporate credit rating of A-minus or better; only one held an investment-grade rating. Meanwhile, the equity market capitalization of oil giant ExxonMobil was more than 20 times that of the U.S. passenger airlines in aggregate, which also trailed such individual corporations as Microsoft, Wal-Mart, Boeing, Amazon and eBay.

Employment

U.S. Airlines

	2007	2008	Change (%)
Average Full-Time Equivalents			
Pilots and Copilots	71,675	74,486	3.9
Other Flight Personnel	6,248	4,792	(23.3)
Flight Attendants	98,622	92,327	(6.4)
Mechanics	51,318	53,114	3.5
Aircraft and Traffic Service Personnel	263,354	264,271	0.3
Office Employees	35,179	34,093	(3.1)
All Other	34,601	33,836	(2.2)
Total Employment	560,997	556,920	(0.7)
Average Compensation¹			
Salaries and Wages	\$56,284	\$56,754	0.8
Benefits and Pensions	14,791	14,608	(1.2)
Payroll Taxes	4,125	4,169	1.1
Total Compensation	\$75,199	\$75,532	0.4

¹ Passenger airlines only.

Financial Condition

The U.S. airline industry continues to be confronted by a systemic inability to cover its cost of investor capital or, for that matter, to exceed “break-even” profitability on a sustainable basis. Reduced access to affordable capital directly hinders the airlines’ ability to acquire new aircraft or ground equipment, to deploy and upgrade in-flight entertainment systems and passenger amenities, to attract and retain top-caliber customer service representatives and other frontline employees and, ultimately, to compete effectively in the increasingly global aviation marketplace.

A failure to deal with this situation, through both continued concerted industry efforts and the advancement of enlightened government policies that invest prudently in aviation infrastructure, avoid destructive taxation and encourage a stable and sustainable airline industry, will have serious, negative economic consequences – not just for airline employees and investors but also for large and small communities, airports, government and the broader economy.

The United States needs a healthy aviation sector to help reestablish and enable a thriving national economy. If the industry is to do more for all of its constituents – passengers, shippers, communities, airports, employees, investors, governments and everyone else who enjoys the benefits of air transportation – we must find a way to enable its investments in the future – in people, planes and products – or risk occupying a permanent second-tier position in the world’s aviation system. The ultimate constituents, to be sure, are the 10 million Americans whose jobs are integrally linked to a thriving commercial aviation sector.

It is against this backdrop that the airline industry moved into 2009, proud of its survival skills but wary of a regulatory climate that too often imposes new, unnecessary and ill-timed costs on a financially fragile industry central to job creation. It is indeed the era of volatility – of demand for the industry’s product and of the magnitude of its largest cost: fuel. Can a labor-intensive, capital-intensive industry conduct multiyear planning amid such economic and regulatory uncertainty? It cannot in its current form. If the current path is not reversed, further industry contraction, including workforce reduction, is a practical certitude.

As with other goods and services, the demand for passenger and cargo transportation falls with every increase in price. Customer perception of speed and reliability – the industry's core value proposition – is also a key driver of demand for air transportation. That perception of value drops as delays and unpredictability rise. Together, price and perceived value determine total customer spending. It is no surprise, therefore, that rising ticket taxes, energy costs and air traffic control delays have combined with post-9/11 security hassles to curtail demand. Indeed, the amount that Americans spend on domestic air travel has dropped substantially as a share of the U.S. economy. Addressing these impediments to economic growth is the best way to strengthen demand, restore financial stability and help fuel our nation's recovery.

zoom in on

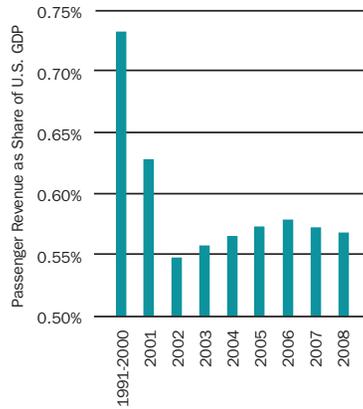
demand

the vision

robust and resilient

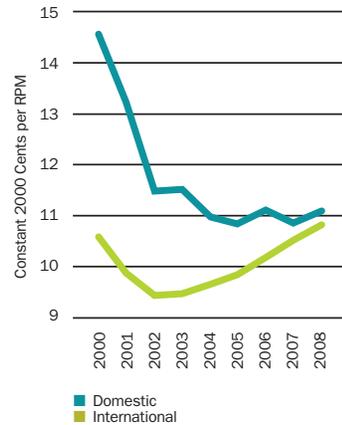


Domestic Demand Trend



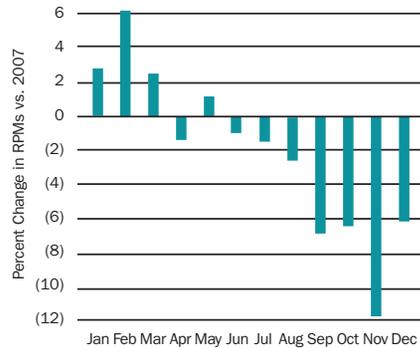
Source: ATA and Bureau of Economic Analysis

Passenger Yield Trend

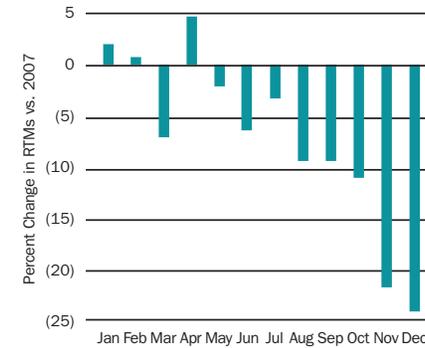


The maturity of the domestic aviation marketplace, the fiercely competitive industry landscape, the growing ticket tax burden, a depressed economy and the realities of a constrained infrastructure all have contributed to diminishing domestic revenues as a share of gross domestic product. Accordingly, U.S. carriers remain intently focused on controlling costs and on tapping new sources of revenue, including emerging overseas markets via both direct services and participation in global alliances. Government can help by continuing to improve the flow of aviation security and by accelerating the transformation to a 21st century air traffic management system.

Passenger Traffic – 2008



Cargo Traffic – 2008



Price of Air Travel vs. Other Goods and Services

Product (Unit)	1978	2008	% Change
College Tuition – Public (Year) ¹	\$688	\$6,585	857
College Tuition – Private (Year) ¹	\$2,958	\$25,143	750
Prescription Drugs (Index) ²	61.6	378.3	514
Unleaded Gasoline (Gallon) ³	\$0.67	\$3.27	388
New Vehicle ⁴	\$6,470	\$28,350	338
New Single-Family Home ⁵	\$55,700	\$232,100	317
CPI (All Items)²	65.2	215.3	230
Movie Ticket ⁶	\$2.34	\$7.18	207
First-Class Domestic Stamp ⁷	\$0.15	\$0.42	180
Whole Milk (Index) ²	81.0	217.2	168
Grade-A Large Eggs (Dozen) ²	\$0.82	\$1.99	143
Air Travel – International (Mile)⁸	7.49¢	13.52¢	81
Air Travel – Domestic (Mile)⁸	8.49¢	13.84¢	63
Television (Index) ²	101.8	14.0	(86)

1 The College Board (based on beginning of academic year).
 2 Bureau of Labor Statistics (includes hedonic "quality-change" adjustments).
 3 Department of Energy – www.eia.doe.gov/emeu/mer/pdf/mer.pdf, Table 9.4.
 4 National Automobile Dealers Association – www.nada.org (average retail selling price).
 5 Census Bureau – www.census.gov/const/uspriceann.pdf (median).
 6 National Association of Theatre Owners – www.natonline.org (average U.S. ticket prices).
 7 U.S. Postal Service – www.usps.com/postalhistory/welcome.htm, Publication 100.
 8 ATA via Bureau of Transportation Statistics – www.airlines.org.

