smart skies

a blueprint for the future

AIR TRANSPORT ASSOCIATION

2006 Economic Report

U.S. Airlines – 2005

Majors (20)[1]

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

Nationals (33)[2]

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

Regionals (31)[3]

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

Commuters (55)[3,4]

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

1 Annual revenues in excess of $1 billion.
2 Annual revenues between $100 million and $1 billion.
3 Annual revenues under $100 million.
4 Operate aircraft of 60 or fewer seats or a maximum payload capacity of 18,000 pounds or less.

■ Member, Air Transport Association

Report Content

Unless otherwise noted, the data provided in this report reflects the activity of the 139 U.S. passenger and cargo airlines shown on this page, as recorded by the U.S. Department of Transportation (DOT) in 2005, under Chapter 411 of Title 49 of the U.S. Code.

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

Mission

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

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

Goals

Founded in 1936, the Air Transport Association of America is the nation's oldest and largest airline trade association. The association's fundamental purpose is to foster a business and regulatory environment that ensures safe and secure air transportation and 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. ATA goals include:

- 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

During its 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.

Contents

In 1936, 14 airlines met in Chicago to form the Air Transport Association of America "to do all things tending to promote the betterment of airline business, and in general, to do everything in its power to best serve the interests and welfare of the members of this association and the public at large."

Air Transport Association of America
Founded: January 3, 1936

goals

President's Letter

The reauthorization of the Airport and Airway Trust Fund (AATF), slated to occur before October 1, 2007, involves decisions critical to the future of aviation and, equally important, to the future of our nation's vibrant economy. The Air Transport Association and its member airlines want those decisions to maximize the benefits to the traveling and shipping public – reaching the smartest solution possible.

Let me explain. Our aviation system faces a classic "fork in the road." The road that we are on – the existing U.S. air traffic control (ATC) system – is based on 1950s vintage design concepts that can no longer be efficiently expanded to meet growing demand. As aircraft operations increase, from 45,000 per day to the more than 61,000 per day projected for 2016, the traditional response of adding more controllers, equipment and facilities will not avert ultimate gridlock. Today's system – all 21 air traffic control centers and 41,000-plus operations facilities – is aging rapidly and requires billions of dollars in reinvestment just to keep the outmoded technology functioning. The status quo is one choice available to Congress, but it is the wrong course to follow.

The wise choice – supported by empirical data and decades of analysis – is to begin at once the transition to an information-centric, satellite-driven, digital air traffic management system, taking full advantage of existing and developing technologies and procedures. Additionally, facility consolidation and leveraged investments will result in significant resource savings. Efficient growth in system capacity translates into an expanding national economy, environmental benefits and continuing world aviation leadership. It is the smart solution.

While the choice seems obvious, making that choice will be extremely challenging. The transition means a new approach by Congress to the way funding and investment decisions are made, as well as systematic facility consolidation – without political interference; congressional jurisdictional changes and the establishment of real system-user input on decision-making; innovative financing to accelerate technological deployment; and a commitment by system users to pay for the services that they consume. All of us must embrace change.

In the coming year, we face both the challenge and the opportunity of change. It is critically important – not only to the airlines but indeed to our nation's economy – that we meet the challenge and seize the opportunity. To learn more, we invite you to visit the Smart Skies Web site: www.smartskies.org. We look forward to working with all interested parties to implement the fair, safe and smart solution.

Officers

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President and Chief Executive Officer

John M. Meenan
Executive Vice President and
Chief Operating Officer

Paul R. Archambeault
Vice President,
Chief Financial Officer and Treasurer

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Vice President, Government Affairs

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Vice President,
Government/Congressional Affairs

James L. Casey
Deputy General Counsel

It's Time for America to Have a 21st Century Air Traffic Control System

The Challenges

- America's 1950s-era air traffic control (ATC) system cannot cope with 21st century demands
- The Federal Aviation Administration (FAA) predicts unprecedented operations growth from 2006 to 2016
- Airline customers will increasingly encounter gridlock in the skies

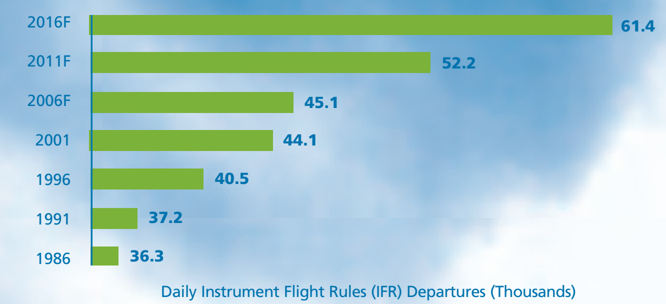
The Solutions

- Leverage available modern technologies and procedures while retiring outdated infrastructure and processes
- Transform the air traffic control system from a 20th century analog, ground-based architecture to a 21st century digital, satellite-based suite of tools
- Create a fair funding arrangement that will both finance this overdue transformation and ensure a predictable revenue stream to operate the ATC system

The Benefits

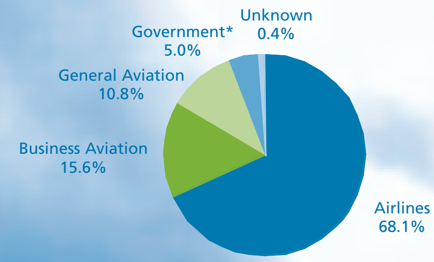
- Improved operational reliability and customer satisfaction
- Enhanced ability to meet the expected growth in travel and shipping by air
- Less wasted time for air carriers and their customers
- Reduced energy consumption, noise and emissions
- Financial savings for aircraft operators and aviation suppliers
- Increased contribution of aviation to the nation's economy
- Further improvement in the U.S. airline industry's already impressive safety record

FAA Projects Unprecedented Growth in Flight Operations

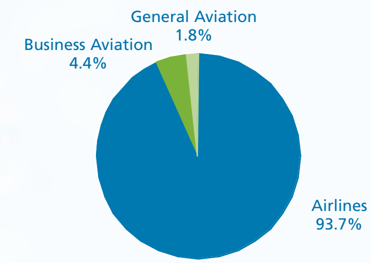


Source: Federal Aviation Administration Aerospace Forecasts

Who Uses the ATC System?



Who Pays for the ATC System?



* Includes civilian and military.

Source: Federal Aviation Administration Fiscal Year 2004 data; ATA analysis

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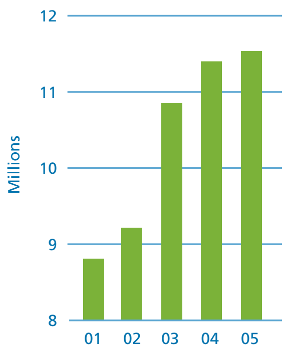
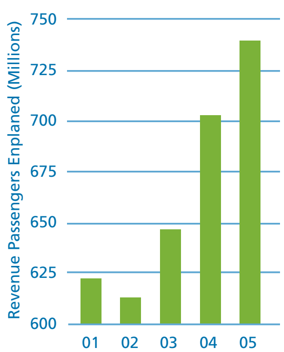
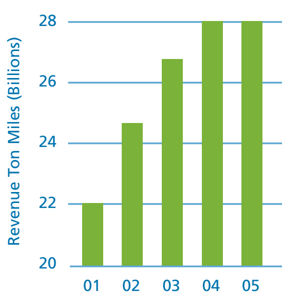
Aircraft Departures
Scheduled Service