Passenger Yield

U.S. Airlines

		1978 ¹	2007	2008	2008 vs. 1978 (%)	2008 vs. 2007 (%)
Current Yield	Domestic	8.49	13.11	13.84	63.0	5.6
	International	7.49	12.67	13.52	80.5	6.7
	Total	8.29	12.98	13.75	65.8	5.9
U.S. CPI	1982–84=100	65.2	207.3	215.2	230.1	3.8
Constant Yield (2008 Cents)	Domestic	28.03	13.60	13.84	(50.6)	1.7
	International	24.72	13.15	13.52	(45.3)	2.8
	Total	27.37	13.48	13.75	(49.8)	2.0

1 Congress enacted legislation deregulating domestic airline passenger service in October 1978.

Note: Yield is measured in cents paid by an airline passenger, excluding taxes, to fly one mile.
 Source: Air Transport Association and Bureau of Labor Statistics

city pairs

Top 40 U.S. City Pairs¹ – 2008

Origin-Destination Market	Daily Passengers (Average, Each Way)	Average One-Way Ticket Price ²		
		2007	2008	Change (%)
1 Fort Lauderdale-New York	4,450	\$119.57	\$124.41	4.1
2 New York-Orlando	4,126	116.99	123.60	5.7
3 Chicago-New York	4,044	123.59	164.53	33.1
4 Los Angeles-New York	3,912	284.71	278.73	(2.1)
5 Atlanta-New York	3,409	145.40	140.80	(3.2)
6 New York-San Francisco	3,135	292.00	277.60	(4.9)
7 Los Angeles-San Francisco	2,421	94.45	85.71	(9.3)
8 Las Vegas-New York	2,310	197.14	203.76	3.4
9 Miami-New York	2,205	134.56	144.64	7.5
10 New York-West Palm Beach	2,153	124.14	134.42	8.3
11 Honolulu-Kahului	2,091	35.38	53.46	51.1
12 New York-Tampa	2,045	113.33	125.53	10.8
13 Dallas/Fort Worth-Houston	2,002	87.86	99.31	13.0
14 Boston-New York	1,943	148.50	164.29	10.6
15 Chicago-Los Angeles	1,879	177.83	188.82	6.2
16 Chicago-Las Vegas	1,869	135.83	152.41	12.2
17 Dallas/Fort Worth-New York	1,831	219.00	251.37	14.8
18 Chicago-Orlando	1,771	107.78	125.64	16.6
19 Orlando-Philadelphia	1,769	93.86	105.41	12.3
20 New York-San Juan	1,712	162.39	171.45	5.6
21 Chicago-Washington	1,705	117.88	156.10	32.4
22 New York-Washington	1,658	132.05	144.72	9.6
23 Chicago-Denver	1,624	121.99	127.67	4.7
24 Chicago-Phoenix	1,621	133.62	151.75	13.6
25 Boston-Washington	1,603	147.68	164.00	11.1
26 Atlanta-Washington	1,589	147.40	149.29	1.3
27 Chicago-Dallas/Fort Worth	1,553	136.60	160.91	17.8
28 Las Vegas-San Francisco	1,539	92.84	85.92	(7.5)
29 Atlanta-Chicago	1,512	142.50	135.57	(4.9)
30 Honolulu-Lihue	1,497	35.70	54.57	52.9
31 Los Angeles-Seattle	1,486	136.10	120.56	(11.4)
32 Honolulu-Kona	1,463	37.40	61.24	63.8
33 Denver-New York	1,461	170.51	191.97	12.6
34 Los Angeles-Washington	1,461	241.05	223.60	(7.2)
35 Las Vegas-Los Angeles	1,458	79.53	89.99	13.1
36 Honolulu-Los Angeles	1,449	195.14	231.83	18.8
37 Houston-New York	1,434	196.11	240.89	22.8
38 Detroit-New York	1,428	137.08	141.02	2.9
39 Detroit-Orlando	1,411	90.59	94.22	4.0
40 Charlotte-New York	1,393	125.53	130.14	3.7
Composite	81,422	\$140.66	\$153.24	8.9

¹ Chicago (MDW/ORD), Dallas (DAL/DFW), Houston (HOU/IAH), New York (EWR/JFK/LGA), Tampa (PIE/TPA) and Washington (DCA/IAD) include multiple airports.

² Includes government-imposed taxes and fees.

Source: Department of Transportation

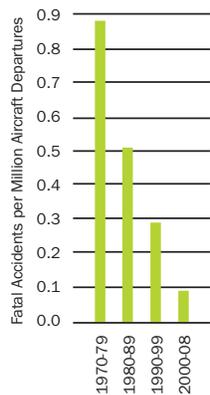
safety

The safety record of the U.S. airline industry is exemplary. In fact, our nation is experiencing the safest-ever period for aviation – as airlines extend service to more and more communities around the globe. Safety is the foundation on which our industry was built, and it remains our top priority.

In the early days of aviation, the most valuable tool for enhancing safety was a rear-view mirror. Experts would reflect on past accidents, determine the causes and then take steps to avoid repeating them. That approach was highly effective and served us well for decades.

More recently, the Commercial Aviation Safety Team (CAST) took that approach to a new level by applying scientific rigor to accident data, enabling the industry to better identify risk and more effectively invest its safety resources. The results were astounding and, in 2009, CAST was awarded the prestigious Collier Trophy for its achievements.

Safety Trend



Source: NTSB

At one time, mechanical failure was a common cause of accidents. We learned quickly that redundancy – having a backup in case something failed – is an essential safety principle. Today's state-of-the-art aircraft are always designed with redundant systems that can tolerate failure and continue to fly safely.

We also have come to recognize human error as a risk that must be addressed. Having two pilots in the cockpit is perhaps the most obvious solution aimed at managing human error. That same, redundant approach is impractical for most other aspects of airline operations, so we construct an interwoven and layered system of checks and balances that empowers every employee to play a role in finding and eliminating safety risk.

Our learning over the last several decades has led us to embrace safety management systems (SMS). Our modern aviation system is characterized by increasingly complex and diverse networks of organizations located across the globe. The most effective approach is to integrate safety efforts into the day-to-day framework of aviation operations; SMS does precisely that.

Although the rigorous safety work of the airlines – which has evolved over time to its current level of excellence – is sometimes taken for granted, it continues to be the most important work that we do. Today, the U.S. commercial airline industry is the largest and safest in the world – the result of data-driven collaboration and the gold standard against which other nations are measured. In order to continue to advance this record of excellence, the airlines and their safety partners in government, the manufacturing community and our unions continue to refine their efforts to identify areas of concern before an incident or accident occurs – and to use this process to set the right safety priorities.