Passenger Volumes
Scheduled Service



Cargo Volumes
Scheduled Service



Operational Highlights

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

	2004	2005	Change (%)
Revenue Passengers Enplaned	702.9	**738.6**	5.1
Domestic Service	640.7	**670.4**	4.6
International Service	62.2	**68.2**	9.6
Revenue Passenger Miles (RPMs)	733,680	**779,004**	6.2
Domestic Service	551,937	**579,688**	5.0
International Service	181,743	**199,316**	9.7
Available Seat Miles (ASMs)	971,466	**1,003,312**	3.3
Domestic Service	741,677	**752,475**	1.5
International Service	229,788	**250,837**	9.2
Passenger Load Factor (%)	75.5	**77.6**	2.1 pts.
Domestic Service	74.4	**77.0**	2.6 pts.
International Service	79.1	**79.5**	0.4 pts.
Cargo Revenue Ton Miles (RTMs)	27,978	**28,036**	0.2
Domestic Service	13,574	**13,354**	(1.6)
International Service	14,404	**14,682**	1.9
Aircraft Departures (Thousands)	11,401	**11,517**	1.0
Domestic Service	10,785	**10,860**	0.7
International Service	616	**657**	6.8

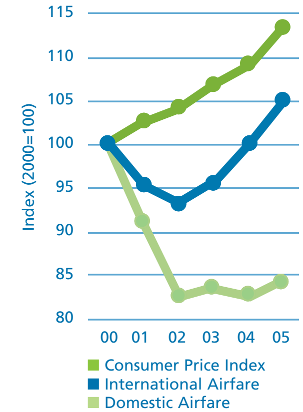
Financial Highlights

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

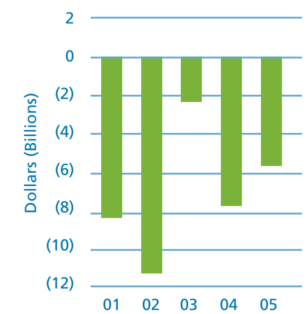
	2004	2005	Change (%)
Passenger Revenue[1]	$85,646	**$93,449**	9.1
Domestic Service	66,380	**71,212**	7.3
International Service	19,266	**22,237**	15.4
Cargo Revenue[1]	17,441	**20,249**	16.1
Domestic Service	8,644	**9,588**	10.9
International Service	8,797	**10,661**	21.2
Charter Revenue	5,679	**6,243**	9.9
Passenger	2,437	**2,138**	(12.3)
Property	3,242	**4,105**	26.6
Other Revenue	25,696	**30,822**	19.9
Total Operating Revenues	134,462	**150,764**	12.1
Total Operating Expenses	135,953	**150,465**	10.7
Operating Profit (Loss)	(1,491)	**299**	nm
Net Profit (Loss)[2]	($7,643)	**($5,673)**	25.8
Operating Profit Margin (%)	(1.1)	**0.2**	1.3 pts.
Net Profit Margin (%)[2]	(5.7)	**(3.8)**	1.9 pts.

1 Scheduled service only.
2 Excludes bankruptcy-related charges (reorganization expenses and fresh-start accounting gains).
nm = not meaningful

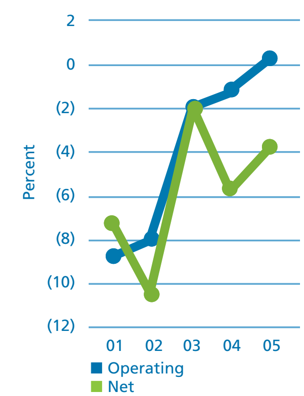
Ticket Prices vs. U.S. Consumer Prices



Net Profit (Loss)



Profit Margins



Eleven-Year Summary

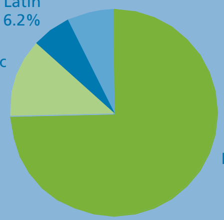
U.S. Airlines (In millions, except as noted)

	1995	1996	1997	1998	1999	2000	2001[3]	2002[3]	2003[4]	2004	2005
Traffic and Operations[1]											
Revenue Passengers Enplaned	547.8	581.2	594.7	612.9	636.0	666.2	622.1	612.9	646.3	702.9	**738.6**
Revenue Passenger Miles (RPMs)	540,656	578,663	603,419	618,087	652,047	692,757	651,700	641,102	656,909	733,680	**779,004**
Available Seat Miles (ASMs)	807,078	835,071	857,232	874,089	918,419	956,950	930,511	892,554	893,824	971,466	**1,003,312**
Passenger Load Factor (%)	67.0	69.3	70.4	70.7	71.0	72.4	70.0	71.8	73.5	75.5	**77.6**
Average On-Flight Trip Length (Miles)	987	996	1,015	1,008	1,025	1,040	1,048	1,046	1,016	1,044	**1,055**
Cargo Revenue Ton Miles (RTMs)	16,921	17,754	20,513	20,496	21,613	23,888	22,003	24,591	26,735	27,978	**28,036**
Freight and Express	14,578	15,301	17,959	18,131	19,317	21,443	20,119	23,243	25,363	26,682	**26,840**
Mail	2,343	2,454	2,555	2,365	2,296	2,445	1,885	1,348	1,372	1,296	**1,195**
Revenue Aircraft Miles (RAMs)	5,293	5,501	5,659	5,838	6,168	6,574	6,514	6,556	7,070	7,647	**7,895**
Aircraft Departures (Thousands)	8,062	8,230	8,127	8,292	8,627	9,035	8,788	9,187	10,839	11,401	**11,517**
Average Stage Length (Miles)	657	668	696	704	715	728	741	714	652	671	**686**
Financial Results											
Operating Revenues	$95,117	$102,444	$109,917	$113,810	$119,455	$130,839	$115,526	$106,985	$117,920	$134,462	**$150,764**
Passenger[1]	69,835	75,515	79,540	81,052	84,383	93,622	80,947	73,577	77,379	85,646	**93,449**
Freight and Express[1]	8,616	9,679	10,477	10,697	11,415	12,486	12,066	12,865	14,101	16,740	**19,521**
Mail[1]	1,266	1,279	1,362	1,708	1,739	1,970	1,063	660	902	701	**728**
Charter	3,742	3,675	3,748	4,059	4,284	4,913	4,449	4,225	5,589	5,679	**6,243**
Other	11,658	12,296	14,790	16,294	17,634	17,848	17,000	15,659	19,948	25,696	**30,822**
Operating Expenses	89,266	96,300	101,375	104,528	111,119	123,840	125,852	115,552	120,028	135,953	**150,465**
Operating Profit (Loss)	5,852	6,143	8,542	9,283	8,337	6,999	(10,326)	(8,566)	(2,108)	(1,491)	**299**
Interest Income (Expense)	(2,426)	(1,989)	(1,738)	(1,753)	(1,833)	(2,193)	(2,506)	(3,263)	(3,442)	(3,715)	**(3,644)**
Other Income (Expense)[2]	(1,115)	(1,427)	(1,686)	(2,682)	(1,226)	(2,320)	4,557	821	1,893	(2,437)	**(2,328)**
Net Profit (Loss)[2]	$2,311	$2,727	$5,119	$4,847	$5,277	$2,486	($8,275)	($11,008)	($2,371)	($7,643)	**($5,673)**
Passenger Yield (¢/RPM)[1]	12.92	13.05	13.18	13.11	12.94	13.51	12.42	11.48	11.78	11.67	**12.00**
Passenger Unit Revenue (¢/ASM)[1]	8.65	9.04	9.28	9.27	9.19	9.78	8.70	8.24	8.66	8.82	**9.31**
Cargo Yield (¢/RTM)[1]	58.40	61.72	57.71	60.53	60.86	60.52	59.67	55.00	56.12	62.34	**72.23**
Operating Profit Margin (%)	6.2	6.0	7.8	8.2	7.0	5.3	(8.9)	(8.0)	(1.8)	(1.1)	**0.2**
Net Profit Margin (%)[2]	2.4	2.7	4.7	4.3	4.4	1.9	(7.2)	(10.3)	(2.0)	(5.7)	**(3.8)**
Employment											
Average Full-Time Equivalents (Actual)	546,987	564,425	586,509	621,064	646,410	679,967	671,969	601,355	569,778	569,498	**552,857**

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

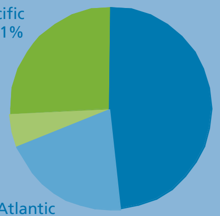
Passenger Traffic by Region

Revenue Passenger Miles – Scheduled Service



Cargo Traffic by Region

Revenue Ton Miles – Scheduled Service



Results by Region – 2005

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

	Domestic	Atlantic	Latin	Pacific	International[1]	Total
Scheduled Service						
Revenue Passengers Enplaned	670.4	21.7	32.0	13.5	68.2	**738.6**
Revenue Passenger Miles	579,688	89,727	48,186	60,082	199,316	**779,004**
Available Seat Miles	752,475	109,338	66,506	73,227	250,837	**1,003,312**
Revenue Ton Miles – Passenger	57,969	8,973	4,819	6,008	19,932	**77,900**
Revenue Ton Miles – Freight, Express and Mail	13,354	5,665	1,461	7,217	14,682	**28,036**
Revenue Ton Miles – Total	71,322	14,638	6,280	13,225	34,613	**105,936**
Passenger Load Factor (%)	77.0	82.1	72.5	82.0	79.5	**77.6**
Average On-Flight Trip Length (Miles)	865	4,135	1,507	4,453	2,922	**1,055**
Revenue Aircraft Departures (Thousands)	10,860	157	364	111	657	**11,517**
Revenue Aircraft Miles	6,596	523	432	345	1,300	**7,895**
Revenue Aircraft Hours (Thousands)	16,371	1,033	963	671	2,715	**19,086**
Average Stage Length (Miles)	607	3,328	1,189	3,098	1,978	**686**
Passenger Revenue	$71,212	$9,929	$6,148	$6,161	$22,237	**$93,449**
Passenger Yield (¢/RPM)	12.28	11.07	12.76	10.25	11.16	**12.00**
Passenger Unit Revenue (¢/ASM)	9.46	9.08	9.24	8.41	8.87	**9.31**
Nonscheduled Service						
Revenue Passengers Enplaned	3.6	0.3	0.5	0.0	4.9	**8.5**
Revenue Ton Miles – Passenger	407	243	108	3	1,204	**1,610**
Revenue Ton Miles – Other	2,372	370	500	1,745	8,879	**11,250**
Revenue Ton Miles – Total	2,778	613	608	1,748	10,082	**12,860**
All Services						
Revenue Ton Miles – Passenger	58,376	9,216	4,927	6,011	21,135	**79,511**
Revenue Ton Miles – Other	15,725	6,035	1,962	8,962	23,560	**39,286**
Revenue Ton Miles – Total	74,101	15,251	6,888	14,973	44,696	**118,796**
Available Ton Miles – Total	125,940	25,790	11,919	24,299	74,351	**200,290**
Weight Load Factor – Total (%)	58.8	59.1	57.8	61.6	60.1	**59.3**

1 Includes some non-domestic service not reflected in the Atlantic, Latin or Pacific entities due to varying Department of Transportation (DOT) reporting requirements.

Note: For reporting related to the conduct of scheduled service by passenger and cargo airlines, the DOT established, in 14 CFR 241, four separate air-carrier entities:
- Domestic – all operations within and between the 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, and Canadian trans-border operations
- Atlantic – all operations via the Atlantic Ocean (excluding Bermuda)
- Latin – all operations within, to or from Latin American areas, including the non-U.S. Caribbean (including Bermuda and the Guianas), Mexico and South/Central America
- Pacific – all operations via the Pacific Ocean, including the North/Central Pacific, South Pacific (including Australia) and the Trust Territories

2005 Airline Industry Review

05

The safety of passengers and crew members remains our number-one priority.

Safety Trends

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

Year	Departures (Millions)	Total Accidents	Fatal Accidents	Fatal Accident Rates[1]	Fatalities
1995	8.1	30	1	0.012	160
1996	7.9	31	3	0.038	342
1997	9.9	43	3	0.030	3
1998	10.5	41	1	0.009	1
1999	10.9	40	2	0.018	12
2000	11.1	49	2	0.018	89
2001	10.6	41	6	0.019	531
2002	10.3	35	0	0.000	0
2003	10.2	51	2	0.020	22
2004	10.8	23	1	0.009	13
2005	10.9	32	3	0.027	22

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

Source: National Transportation Safety Board

In 2005, U.S. airlines recorded a fifth consecutive year of net losses, at $5.7 billion – a five-year total loss of $35.0 billion. The 2001–2005 period has been exceptionally challenging for airlines of all shapes and sizes. Airlines have been unable to recover their expenses and, in particular, have been overwhelmed by inflated fuel costs. Due in part to an aggressive array of fuel conservation initiatives, the industry was able to eke out a modest operating profit and shave its net losses by $2.0 billion versus 2004. And while spending on air travel remained below 0.8 percent of the U.S. gross domestic product (GDP), versus the historical average of 0.95 percent, airlines continued to excel in the area of safety.

Safety

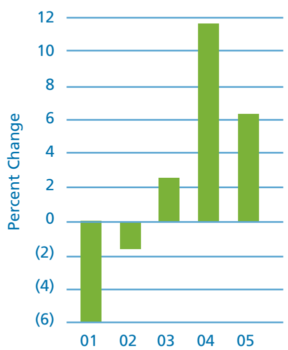
In 2005, the National Transportation Safety Board (NTSB) reported three fatal airline accidents out of 10.9 million scheduled departures. According to the National Safety Council, which measures passenger deaths per 100 million passenger miles, airlines are consistently the safest mode of intercity travel, followed by bus, rail and the automobile. Together with the Federal Aviation Administration (FAA) and the NTSB, airlines strive to achieve zero fatalities and accidents. The safety of passengers and crew members remains our number-one priority.

Environment

The rising price of fuel in 2005 intensified the airline industry's efforts to increase fuel efficiency – the most effective means of reducing emissions. By employing more fuel-efficient operational procedures, reducing aircraft weight, cutting marginal routes and matching capacity more closely with demand, U.S. airlines were able to carry more passengers and cargo in 2005 than in 2000 while using approximately 400 million fewer gallons of fuel.

These voluntary measures have resulted in significant reductions of greenhouse gases and more localized ozone-forming pollutants. As the industry continues to replace older aircraft with quieter and cleaner jets, per-operation noise and air quality impacts will diminish accordingly. U.S. carriers continue to work with the International Civil Aviation Organization (ICAO) on measures to address aviation noise and emissions.

Passenger Traffic Growth
Revenue Passenger Miles – Scheduled Service



Against a backdrop of surging fuel prices, U.S. airlines continued to retire older, less fuel-efficient aircraft.