environment

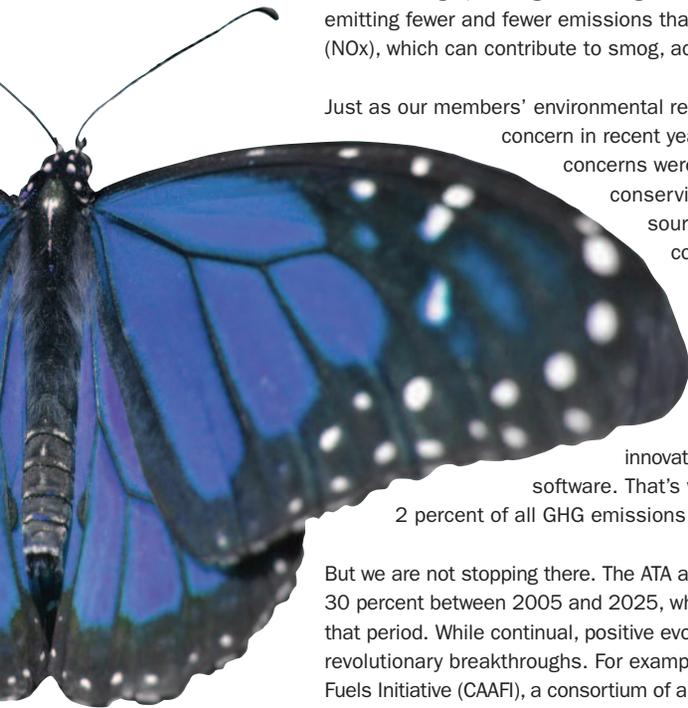
Constant environmental progress is built into our members' DNA. Our record demonstrates this unflinching commitment. For example, Federal Aviation Administration (FAA) data confirm that the number of people in the United States affected by aircraft noise has diminished by 94 percent since 1975 – 40 percent just since 2000 – though passenger boardings have increased almost four-fold. At the same time, our members have flown progressively cleaner aircraft, with each generation emitting fewer and fewer emissions that have local air quality effects. Cases in point: smoke has virtually been eliminated and emissions like oxides of nitrogen (NOx), which can contribute to smog, account for less than 1 percent of the national inventory.

Just as our members' environmental record has continued to evolve, so too have the issues. Perhaps most significant in this regard has been the increasing concern in recent years about greenhouse gas (GHG) emissions that can have climate change effects. But whether or not scientific and policy concerns were prevalent years ago, our members were doing the very things needed to address GHGs – conserving fuel and shepherding it to its most productive use. Given that fuel burn, which is the source of GHG emissions, is our largest cost center – accounting for 30 to 40 percent of our costs – our environmental and economic interests are perfectly aligned. Indeed, ATA members are keenly focused on minimizing fuel burn and emissions, as illustrated by the fact that we moved passengers and cargo in 2008 more than twice as far on a single gallon of jet fuel than we did in the late 1970s, saving as much carbon dioxide (CO₂) as taking almost 19 million cars off the road each of those years.

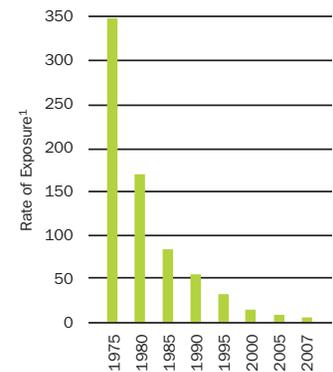
Our airlines accomplished this through continual investments in fuel-saving aircraft and engines, innovative technologies like winglets (which improve aerodynamics) and cutting-edge route optimization software. That's why data from the Environmental Protection Agency confirm that our industry represents just 2 percent of all GHG emissions in the United States.

But we are not stopping there. The ATA airlines are on track to meet or exceed their commitment to improving their fuel efficiency another 30 percent between 2005 and 2025, which will result in CO₂ savings equivalent to taking 13 million cars off the road each year during that period. While continual, positive evolution is the cornerstone of our members' environmental record, our members also are pursuing revolutionary breakthroughs. For example, ATA and its members continue to play a leading role in the Commercial Aviation Alternative Fuels Initiative (CAAFI), a consortium of airlines, government, manufacturers, airports, universities, fuel suppliers and other stakeholders who hold the keys to research, development and environmentally responsible implementation of alternative jet fuels.

It is against this backdrop of industry-driven improvements that we urge the government to refrain from imposing one-size-fits-all emissions trading or other taxes on the airlines, as such schemes siphon away the funds airlines otherwise would use to invest in newer aircraft and other emissions- and noise-reducing measures. Instead, we seek government policies that complement – rather than impede – the airlines' initiatives. For example, the U.S. government should accelerate the much-needed modernization of our outdated air traffic control system, which could add 10 to 15 percent more emissions savings. In addition, Congress should restore funding to NASA and FAA aviation environmental research and development programs, which have been drastically cut in recent years. Today's airplanes are not just smarter – they are quieter, cleaner and use less fuel than ever before – but our airlines also fly them smarter. In concert with sound public policy, positive environmental evolution will remain our constant.



Noise Exposure Trend



¹ Number of U.S. residents exposed to significant noise levels per 10,000 passengers enplaned on U.S. airlines.

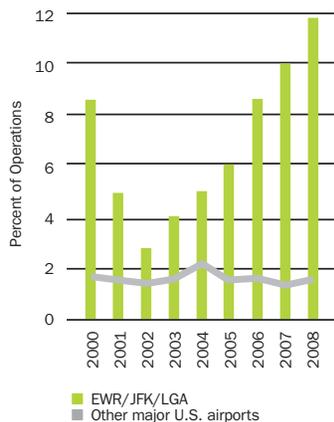
Source: ATA and FAA

nowgen

Too often, when we talk about the introduction of major new systems and technologies, especially when the government is involved, the focus is 10, 15 or even 20 years into the future. The result? Generally a shoulder shrug, a program office, a big plan and little or no progress. A prime example would be the lengthy discussions about a next-generation air traffic management system (NextGen). That system would leverage existing and emerging technologies to bring about a satellite-oriented, digitally enabled, *smart* technology system to maximize the efficient movement of aircraft. So far, however, we have seen much talk and little action.

There is no dispute as to the pressing need for such a system. Headlines trumpeting unacceptable levels of aviation system delays, and all of the attendant customer frustrations, give daily testimony to the imperative for developing the capacity necessary to meet the needs of our economy. Less immediately evident, but also of extreme importance, is the role that NextGen can play in helping to address environmental concerns. The bottom line is that by moving airplanes as efficiently as possible and, with them, the passengers and products that drive our economy, we help ensure future prosperity – and, at the same time, keep unwanted emissions and unnecessary fuel consumption to a minimum.

Airport Delay Rates



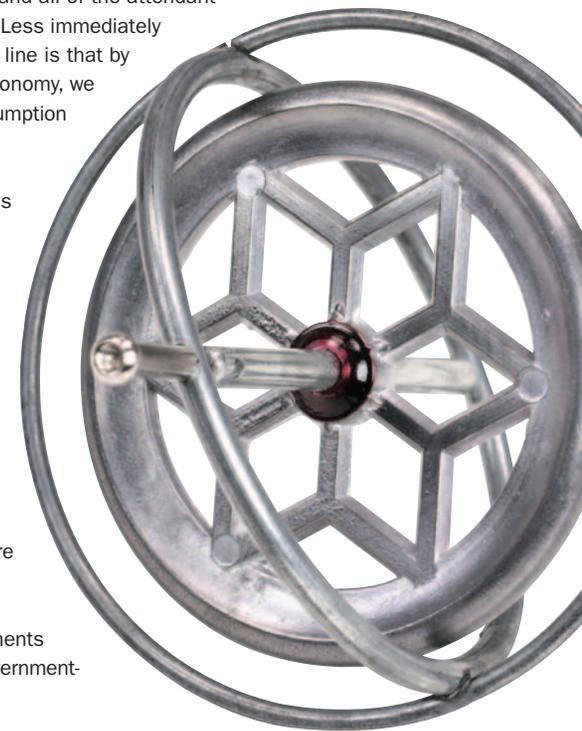
■ EWR/JFK/LGA
■ Other major U.S. airports

Source: FAA OPSNET for OEP 35 airports

So it is clear: We need the new air traffic management technology, but a 15- to 20-year deployment plan is unacceptable. What to do? The Air Transport Association carriers have been direct and specific in their call for action on NowGen: a concrete plan to fund and accelerate the deployment of the key technologies and procedures that are the core of NextGen, but to do so over the next three years, not the next 15 or 20. The plan aligns perfectly with the administration's economic, infrastructure and environmental priorities; it has full support of the industry and, using the government's own conservative estimates of benefits, the returns far surpass the investment.