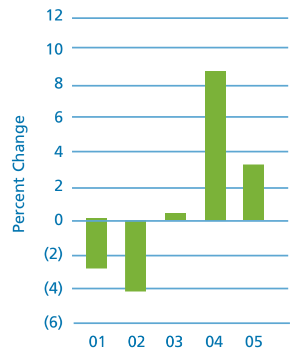
efficiency

E-Business

For the past 40 years, air carriers, aerospace manufacturers, distributors, suppliers, service providers and other industry stakeholders have collaborated to establish standards for improving business processes and information exchange between airlines and their suppliers. Administered and published by ATA, these international standards have evolved to meet the changing needs of the industry and to embrace the latest technological advances.

In 2005, ATA helped secure the following key accomplishments:
• Created a new e-business program and collaborative Web site for the development of data exchange standards to support engineering, maintenance, materiel and flight operations
• Developed a new standard that defines common metrics, enabling companies to use common terminology when submitting data and measuring performance of trading partners
• Harmonized the ATA permanent part-marking (bar code) standard with the newly mandated Department of Defense (DoD) marking standard, allowing common use for both civil and military applications

Passenger Capacity Growth
Available Seat Miles – Scheduled Service



• Released a suite of Internet-based electronic procurement and invoicing commands, providing a migration path for more efficient procurement
• Entered into a collaborative agreement with the AeroSpace and Defence Industries Association of Europe (ASD) and Aerospace Industries Association (AIA) to enable a single technical data specification to be used for both civil and military applications
• Developed a new specification for the electronic exchange of Authorized Release Certificates to reduce document-handling and -storage costs, improve deterrence of suspected unapproved parts and facilitate regulatory compliance
• Made significant progress toward completion of a specification for the electronic exchange of flight operations data (e.g., flight crew operating manuals and master minimum equipment lists) to provide for more timely, efficient and reliable data

As a result of standardization, airlines and suppliers have seen dramatic improvements in data efficiency, security and consistency, significantly reducing the time and costs required to deliver and retrieve operationally critical information.

Fleet

Against a backdrop of surging fuel prices, U.S. airlines continued to retire older, less fuel-efficient aircraft. In total, ATA members' operating fleets shrank to 4,331 – down 176 airplanes from year-end 2004 and down 619 units from June 30, 2001.

According to the FAA, the U.S. airline fleet included an estimated 7,836 aircraft at the end of 2005, comprising 3,953 mainline passenger jets, 1,758 regional airline jets, 1,104 regional airline props and 1,021 cargo jets. The FAA is projecting mainline passenger and cargo jet fleets to grow to 4,028 and 1,027, respectively, by the end of 2006.

Operations

Despite extraordinarily high jet fuel prices and an unusually active hurricane season, 2005 was another record year for both traffic and capacity. Passenger demand was strong across all regions and grew faster than seating capacity.

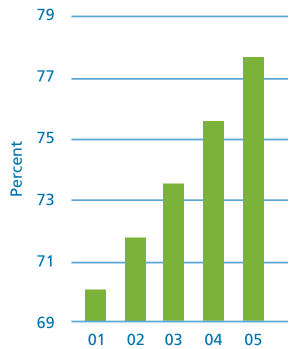
A record 738.6 million passengers took to the skies on U.S. airlines in 2005, a 5.1 percent increase over 2004. Domestic and international enplanements grew 4.6 percent and 9.6

percent, respectively. Enplanement growth was strongest in the Latin region, at 11.4 percent; Atlantic and Pacific enplanements rose 7.4 percent.

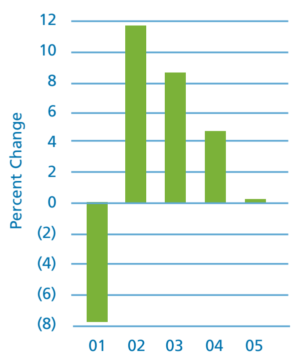
Passenger traffic, as measured in systemwide revenue passenger miles (RPMs), grew 6.2 percent. Domestic RPMs increased 5.0 percent in 2005, outpacing the post-deregulation era (1978–2004) average annual growth rate of 4.0 percent. International traffic increased an impressive 9.7 percent, well above the historic average of 6.0 percent. Traffic growth was particularly strong in the Latin arena, where RPMs rose 13.9 percent.

In 2005, airlines kept capacity growth in check amid high fuel prices and continued financial distress. Systemwide, available seat miles (ASMs) rose only 3.3 percent, in line with historic averages and well below the 8.7 percent increase from 2003 to 2004. Domestic ASMs grew just 1.5 percent. International ASMs rose 9.2 percent as many carriers reoriented their networks toward more lucrative overseas markets. China and India provided new opportunities for several carriers as a result of

Passenger Load Factor
Scheduled Service



Cargo Traffic Growth
Revenue Ton Miles – Scheduled Service



ongoing trade liberalization and economic expansion. Meanwhile, the transatlantic market continued to fragment as carriers initiated service to more secondary cities. Responding to strong leisure demand, U.S. airlines also initiated service to many Caribbean destinations.

With RPMs growing at nearly twice the rate of ASMs, the industry's average load factor reached a post-World War II record of 77.6 percent, up 2.1 points from 2004. Despite several broad fare increases, the marketplace remained a relatively low-fare environment. Given this context, the best means for airlines to grow revenues was to drive more traffic through the system, which pushed load factors higher. The average domestic load factor rose 2.6 points to 77.0 percent; the average international load factor rose 0.4 points to 79.5 percent.

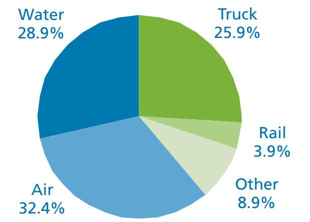
As the largest air-travel market in the United States, the New York metropolitan area captured the top 12 domestic city pairs in origin-destination (local) passengers, led by New York-Fort Lauderdale (averaging 5,699 passengers per day, each way).

From the airport perspective, Atlanta (ATL) ranked highest in annual passengers (85.9 million) and aircraft movements (980 thousand). Memphis (MEM) remained the busiest air cargo facility, loading and unloading 3.6 million metric tons of freight and mail, followed by Anchorage (ANC), Los Angeles (LAX) and Louisville (SDF).

Air cargo growth was flat in 2005, as a 1.6 percent drop in domestic scheduled revenue ton miles (RTMs) offset 1.9 percent growth in international markets. Notably, a third of U.S. exports, by value, was transported by air.

Looking forward, the FAA projects that U.S. airlines will carry more than one billion passengers by 2015, with enplanements expected to rise an average of 3.1 percent per year over the next decade. The aviation community must prepare for this growth by investing in the Next Generation Air Transportation System (NGATS), the successor to today's antiquated air traffic control system. Every minute of aircraft delay in 2005 cost the industry more than $62, for an annual total of nearly $6 billion across the system.

Share of U.S. Export Value by Transport Mode – 2005



Source: Bureau of Transportation Statistics

Passenger Yield

U.S. Airlines (In cents per revenue passenger mile)

		1978	2004	2005	2005 vs. 1978 (%)	2005 vs. 2004 (%)
Current Cents	Domestic	8.49	12.03	**12.28**	44.7	**2.1**
	International	7.49	10.60	**11.16**	49.0	**5.2**
	Total	8.29	11.67	**12.00**	44.7	**2.8**
	U.S. CPI	65.2	188.9	**195.3**	199.5	**3.4**
Constant 2005 Cents	Domestic	25.43	12.43	**12.28**	(51.7)	**(1.2)**
	International	22.44	10.96	**11.16**	(50.3)	**1.8**
	Total	24.83	12.07	**12.00**	(51.7)	**(0.6)**

Source: Air Transport Association and Bureau of Labor Statistics

Domestic airfares have grown just 45 percent in unadjusted terms since 1978, while the price of milk has risen 133 percent, single-family homes 326 percent, new vehicles 339 percent, prescription drugs 467 percent and public college tuition 698 percent.

Revenues

Industry operating revenues rose 12.1 percent to $150.8 billion, on the heels of solid growth in passenger, cargo and other revenues, and against a backdrop of 3.5 percent real U.S. GDP growth. Passenger revenue rose as traffic growth was accompanied by a 2.8 percent gain in systemwide yield. Domestic yield rose 2.1 percent; international yield rose 5.2 percent.

Meanwhile, the average basket of U.S. goods, measured by the consumer price index (CPI), rose 3.4 percent. Consequently, inflation-adjusted (real) airfares, measured by passenger yield, declined 0.6 percent. Air travelers continue to benefit from the intense competition unleashed by economic deregulation in 1978. Since then, in real terms, domestic airfares have fallen 51.7 percent. This tremendous decline in price is largely responsible for the long-term growth of air travel.

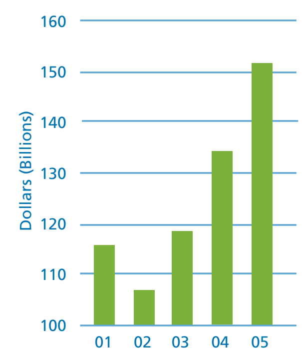
Since the dawn of the jet age, in real terms, airfares have declined due to technological advances and efficiency gains. In 1978, the rate of decline accelerated with deregulation. After falling 2.1 percent per year from 1970 to 1978, real domestic airfares dropped 2.7 percent per year from 1978 to 2005. To put this trend in perspective, domestic airfares have grown just 45 percent in unadjusted terms since 1978, while the price of milk has risen 133 percent, single-family homes 326 percent, new vehicles 339 percent, prescription drugs 467 percent and public college tuition 698 percent.

Cargo revenue rose 16.1 percent to $20.2 billion, with domestic sales growth of 10.9 percent trailing a 21.2 percent jump in international business. Charter revenue increased 9.9 percent as a 26.6 percent increase in cargo sales offset a 12.3 percent decline in passenger sales. Other revenue rose 19.9 percent to $30.8 billion or 20.4 percent of industry operating revenues.

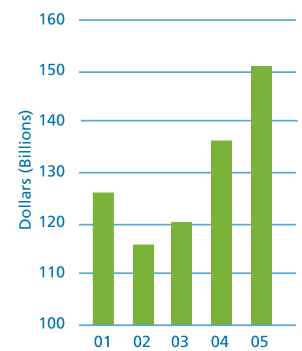
Expenses

Industry operating expenses increased 10.7 percent to $150.5 billion. Flying operations, the industry's largest functional cost center at 36.5 percent, grew 20.0 percent to $54.9 billion. Fuel drove the lion's share of this category as crude oil prices averaged $56.48 per barrel in 2005, up $15.04 from 2004, and

Operating Revenues



Operating Expenses



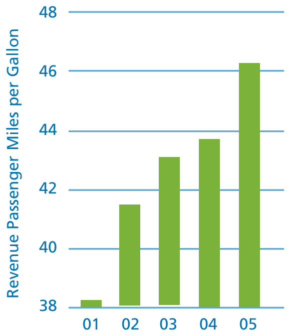
the average jet fuel crack spread – the additional amount charged for refining – rose from $9.28 to $15.84. Consequently, even after factoring in the airlines' fuel hedging programs, the average jet fuel price paid jumped 44 percent, from $1.16 per gallon in 2004 to $1.66 per gallon in 2005.

Transport-related expenses, principally payments from mainline carriers to their regional airline partners, constituted the industry's second-largest cost, up 17.9 percent to a total of $25.2 billion. Demand for regional airline capacity remained strong as mainline carriers continued to align capacity more closely with demand across their respective networks.

Contractual changes in wages and benefits drove average labor costs per full-time equivalent (FTE) employee down 6.1 percent to $73,055. Management and frontline workers did their best to combat high labor and fuel costs. Passenger airlines, for example, increased fuel efficiency 7.1 percent to 46.8 passenger miles per gallon, and labor productivity 5.8 percent to 2.4 million ASMs per FTE.

Fuel Efficiency

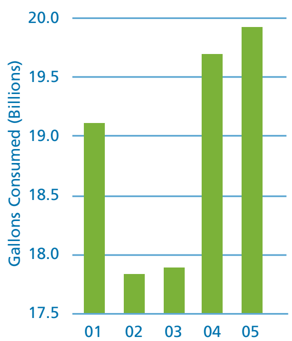
Passenger Operations*



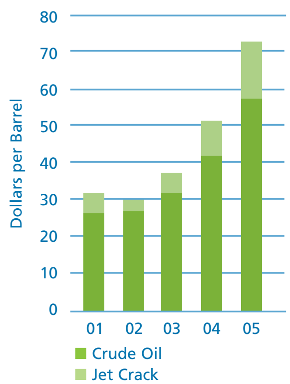
* Major/National Passenger Airlines

Fuel Consumption

All Services



Fuel Prices



Earnings

Profit margins for airlines have always been thin – falling well below the average profitability of U.S. corporations. Since 2000, margins have been consistently negative. However, in 2005, the U.S. airline industry posted its first operating profit since 2000, earning $299 million, reflecting the remarkable efforts that the industry has undertaken. After factoring in $3.6 billion in interest expense, $1.3 billion in income taxes and $1.0 billion in other non-operating costs, however, the industry posted a net loss of $5.7 billion and a net profit margin of negative 3.8 percent.

While airlines impressively utilized more than three-fourths of seating capacity, the break-even load factor for the industry has surpassed 80 percent, more than 10 percentage points higher than in the late 1990s. As prices fall or as unit costs rise, more seats must be filled to avoid losing money. In 2005, the average load factor rose 2.1 points but, nonetheless, fell short of the aforementioned break-even threshold. Though recovery had been anticipated for 2005, modest revenue gains could not keep pace with the surge in fuel expense.

Employment

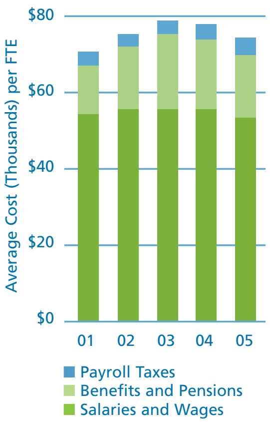
U.S. Airlines – Average Full-Time Equivalents (FTEs)

	2004	2005	Change (%)
Pilots and Copilots	81,951	**84,302**	2.9
Other Flight Personnel	5,174	**4,316**	(16.6)
Flight Attendants	98,138	**91,469**	(6.8)
Mechanics	66,215	**59,406**	(10.3)
Aircraft and Traffic Service Personnel	239,901	**238,014**	(0.8)
Office Employees	36,949	**36,158**	(2.1)
All Other	41,169	**39,191**	(4.8)
Total Employment	569,498	**552,857**	(2.9)
Average Compensation[1]			
Salaries and Wages	$56,094	**$52,732**	(6.0)
Benefits and Pensions	17,647	**16,175**	(8.3)
Payroll Taxes	4,065	**4,148**	2.0
Total Compensation	$77,805	**$73,055**	(6.1)

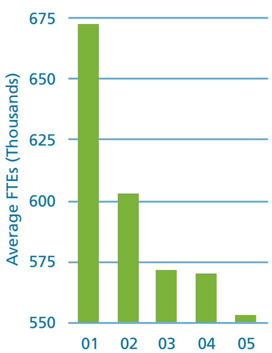
1 Major and national passenger airlines only.