An additional investment of about \$6 billion in our aviation system between now and 2013 would go a long way toward delivering NowGen and, with it, enhance safety, create jobs, improve environmental performance, reduce long-term government expenses, increase small community access and improve overall economics for all users of air transportation. This investment would provide the necessary aircraft equipage and ground infrastructure, as well as the procedures and training to take full advantage of the system's potential. For more information on the details and the technology involved, please visit www.airlines.org.

NowGen is *shovel ready* and can truly become a functioning program now – and it can produce dramatic system performance improvements within the next few years. The Air Transport Association carriers are absolutely committed to NowGen and to advancing the necessary government-industry partnership to get this vital job done.



customer service

Every day two million people, more than a million bags and 50,000 tons of cargo are boarded on thousands of planes at airports around the country, traveling on 25,000 flights to thousands of places around the world – from Tacoma to Tangiers to Takamatsu. As a popular comedian remarked on late-night television, isn't it amazing that you can be sitting "in a chair in the sky" – which may not recline quite as far as you'd like – but which carries you across the country in just four to five hours and allows you to read, relax and even surf the Internet along the way?

Yes, it is indeed amazing. And rest assured that, as your flight makes its way across the country or across the globe, airline employees – onboard your flight and throughout the system – are doing their best to make sure that your journey is safe, pleasant and on schedule. Unfortunately, even the best-laid plans sometimes do not work as expected and, when that happens, customers are understandably disappointed. Because their goal is to exceed customers' expectations, airlines strive every day to make better plans. Government reports indicate that those efforts are paying off; customer service is, in fact, improving. Airlines know that satisfied customers are loyal customers and, in today's extremely competitive marketplace, airlines are vying for loyalty, constantly rethinking and revising procedures to provide even better service to their customers.

Airline service continues to evolve in response to the needs of customers. Not too long ago, frustrating waits with airline reservation agents; piecing together multiple tickets on multiple airlines; standing in long lines to check and recheck bags; and 1950s-era communications, navigational and surveillance systems were the norm. Today, passengers book reservations, check in for flights and print boarding passes online from their homes, offices or mobile devices; schedule seamless itineraries while airlines and their partners take care of the logistics; watch real-time television and their choice of blockbuster movies; and crisscross the continents without the slightest worry. Not too long ago, just-in-time delivery of goods was merely an aspiration. Today, time-sensitive cargo is shipped around the world in a matter of days – sometimes even hours. Without question, the safe, efficient movement of people and goods has changed all of our lives and enabled a global economy.

As the customer service evolution continues, airlines are focused on addressing a dilemma that is largely outside of their control: flight delays. Delays – infuriating to both airlines and their customers – cost the nation's economy \$40 billion each year, according to the congressional Joint Economic Committee, in lost productivity, missed business meetings and opportunities, cancelled and delayed vacations and, perhaps most importantly, disrupted family events. The nation's outdated, inefficient air traffic control (ATC) system is the primary culprit, allowing poor weather to wreak havoc on flight schedules, and delays in New York and in other traffic centers to ripple throughout the system. The answer: accelerate ATC modernization. We – the administration, agencies, airlines, airports, air traffic controllers, general aviation and others – must work together and take the necessary steps to get the job done – in a few years, not a few decades. If we do, flight delays, fuel burn and emissions will decrease, improving efficiency, customer service and environmental performance. Ultimately, the overall economy will reap tremendous benefits and as the economy recovers, the customer service evolution will continue.

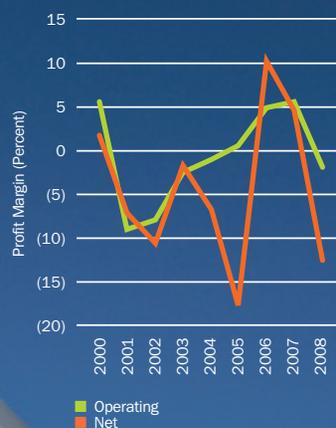
On-Time Arrival Rate Percent of Domestic Flights



Source: Department of Transportation



Profitability Trend



Income Statement

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

	2007	2008	Change (%)	Share (%)
Operating Revenues				
Passenger	\$107,678	\$111,535	3.6	60.0
Cargo	24,531	29,852	21.7	16.1
Charter (Passenger and Property)	5,544	4,268	(23.0)	2.3
Transport Related	33,679	36,465	8.3	19.6
Other	3,265	3,859	18.2	2.1
Total Operating Revenues	174,696	185,979	6.5	100.0
Operating Expenses				
Flying Operations	62,951	79,674	26.6	42.0
Maintenance	16,857	16,988	0.8	9.0
Passenger Service	8,958	9,022	0.7	4.8
Aircraft and Traffic Servicing	22,386	22,675	1.3	12.0
Promotion and Sales	8,558	8,522	(0.4)	4.5
General and Administrative	10,837	13,554	25.1	7.1
Depreciation and Amortization	7,178	7,954	10.8	4.2
Transport Related	27,627	31,256	13.1	16.5
Total Operating Expenses	165,353	189,645	14.7	100.0
Operating Profit (Loss)	9,344	(3,666)	nm	nm
Interest Income (Expense)	(3,915)	(3,743)	4.4	nm
Income Tax Credit (Provision)	(2,331)	893	nm	nm
Other	4,593	(17,047)	nm	nm
Net Profit (Loss)	7,691	(23,562)	nm	nm
Adjusted Net Profit (Loss)¹	\$4,998	(\$9,464)	nm	nm

¹ See Report Content, Page 2.
nm=not meaningful

zoom in on energy

Beyond the numerous, diverse, successful measures that U.S. airlines have taken and continue to explore to conserve fuel, the single biggest advance in fuel conservation and emissions reduction will come from modernization of our nation's air traffic control system. More direct routings enabled by next-generation air traffic management solutions could improve system fuel efficiency by as much as 10 to 15 percent. Meanwhile, ATA airlines are actively pursuing the deployment of alternative aviation fuels that are safe, environmentally beneficial, operationally reliable and economically viable.

the vision

stable & secure

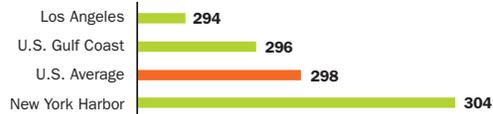


U.S. airlines have improved their fuel efficiency by more than 120 percent over the past three decades. Our ATA commitment to continuous improvement encourages the pursuit of commercially viable, environmentally friendly alternative fuels to enhance the security of our energy supply and, potentially, to reduce emissions typically associated with fossil fuels – including greenhouse gas emissions.



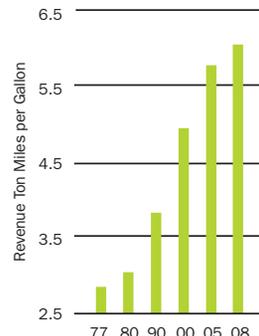
Fuel Price by Region – 2008

Average Cents per Gallon



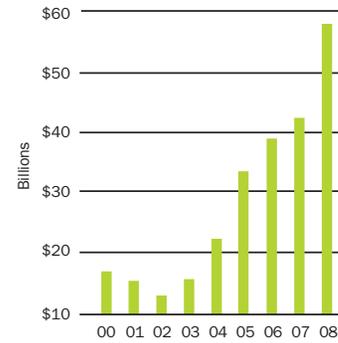
Source: Energy Information Administration

Fuel Efficiency



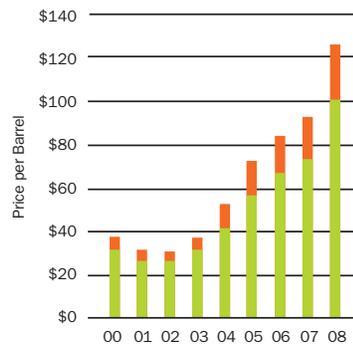
Source: ATA and Bureau of Transportation Statistics

Fuel Expense



Source: Bureau of Transportation Statistics

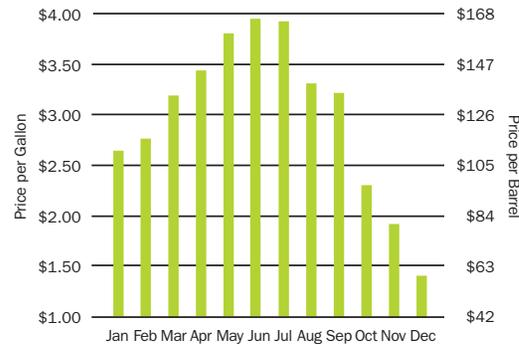
Fuel Price Trend



■ Jet Fuel Crack Spread
■ Crude Oil

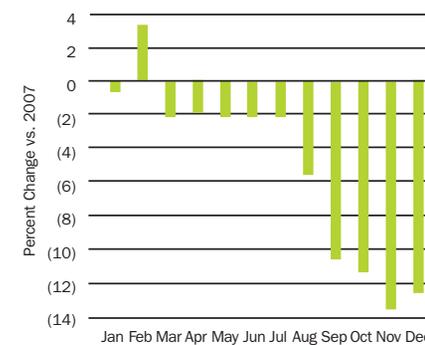
Source: Energy Information Administration

Fuel Price by Month – 2008



Source: Energy Information Administration

Fuel Use by Month – 2008



Source: Bureau of Transportation Statistics

Operating Fleets of Selected U.S. Airlines – 2008

	A300	A310	A318	A319	A320	A321	A330	B-717	B-727	B-737	B-747	B-757	B-767	B-777	DC-8	DC-9	DC-10	MD-10	MD-11	MD-80	MD-90	E190	Total 2008	Total 2007	Change
AirTran								86		50													136	137	(1)
Alaska										110													110	115	(5)
Allegiant																					38		38	26	12
American	25									77		124	73	47							279		625	655	(30)
Continental										246		58	26	20									350	365	(15)
Delta				57	69		32			76	26	191	96	10		67					115	16	755	802	(47)
Frontier			11	39	2																		52	62	(10)
Hawaiian								14					18										32	29	3
JetBlue					107																	35	142	134	8
Midwest								9															9	38	(29)
Southwest										537													537	520	17
Spirit				26		2																	28	39	(11)
United				55	97					46	27	97	35	52									409	460	(51)
US Airways				93	75	33	9			70		39	10									25	354	356	(2)
Virgin America				10	18																		28	14	14
Subtotal	25	-	11	280	368	35	41	109	-	1,212	53	509	258	129	-	67	-	-	-	432	16	60	3,605	3,752	(147)
ABX													41		16								57	97	(40)
ASTAR	6								29						9								44	43	1
Atlas¹											27												27	37	(10)
Evergreen Int'l											12												12	15	(3)
FedEx Express	68	66							81			5					8	71	58				357	356	1
UPS	53										9	75	32		28					38			235	242	(7)
Subtotal	127	66	-	-	-	-	-	-	110	-	48	80	73	-	53	-	8	71	96	-	-	-	732	790	(58)
Grand Total	152	66	11	280	368	35	41	109	110	1,212	101	589	331	129	53	67	8	71	96	432	16	60	4,337	4,542	(205)

1 Includes data for Atlas Air and Polar Air Cargo.

Note: Values reflect year-end mainline aircraft counts; 2007 and 2008 totals for Delta include data for Northwest Airlines.

Source: Company reports

■ Member, Air Transport Association of America, Inc. (as of July 2009)

U.S. Air Carrier Fleet – 2008

Operator	Narrowbody	Widebody	Other	Total
Mainline Passenger/Combination (Jet)	3,151	505	87	3,743
Regional Passenger (Jet)	-	-	1,655	1,655
Regional Passenger (Other)	-	-	927	927
All-Cargo	374	575	-	949
Total	3,525	1,080	2,669	7,274

Note: Values reflect year-end mainline aircraft counts.

Source: Federal Aviation Administration

Operating Statistics of Selected U.S. Airlines – 2008

	Operating Aircraft ¹	Employees (Average FTEs)	Aircraft Departures ² (Thousands)	Passengers Enplaned ³ (Millions)	RPMs ³ (Billions)	ASMs ³ (Billions)	Load Factor ³ (Percent)	Cargo RTMs ² (Millions)	Operating Revenues ² (Millions)
AirTran	136	7,906	260	24.6	18.7	23.8	78.9	-	\$2,552
Alaska	110	9,919	170	16.8	18.7	24.2	77.3	56.5	3,221
Allegiant	38	1,290	33	3.9	3.5	3.9	90.0	-	483
American	625	72,152	736	92.8	131.7	163.5	80.6	2,013.6	23,696
Continental	350	35,793	389	46.9	80.4	99.0	81.2	950.9	15,033
Delta	755	76,309	939	120.4	176.8	212.5	83.2	2,860.5	35,068
Frontier	52	4,825	101	10.6	9.9	12.0	81.9	9.2	1,371
Hawaiian	32	3,190	65	7.8	7.8	9.5	82.7	76.7	1,212
JetBlue	142	10,443	205	21.8	26.1	32.4	80.4	25.5	3,390
Midwest	9	1,798	42	3.0	3.1	4.1	76.6	9.8	653
Southwest	537	34,676	1,192	101.9	73.5	103.3	71.2	138.3	11,023
Spirit	28	2,352	60	6.8	6.6	8.2	80.3	-	791
United	409	50,205	510	63.1	109.8	135.5	81.0	1,921.2	20,237
US Airways	354	32,273	496	54.8	60.5	74.1	81.7	300.0	12,459
Virgin America	28	1,071	25	2.5	3.4	4.5	76.5	0.1	369
Subtotal	3,605	344,202	5,223	577.7	730.6	910.4	80.2	8,362.4	131,560
ABX	57	6,747	51	-	-	-	-	614.4	1,270
ASTAR	44	939	20	-	-	-	-	183.3	349
Atlas⁴	27	1,632	21	-	-	-	-	4,622.6	1,834
Evergreen Int'l	12	475	4	-	-	-	-	611.0	594
FedEx Express	357	118,865	366	-	-	-	-	10,591.4	24,680
UPS	235	6,047	152	-	-	-	-	6,865.7	5,800
Subtotal	732	134,706	615	-	-	-	-	23,488.4	34,527
Other	n/a	78,012	5,248	163.7	80.9	109.7	73.7	5,271.6	19,892
Total Industry	n/a	556,920	11,086	741.4	811.4	1,020.1	79.5	37,122.4	\$185,979