Employment Cost

Passenger Airlines



Employees



Capital Structure

The airline industry is asset-intensive, requiring major investments in aircraft, facilities and equipment. By the end of 2005, the net value of these investments had reached $95.1 billion out of assets totaling $166.7 billion. Due in part to restructuring under Chapter 11 of the U.S. Bankruptcy Code, current liabilities and long-term debt fell $7.8 billion to $94.5 billion while stockholders' equity swung from positive $11.8 billion to negative $14.2 billion.

Remarkably, the industry's year-end balance sheet showed retained losses – rather than retained earnings – of $35.5 billion. Consequently, the industry remains well over 100 percent leveraged, especially after factoring in the airlines' sizable off-balance-sheet debt associated with aircraft operating leases.

Even after the industry returns to profitability, it will take several years to reduce this extraordinary debt load to an acceptable level. Notably, of the 10 U.S. passenger airlines rated by Standard & Poor's, only one is considered "investment grade." In the air-freight arena, two U.S. airlines carry investment-grade credit, helping them borrow money at reasonable interest rates.

Communities across the United States rely on air transport networks for the safe, secure and rapid movement of people and products.

Jobs

Heavy financial losses translate to heavy job losses – and not just for the airlines. On Sept. 24, 2001, Brookings Institution scholar Clifford Winston noted, " . . . because air travel affects the entire travel industry and sparks business activity near hub airports, the effect on the economy is perhaps four times greater than the direct impact on airlines."

After consistently growing from 1994 through 2000, airline employment fell for the fifth consecutive year. Airline jobs plummeted to their lowest level since 1995, averaging 127,000 FTEs below the 2000 peak.

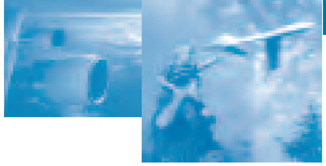
Outlook

A positive financial outlook for airlines is contingent on all of the following: a strong macro-economy; the abatement of abnormally high fuel prices; the fulfillment of the government's obligation to provide and fund national security; an easing of the industry's notoriously high tax burden; and reform of the U.S. air traffic management system, including a more equitable funding structure across all users of our airports and airways.

For its part, the industry has taken extraordinary steps to improve operational and financial performance. These self-help efforts will continue, but external market and non-market forces continue to pose serious financial challenges.

Under current conditions, notwithstanding some fare increases in 2005 and 2006, the industry is unlikely to record a full-year net profit until at least 2007. And once the industry does regain profitability, airlines must remain financially vigilant.

Communities across the United States rely on air transport networks for the safe, secure and rapid movement of people and products. To fully meet their needs, the industry must enter a period of extended financial health. To be sure, such a tall order will require a strong commitment by airlines and the aviation workforce.



Protecting the Environment through Modernization and Collaboration

smart solutions

In 2005, the rising cost of jet fuel renewed the airline industry's longstanding efforts to improve fuel efficiency – the most effective means of reducing aviation emissions. U.S. airlines have tripled the fuel economy of passenger transport since 1971, with a 23 percent improvement since 2000; they actually consumed 400 million fewer gallons of fuel in 2005 than in 2000 while carrying more passengers and cargo. These gains are the result of a combination of improvements, including advances in engine and airframe design, refined operational procedures and more efficient aircraft routings.

ATA members also continue to support noise abatement measures consistent with the safe and efficient operation of aircraft. Improvements in navigation technology facilitate compliance with noise reduction measures and help diminish noise impacts on communities. Area Navigation (RNAV) and Required Navigation Performance (RNP) procedures and improvements in positional accuracy from Automatic Dependent Surveillance – Broadcast (ADS-B) permit aircraft to operate more closely at optimal altitudes and follow more precise flight tracks, thereby enabling even better noise management. Many new operational procedures, such as the Continuous Descent Approach (CDA), also offer the potential for significant reductions in both noise and emissions.

While future advances in air traffic management promise to further reduce noise and emissions, it is important to remember that the converse is also true. In the absence of critical investment in our air traffic control (ATC) system, worsening congestion and capacity constraints threaten to overtake hard-earned gains in fuel efficiency and reduced emissions. Rapidly advancing ATC reform is critically important to mitigating aviation environmental impacts.

Through collaboration with industry, agency and intergovernmental partners, ATA is engaged in new approaches to address environmental issues. ATA experts play key roles in the International Civil Aviation Organization (ICAO) Committee on Aviation Environmental Protection (CAEP). CAEP is responsible for environmental measures affecting international aviation, including noise and emissions standards for aircraft engines and potential measures to address greenhouse gas emissions. In addition, ATA serves on the Advisory Board for the Partnership for Air Transportation Noise and Emissions Reduction (PARTNER), a research center sponsored by the Federal Aviation Administration (FAA), NASA and Transport Canada. Moreover, ATA represents its members on the Joint Planning and Development Office (JPDO) Environmental Integrated Product Team (IPT), which works to ensure that environmental concerns will not constrain the planned expansion and modernization of the ATC system. At the same time, in coordination with our industry and government partners, ATA is exploring the potential of alternative fuels that could yield environmental benefits.

ATA and its members are working hard to identify measures that will lessen the environmental impacts of aviation and better manage environmental constraints on aviation growth.

ATC System Modernization

To the surprise of many, the basic design elements of today's U.S. air traffic control (ATC) system have not changed significantly since its inception in the 1950s. While the system remains incredibly safe, its design promises to present ever-growing concerns as demand for system capacity continues to rise.

Today, the three key components of the ATC system remain voice communication, radar surveillance and navigation over fixed points on the ground. This effectively creates "one-lane roads" in the sky, where aircraft operate with verbal guidance from an air traffic controller monitoring them by radar. The system is straightforward, but increasingly inefficient, as the limited nature of those one-lane roads combines with scarce radio frequencies and radar constraints to cause delays.

At current rates, system demand will grow from 45,000 flight operations per day to 61,000 flight operations per day by 2016. In the past, growth has been accommodated by adding more air traffic controllers and equipment. Unfortunately, however, those 1950s design concepts are showing their age – and adding more staffing to the system is resulting in diminishing returns. Costs and system delays – those queues of aircraft waiting for access to the system – will rise at alarming rates unless we act now.

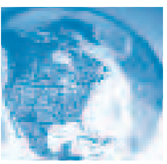
While the problem is serious, solutions do exist. By leveraging existing technologies and adopting improved procedures, we can facilitate growth and enable the nation's economy to continue to benefit from a vibrant air transport network. The transformation of our nation's ATC system involves more than simply replacing old equipment and manual processes. A closer look reveals two distinct but equally important strategies: deploying technologies and replacing outdated and redundant infrastructure. On the deployment side of the ledger, the next-generation system will require:

- Use of satellites for precise navigation and surveillance
- Advanced onboard avionics
- Real-time sharing of key information through digital communication
- Innovative operating procedures that leverage all available capabilities

Fortunately, what we are talking about is readily achievable using proven technologies. Programs such as RNP, CDA, TA, ADS-B and SWIM (discussed elsewhere in this report) are available and can yield immediate benefits.