1 At end of fiscal year.

2 All services.

3 Scheduled service only.

4 Includes data for Atlas Air and Polar Air Cargo.

n/a=not available

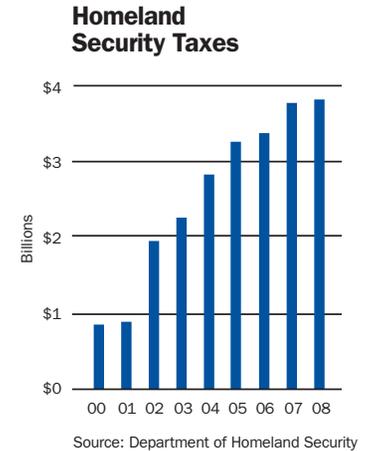
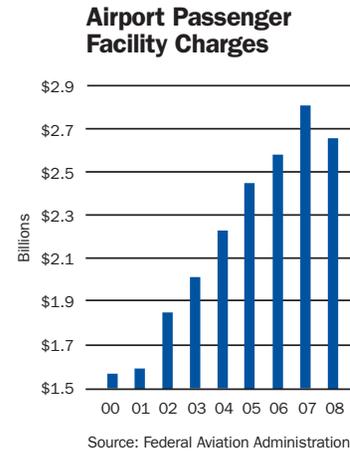
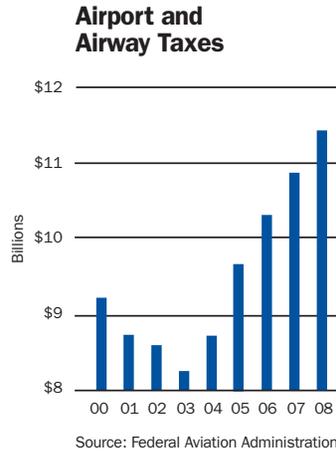
■ Member, Air Transport Association of America, Inc. (as of July 2009)



the vision

fair & reasonable

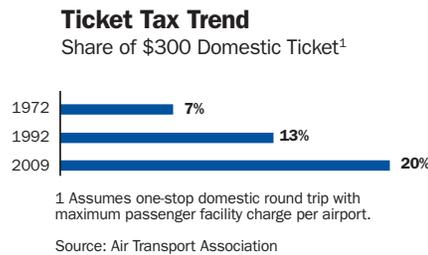
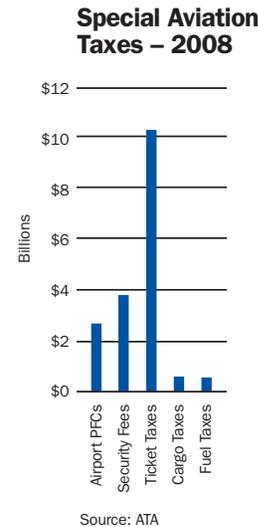
The challenge is to achieve a tax structure that is fair yet allows the meaningful and sustainable economic returns that are essential to future investments. Those investments are key to long-term success for our nation's economy and the air transportation system that is so critical to its vitality.



Special Aviation Tax Rates – Jan. 1, 2009

Tax	Rate
Passenger Ticket Tax (Domestic)	7.5%
Flight Segment Tax (Domestic)	\$3.60
Frequent Flyer Tax	7.5%
International Departure Tax	\$16.10
International Arrival Tax	\$16.10
Cargo Waybill Tax (Domestic)	6.25%
Commercial Jet Fuel Tax (Domestic)	4.3¢
Noncommercial Jet Fuel Tax (Domestic)	21.8¢
Noncommercial Avgas Tax (Domestic)	19.3¢
LUST Fuel Tax (Domestic)	0.1¢
Passenger Facility Charge (Maximum)	\$4.50
September 11th Fee	\$2.50
Aviation Security Infrastructure Fee	Varies
APHIS Passenger Fee	\$5.00
APHIS Aircraft Fee	\$70.50
Customs User Fee	\$5.50
Immigration User Fee	\$7.00

Source: Air Transport Association



zoom in on taxes

Outdated tax policies continue to harm airline customers. Unwarranted tax increases dampen demand by making air travel and shipping less affordable. In today's price-sensitive marketplace, these increased costs also cut directly into the airlines' ability to make needed investments in the future, harming the people and businesses that rely on air transportation. A more disciplined approach to first "do no harm" is essential to sustain an economically vibrant airline industry and the more than 10 million U.S. jobs that depend on our commercial air transportation system – jobs that reach far beyond the airlines, outside of the airports and across the country into communities large and small. Moving forward, we expect to be taxed fairly for the services and facilities we require, but reject the entrenched Washington view that expects airlines and their customers to subsidize unrelated public policy agendas. Policymakers must reject those tax policies that have contributed to industry instability and instead adopt an enlightened approach to deliver real value in government services.

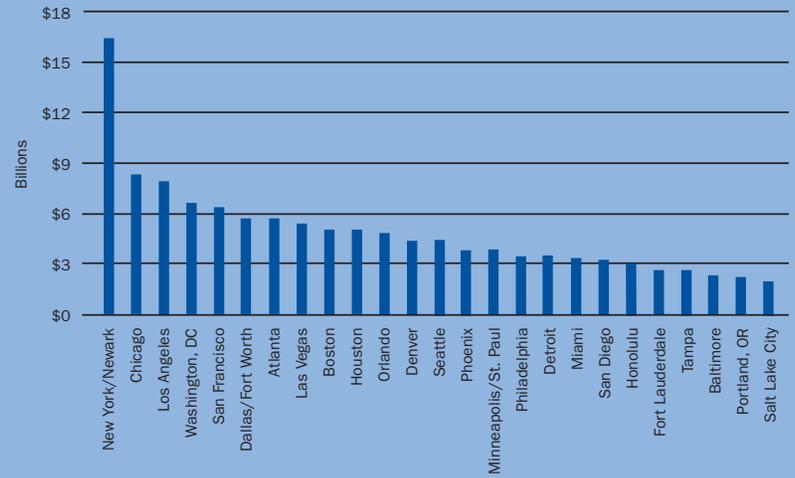
Top 25 U.S. Air Travel Markets – 2008

Systemwide Local (Inbound + Outbound) Passenger Revenue

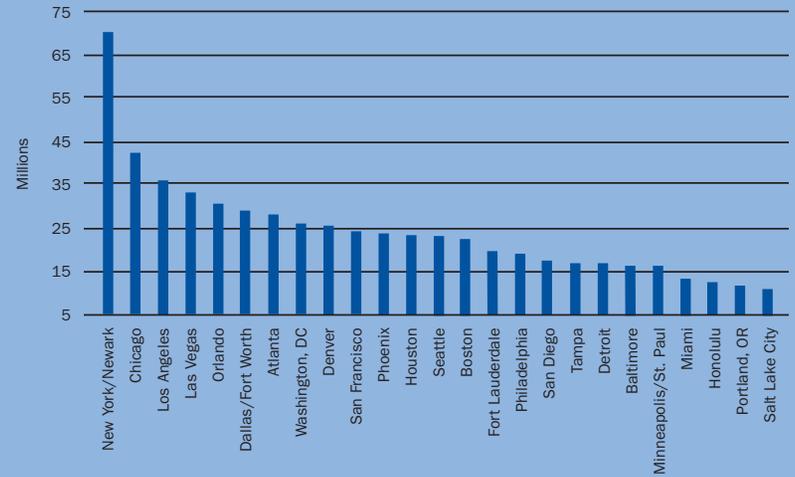
City	Passengers (Millions)	Revenue (Millions)
New York/Newark	70.1	\$16,431
Chicago	42.4	8,239
Los Angeles	35.3	7,948
Washington, DC	25.7	6,574
San Francisco	24.3	6,402
Dallas/Fort Worth	28.7	5,644
Atlanta	28.3	5,574
Las Vegas	32.7	5,300
Boston	22.2	5,055
Houston	23.1	5,047
Orlando	30.7	4,796
Denver	25.4	4,364
Seattle	22.7	4,361
Phoenix	23.6	3,836
Minneapolis/St. Paul	16.3	3,769
Philadelphia	18.4	3,472
Detroit	16.8	3,469
Miami	13.6	3,301
San Diego	17.2	3,172
Honolulu	12.3	2,980
Fort Lauderdale	19.3	2,607
Tampa	17.1	2,578
Baltimore	16.4	2,427
Portland, OR	11.9	2,200
Salt Lake City	11.0	1,994

Source: DOT O&D survey

Systemwide Local (Inbound + Outbound) Passenger Revenue



Systemwide Local (Inbound + Outbound) Passengers



destinations

Top 40 U.S. Airports – 2008

Passengers Enplaned ¹			Thousands	Cargo Tons Enplaned ¹			Thousands	Aircraft Takeoffs/Landings ^{1,2}			Thousands
1	ATL	Hartsfield-Jackson Atlanta Int'l	43,612	1	MEM	Memphis Int'l	1,899	1	ATL	Hartsfield-Jackson Atlanta Int'l	978
2	ORD	Chicago O'Hare Int'l	33,668	2	SDF	Louisville Standiford Field	1,122	2	ORD	Chicago O'Hare Int'l	882
3	LAX	Los Angeles Int'l	28,625	3	MIA	Miami Int'l	938	3	DFW	Dallas/Fort Worth Int'l	655
4	DFW	Dallas/Fort Worth Int'l	27,149	4	LAX	Los Angeles Int'l	844	4	DEN	Denver Int'l	626
5	DEN	Denver Int'l	24,266	5	ANC	Ted Stevens Anchorage Int'l	767	5	LAX	Los Angeles Int'l	623
6	JFK	John F. Kennedy Int'l	23,592	6	JFK	John F. Kennedy Int'l	756	6	LAS	Las Vegas McCarran Int'l	579
7	LAS	Las Vegas McCarran Int'l	20,882	7	ORD	Chicago O'Hare Int'l	746	7	IAH	George Bush Intercontinental	578
8	IAH	George Bush Intercontinental	19,850	8	IND	Indianapolis Int'l	529	8	CLT	Charlotte Douglas Int'l	538
9	PHX	Phoenix Sky Harbor Int'l	19,432	9	EWR	Newark Liberty Int'l	436	9	PHX	Phoenix Sky Harbor Int'l	502
10	SFO	San Francisco Int'l	18,099	10	ILN	Wilmington Clinton Field	375	10	PHL	Philadelphia Int'l	492
11	EWR	Newark Liberty Int'l	17,605	11	DFW	Dallas/Fort Worth Int'l	347	11	DTW	Detroit Metropolitan Wayne County	463
12	MCO	Orlando Int'l	17,289	12	ATL	Hartsfield-Jackson Atlanta Int'l	345	12	MSP	Minneapolis-Saint Paul Int'l	450
13	CLT	Charlotte Douglas Int'l	17,270	13	OAK	Metropolitan Oakland Int'l	319	13	JFK	John F. Kennedy Int'l	447
14	DTW	Detroit Metropolitan Wayne County	16,986	14	PHL	Philadelphia Int'l	304	14	EWR	Newark Liberty Int'l	442
15	MIA	Miami Int'l	16,397	15	SFO	San Francisco Int'l	265	15	IAD	Washington Dulles Int'l	392
16	MSP	Minneapolis-Saint Paul Int'l	16,346	16	ONT	Ontario Int'l	253	16	SLC	Salt Lake City Int'l	390
17	SEA	Seattle-Tacoma Int'l	15,803	17	IAH	George Bush Intercontinental	234	17	SFO	San Francisco Int'l	388
18	PHL	Philadelphia Int'l	15,576	18	HNL	Honolulu Int'l	225	18	VNY	Van Nuys	387
19	BOS	Boston Logan Int'l	12,784	19	IAD	Washington Dulles Int'l	162	19	LGA	LaGuardia	384
20	LGA	LaGuardia	11,549	20	SEA	Seattle-Tacoma Int'l	159	20	DVT	Phoenix Deer Valley	377
21	IAD	Washington Dulles Int'l	11,367	21	BOS	Boston Logan Int'l	146	21	BOS	Boston Logan Int'l	375
22	FLL	Fort Lauderdale-Hollywood Int'l	11,018	22	RFD	Chicago/Rockford Int'l	140	22	MIA	Miami Int'l	372
23	BWI	Baltimore/Washington Int'l	10,154	23	PHX	Phoenix Sky Harbor Int'l	136	23	MEM	Memphis Int'l	363
24	SLC	Salt Lake City Int'l	9,888	24	DEN	Denver Int'l	127	24	LGB	Long Beach	345
25	SAN	San Diego Int'l	9,006	25	MSP	Minneapolis-Saint Paul Int'l	122	25	MCO	Orlando Int'l	343
26	HNL	Honolulu Int'l	8,976	26	TOL	Toledo Express	114	26	SEA	Seattle-Tacoma Int'l	343
27	TPA	Tampa Int'l	8,869	27	PDX	Portland Int'l	110	27	DAB	Daytona Beach Int'l	340
28	DCA	Ronald Reagan Washington Nat'l	8,692	28	DTW	Detroit Metropolitan Wayne County	93	28	RVS	Tulsa R. Lloyd Jones	334
29	MDW	Chicago Midway	8,014	29	SJU	San Juan Luis Muñoz Marín Int'l	92	29	FFZ	Mesa Falcon Field	319
30	PDX	Portland Int'l	7,074	30	AFW	Forth Worth Alliance	85	30	APA	Denver Centennial	319
31	STL	St. Louis Lambert Int'l	6,644	31	MCO	Orlando Int'l	82	31	SNA	John Wayne (Orange County)	316
32	CVG	Cincinnati/Northern Kentucky	6,488	32	SLC	Salt Lake City Int'l	79	32	TMB	Kendall-Tamiami Executive	309
33	OAK	Metropolitan Oakland Int'l	5,562	33	BDL	Hartford Bradley Int'l	76	33	BFI	Boeing Field/King County Int'l	296
34	MEM	Memphis Int'l	5,376	34	SAN	San Diego Int'l	71	34	FLL	Fort Lauderdale-Hollywood Int'l	296
35	MCI	Kansas City Int'l	5,361	35	FLL	Fort Lauderdale-Hollywood Int'l	68	35	CVG	Cincinnati/Northern Kentucky	286
36	CLE	Cleveland Hopkins Int'l	5,291	36	CAE	Columbia Metropolitan	65	36	HNL	Honolulu Int'l	281
37	SMF	Sacramento Int'l	4,966	37	BFI	Boeing Field/King County Int'l	65	37	DCA	Ronald Reagan Washington Nat'l	278
38	RDU	Raleigh-Durham Int'l	4,778	38	CLT	Charlotte Douglas Int'l	61	38	BWI	Baltimore/Washington Int'l	278
39	SJC	Norman Y. Mineta San Jose Int'l	4,763	39	SAT	San Antonio Int'l	60	39	ANC	Ted Stevens Anchorage Int'l	278
40	SJU	San Juan Luis Muñoz Marín Int'l	4,640	40	MCI	Kansas City Int'l	58	40	OAK	Metropolitan Oakland Int'l	274

¹ All services (scheduled and nonscheduled) by U.S. and non-U.S. airlines.

² Includes military and general aviation.