On the other side of the ledger, fixing the ATC system also means removing (decommissioning) components that are no longer cost-effective or of value to users. It means consolidating infrastructure as opportunities arise to reduce administrative costs and improve quality. For example, today's communication technologies enable air traffic controllers and traffic flow managers to manage air traffic safely and effectively, regardless of their location. Rationalizing the 168 terminal radar approach controls (TRACONs), 1,300 non-directional beacons (NDBs) and 1,050 very high frequency omni-directional ranges (VORs) would free hundreds of millions of dollars annually to help fund safety and capacity enhancements. The concept of decommissioning unnecessary equipment and consolidating unnecessary infrastructure is widely supported across the industry, but has attracted the attention of lawmakers who fear a potential loss of constituent jobs.

Transforming our nation's air traffic control system is a formidable challenge. Sensible choices must be made – and soon.



Predictable, Equitable FAA Funding

smart solutions

Determining how to fund the Next Generation Air Transportation System (NGATS) presents both challenges and opportunities. As we enter the debate over the reauthorization of the Airport and Airway Trust Fund (AATF) – the primary source of system funding – it is critically important that we meet those challenges and take advantage of opportunities. This is not only an issue for the airlines. The health of our nation's economy in the coming years will be influenced by the efficiency of our transportation system – and the decisions made in this debate are central to achieving that efficiency. We must work together to find the "smart solution," to ensure that all who depend on air transportation will continue to grow and prosper.

When Congress designed the Trust Fund, nearly 40 years ago, airlines were the predominant users of air traffic services. It made sense at that time to divide various costs of the system among the nation's airlines. As designed, the AATF delivered a steady and reliable funding stream to the Federal Aviation Administration (FAA). The price of a passenger ticket or cargo shipment was regulated by the government and related to distance. Taxes were a function of prices. As a result, Trust Fund revenues were related directly to the consumption of air transportation. However, a post-deregulation decline in fares and the proliferation of private jets have negated that key feature of the original legislation. While the airline-centered funding system made sense in the early 1970s, today it is producing absurd results.

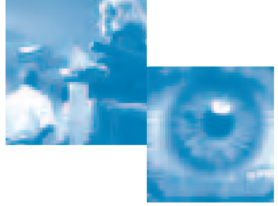
As a result of this out-of-date funding scheme, airlines continue to contribute in excess of 90 percent of AATF revenues despite consuming only two-thirds of air traffic services. At the same time, the robust business aviation sector – consuming 16 percent of air traffic services and growing steadily – continues to "fly under the radar" from a system-funding perspective, contributing less than 5 percent of revenues. The structure of the U.S. aviation marketplace has changed since the early 1970s but the air traffic funding system, designed in that era, has not.

Technology has also evolved. Today, the FAA can precisely determine the costs that each user imposes on the air traffic system. For the first time, the costs of controlled flights under instrument flight rules (IFR) and time spent under FAA control can be accurately attributed to each set of users and easily charged to those benefiting from the services they consume. With the current tax-and-fee structure expiring in 2007, the time to establish a straightforward, fee-for-service approach is now.

Consistent with the 1997 recommendations of the National Civil Aviation Review Commission (Mineta Commission) and more recent analysis by the Government Accountability Office (GAO) and others, a properly structured user-fee system will tie air traffic revenues to workload while giving the Air Traffic Organization (ATO) the incentive to manage costs and boost productivity. It also will help alleviate congestion by allocating costs to system users, impelling them to make more economically prudent decisions about their consumption of air traffic services.

There is much more to be done. While predictable, equitable funding is key, we must also help the ATO do its job by providing it the necessary tools. This means empowering the ATO to move expeditiously to implement an information-centric, satellite-based digital air traffic management system. It means empowering the ATO to consolidate and close facilities, without political interference. It means a new dynamic between the ATO and congressional oversight committees, as well as those users paying directly for the investments required. And it means using creative financing to take maximum advantage of our nation's investment in the future.

Today, we have the opportunity to develop and implement a truly smart solution.



Managing Aviation Safety and Security

As ATA and its member airlines plan for the Next Generation Air Transportation System (NGATS), maintaining the highest level of aviation safety and security continues to govern our every decision. A safe and secure air transport system is what the public expects and what our airlines always strive to deliver. Safety and security are not only the foundation of our business – they are indeed the foundation of our future.

Our unwavering focus on safety and security not only defines our industry – it also underlies the ATA Smart Skies blueprint for transforming our air traffic system to meet the demands of the 21st century. As government and aviation stakeholders explore ways to increase system capacity and efficiency, the building blocks of the new system – satellite-based navigation procedures for en route, terminal area and approach airspace, digital communication capabilities, rational segregation of different aircraft types to optimize traffic flows, and management of system performance on a national rather than local level – all will add capacity while advancing safety beyond the exceptional record already achieved.

Helping guide this transition, the airlines will continue to rely on proven data to assess and prioritize risks and implement solutions through joint industry-government safety programs such as the Commercial Aviation Safety Team (CAST). Through CAST and other voluntary initiatives, the Federal Aviation Administration (FAA), airlines and other stakeholders will ensure that NGATS not only advances the industry's ability to transport passengers and cargo safely around the world, but also maximizes the value of every investment.

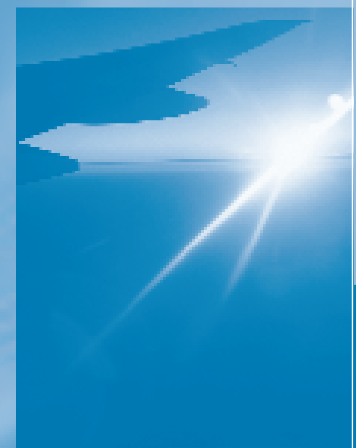
The future vitality of the airline industry also depends on the government adopting an appropriate risk-analysis-based prioritization system for security. Just as we have done in the safety arena, we must learn to optimize the value of our security expenditures. The future system must reflect and enhance today's comprehensive, layered, highly effective approach to aviation security. No country in the world places a higher priority on aviation security than the United States. Without exception, ATA member airlines fully support the government's constantly evolving efforts to ensure the security of the nation's airspace and, with it, the safety of our passengers, crew members, aircraft and cargo.

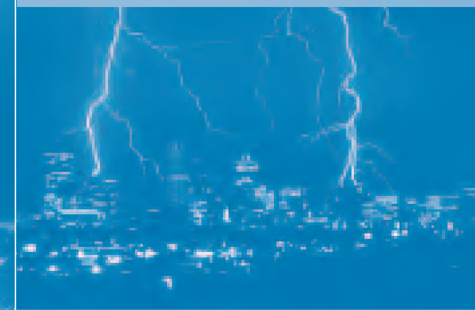
While fully complying with all government security mandates, ATA carriers have also voluntarily implemented additional security measures and have worked hand-in-hand with the government, on a daily basis, to resolve important security issues while helping the government fine-tune and advance its understanding of aviation security. Moving forward, we are committed to helping the government analyze and prioritize security risks. Using data-driven risk assessment and priority-defining analysis techniques, we can extend our success with setting safety priorities to meet the ever-changing security challenge. These tools will help ensure that resources are applied where they will provide the greatest security benefit.

Working together to promote a smarter, more focused approach to aviation security, the government and aviation stakeholders are constantly improving their abilities to address tomorrow's ever-changing concerns. ATA and its member airlines remain committed to delivering what the public has come to expect: the safest, most secure air transport system in the world.

Required Navigation Performance (RNP)

Today, aircraft are directed through the system by air traffic controllers using point-to-point navigation. This approach often results in an inefficient flight path that ignores the built-in technological capability of modern airliners.