Source: Bureau of Transportation Statistics and Federal Aviation Administration

With each decade, U.S. airlines have improved their record of excellence in safety. Indeed, data from the National Transportation Safety Board show substantial declines in the fatal accident rate for scheduled air service, with airlines 3.5 times safer in 2000-2008 than in the 1990s, 6.0 times safer than in the 1980s and 10.5 times safer than in the 1970s. Service to our customers is also improving. Data from the Bureau of Transportation Statistics comparing 2008 to 2000 show a marked reduction in the flight cancellation rate from 3.30 percent to 1.96 percent, as well as a significant jump in the rate of on-time arrival performance from 72.6 percent to 76.0 percent. Meanwhile, the cost to U.S. airlines of air-traffic-related and other delays soared to \$10 billion. These delays are unacceptable to airlines, to airline customers and to the U.S. economy.



zoom in on operations



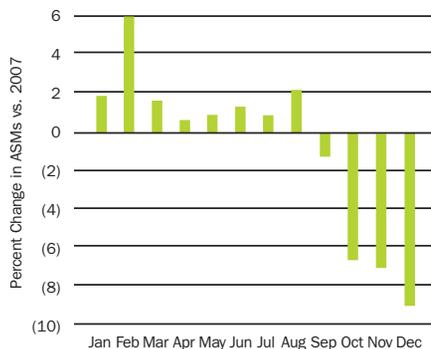
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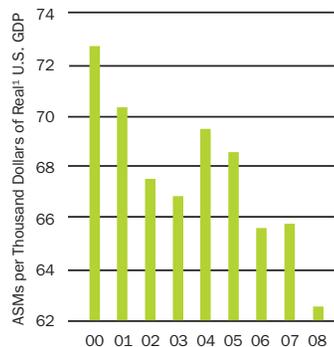
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On Time

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Seating Capacity – 2008



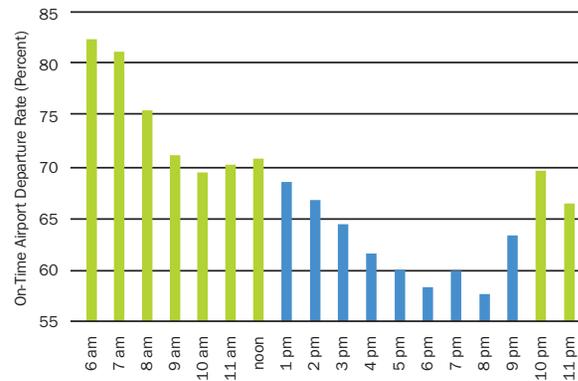
Domestic Capacity Trend



1 Constant 2000 dollars.

Source: Air Transport Association and Bureau of Economic Analysis

On-Time Performance by Hour – 2008



Source: FAA for 35 major U.S. airports

On-Time Performance by Region – 2008

On-Time Airport Departure Rate (Percent)

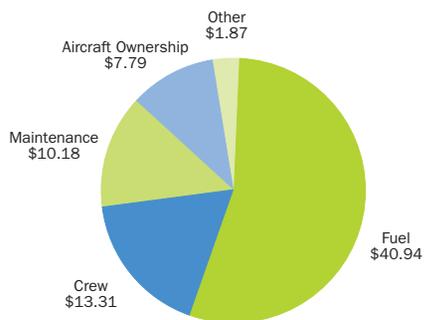


1 EWR, JFK, LGA and PHL.

Source: ATA and FAA

Aircraft Delay Costs¹ – 2008

Per Minute



1 Direct aircraft operating costs per block (gate-to-gate) minute.

Source: ATA analysis of DOT Form 41 data

the vision
reliable and efficient

America deserves better than an air traffic control system that gets planes off the ground on schedule only 82 percent of the time at 6 a.m. and deteriorates to 57-68 percent from 1 p.m. to 10 p.m. A vastly more reliable and efficient future is achievable with strong leadership and the prudent use of resources. The transformation of air navigation services from radar-based to satellite-based will yield improvements not only in time and money but also in safety, noise and emissions – not to mention U.S. energy security. It is time to make this national priority a reality.



Eleven-Year Summary

U.S. Airlines

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Traffic and Capacity¹											
Passengers Enplaned (Thousands)	612,882	635,959	666,149	622,129	614,338	647,470	703,692	738,628	744,728	769,622	741,408
Revenue Passenger Miles (Millions)	617,575	652,047	692,757	651,700	642,374	657,290	733,956	779,014	797,414	829,422	811,440
Cargo Revenue Ton Miles (Millions)	20,496	21,613	23,888	24,569	26,510	26,735	27,978	28,037	29,339	29,570	28,383
Aircraft Departures (Thousands)	8,289	8,627	9,035	8,888	9,307	10,896	11,429	11,564	11,268	11,399	10,841
Aircraft Miles (Millions)	5,834	6,168	6,574	6,597	6,626	7,090	7,668	7,920	7,923	8,116	7,865
Aircraft Hours (Thousands)	13,937	14,698	15,680	15,592	15,787	17,305	18,550	19,114	19,027	19,436	18,839
Available Seat Miles (Millions)	873,389	918,419	956,950	930,511	894,455	894,555	971,935	1,003,334	1,006,324	1,037,667	1,020,147
Operating Statistics											
Passenger Load Factor (%) ¹	70.7	71.0	72.4	70.0	71.8	73.5	75.5	77.6	79.2	79.9	79.5
On-Flight Trip Length (Miles) ¹	1,008	1,025	1,040	1,048	1,046	1,015	1,043	1,055	1,071	1,078	1,094
Flight Stage Length (Miles) ¹	704	715	728	742	712	651	671	685	703	712	725
Fuel Efficiency (RTMs/Gallon) ²	4.73	4.77	4.94	4.79	5.15	5.42	5.60	5.77	5.93	6.02	6.04
Income Statement (Millions)											
Operating Revenues	\$113,435	\$119,036	\$130,311	\$115,214	\$107,120	\$117,696	\$134,338	\$151,495	\$165,237	\$174,696	\$185,979
Operating Expenses	104,111	110,634	123,336	125,292	115,690	119,774	135,820	151,044	157,601	165,353	189,645
Operating Profit (Loss)	9,283	8,337	6,999	(10,326)	(8,566)	(2,108)	(1,491)	427	7,514	9,344	(3,666)
Other Income (Expense)	(4,394)	(2,982)	(4,381)	2,072	(2,800)	408	(7,570)	(27,643)	10,670	(1,652)	(19,896)
Net Profit (Loss)	4,889	5,354	2,618	(8,254)	(11,366)	(1,700)	(9,061)	(27,217)	18,183	7,691	(23,562)
Adjusted Net Profit (Loss) ³	4,847	5,277	2,486	(8,275)	(11,008)	(2,371)	(7,643)	(5,782)	3,123	4,998	(9,464)
Financial Ratios											
Passenger Yield (¢/RPM) ¹	13.11	12.94	13.51	12.42	11.48	11.78	11.67	12.00	12.73	12.98	13.75
Passenger Unit Revenue (¢/ASM) ¹	9.27	9.19	9.78	8.70	8.24	8.66	8.82	9.32	10.09	10.38	10.93
Cargo Yield (¢/RTM) ¹	60.52	60.86	60.52	59.67	55.00	56.12	62.34	73.85	77.87	82.96	105.18
Net Profit Margin (%)	4.3	4.5	2.0	(7.2)	(10.6)	(1.4)	(6.7)	(18.0)	11.0	4.4	(12.7)
Adjusted Net Profit Margin (%) ³	4.3	4.4	1.9	(7.2)	(10.3)	(2.0)	(5.7)	(3.8)	1.9	2.9	(5.1)
Employment (Thousand FTEs)											
Total Industry	621.1	646.4	680.0	672.0	601.4	569.8	569.5	562.5	545.7	561.0	556.9
Passenger Airlines	n/a	n/a	n/a	522.2	467.9	441.2	438.7	421.2	404.3	413.2	407.6
Cargo Airlines	n/a	n/a	n/a	149.8	133.5	128.6	130.8	141.3	141.4	147.8	149.3
Safety¹⁻⁴											
Accidents (Total/Fatal)	41/1	40/2	49/2	41/6	34/0	51/2	23/1	34/3	27/2	26/0	20/0
Fatal Accidents per 100,000 Departures ⁵	0.009	0.018	0.018	0.019	0.000	0.020	0.009	0.027	0.019	0.000	0.000
Fatalities (Total/Aboard)	1/0	12/11	89/89	531/525	0/0	22/21	13/13	22/20	50/49	0/0	0/0

1 Scheduled service only.

2 All services.

3 See Report Content, Page 2.

4 Data from the National Transportation Safety Board reflecting scheduled operations under 14 CFR 121.

5 Excludes incidents resulting from illegal acts.

n/a=not available

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