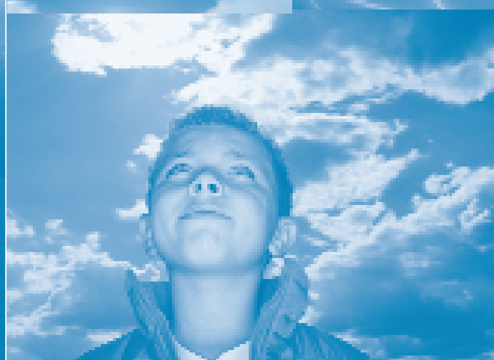




RNP is a way for pilots to navigate between waypoints in the sky, independent of ground-based navigational aids. Pre-defined flight paths can include lateral position, altitude and speed, and require little if any guidance from controllers. The aircraft operates autonomously within the assigned tunnel of airspace and self-monitors its performance along the way.

RNP is a fundamental enabler and is essential to National Airspace System (NAS) transformation efforts. The ability to fly around traffic or bad weather can prove invaluable in protecting schedule integrity. It is a powerful tool that allows users to efficiently and safely tap into airspace that today is unused.

why not...



Continuous Descent Approach (CDA)

The stair-stepped approaches to airports in use today begin many miles from the airport and require substantial time flying at low altitudes. Planes descend in steps and require additional thrust each time they level off.

With CDA, an aircraft is positioned at its most efficient cruise altitude until it is relatively close to its destination airport. At that point, the aircraft reduces engine thrust to idle and begins a gentle descent to the runway.

Benefits include significant reduction in noise, fuel burn and emissions, and shorter flights.

envision...

Income Statement

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

	2004	2005	Change (%)	Share (%)
Operating Revenues				
Passenger	$85,646	**$93,449**	9.1	**62.0**
Freight and Express	16,740	**19,521**	16.6	**12.9**
Mail	701	**728**	3.9	**0.5**
Charter	5,679	**6,243**	9.9	**4.1**
Transport Related	22,662	**28,625**	26.3	**19.0**
Other	3,034	**2,198**	(27.6)	**1.5**
Total Operating Revenues	134,462	**150,764**	12.1	**100.0**
Operating Expenses				
Flying Operations	45,696	**54,852**	20.0	**36.5**
Maintenance	14,548	**15,447**	6.2	**10.3**
Passenger Service	9,515	**9,269**	(2.6)	**6.2**
Aircraft and Traffic Servicing	20,542	**21,252**	3.5	**14.1**
Promotion and Sales	8,597	**8,631**	0.4	**5.7**
General and Administrative	8,796	**9,058**	3.0	**6.0**
Depreciation and Amortization	6,907	**6,776**	(1.9)	**4.5**
Transport Related	21,353	**25,180**	17.9	**16.7**
Total Operating Expenses	135,953	**150,465**	10.7	**100.0**
Operating Profit (Loss)	(1,491)	**299**	nm	**nm**
Other Income (Expense)				
Interest Income (Expense)	(3,715)	**(3,644)**	1.9	**nm**
Income Tax Credit (Provision)	(1,949)	**(1,332)**	31.6	**nm**
Other[1]	(488)	**(996)**	(104.1)	**nm**
Net Profit (Loss)[1]	($7,643)	**($5,673)**	25.8	**nm**
Operating Profit Margin (%)	(1.1)	**0.2**	1.3 pts.	**nm**
Net Profit Margin (%)[1]	(5.7)	**(3.8)**	1.9 pts.	**nm**

1 Excludes bankruptcy-related charges (reorganization expenses and fresh-start accounting gains).
nm = not meaningful

Balance Sheet

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

	2004	2005
Assets		
Current Assets	$34,168	**$39,860**
Investments and Special Funds	14,204	**13,121**
Flight Equipment Owned	115,006	**114,596**
Ground Equipment and Property Owned	24,320	**25,922**
Reserve for Depreciation	(48,468)	**(51,167)**
Leased Equipment and Property Capitalized	9,020	**8,731**
Reserve for Amortization	(3,040)	**(3,014)**
Other Property	17,592	**16,237**
Deferred Charges	2,314	**2,379**
Total Assets	$165,116	**$166,664**
Liabilities and Stockholders' Equity		
Current Liabilities	$46,489	**$48,646**
Long-Term Debt	55,791	**45,846**
Other Non-Current Liabilities	36,870	**72,953**
Deferred Credits	14,178	**13,426**
Stockholders' Equity – Net	11,788	**(14,207)**
Preferred Stock	172	**395**
Common Stock	4,667	**4,825**
Other Paid-In Capital	17,885	**17,896**
Retained Earnings	(7,552)	**(35,532)**
Less: Treasury Stock	(3,677)	**(1,792)**
Total Liabilities and Stockholders' Equity	$165,116	**$166,664**

Note: Values shown reflect airline balance sheets as of December 31

Operating Fleet – 2005

ATA Member Airlines – Mainline Aircraft

		ABX (GB)	Alaska (AS)	Aloha (AQ)	American (AA)	ASTAR (ER)	ATA (TZ)	Atlas/Polar (5Y/PO)	Continental (CO)	Delta (DL)	Evergreen Int'l (EZ)	FedEx (FX)	Hawaiian (HA)	JetBlue (B6)	Midwest (YX)	Northwest (NW)	Southwest (WN)	United (UA)	UPS (5X)	US Airways (US/HP)	**Total**
Airbus	A300				34	6						50							47		**137**
	A310											63									**63**
	A319															66		55		91	**212**
	A320													85		75		97		77	**334**
	A321																			28	**28**
	A330															18				9	**27**
Boeing	B-717												11		22						**33**
	B-727					28						111							17		**156**
	B-737		84	21	77		15		258	107							445	95		115	**1,217**
	B-747							39			12					32		31	11		**125**
	B-757				143		12		54	121						60		97	75	44	**606**
	B-767	29			74				26	108			14					31	32	10	**324**
	B-777				44				18	8								52			**122**
	DC-8	16				9													41		**66**
	DC-9	73														115					**188**
	DC-10											44				14					**58**
	MD-10											44									**44**
	MD-11											58							18		**76**
	MD-80		26		327					120					13						**486**
	MD-90									16											**16**
Embraer	E190													8							**8**
Lockheed	L-1011						5														**5**
Total		**118**	**110**	**21**	**699**	**43**	**32**	**39**	**356**	**480**	**12**	**370**	**25**	**93**	**35**	**380**	**445**	**458**	**241**	**374**	**4,331**

Note: Values reflect aircraft counts as of December 31
( ) Airline code
Source: Air Transport Association

ATA Member Airline Statistics – 2005

	Operating Aircraft (Year-End)	Employees (Full-Time Equivalents)	Revenue Aircraft Departures	Revenue Passengers Enplaned[1] (Thousands)	Revenue Passenger Miles[1] (Millions)	Available Seat Miles[1] (Millions)	Cargo Revenue Ton Miles (Millions)	Revenues ($Millions)		Profit (Loss) ($Millions)	
								Passenger[1]	Operating	Operating	Net[2]
Alaska	110	9,045	179,529	16,740	16,905	22,277	71	2,118	2,416	(8)	(2)
Aloha	21	2,524	56,231	3,950	2,151	2,900	8	375	429	7	(18)
American	699	75,972	820,446	98,037	138,222	175,912	2,216	16,572	20,657	(351)	(892)
ATA	32	4,534	45,327	5,287	6,760	9,578	22	626	1,051	(441)	59
Continental	356	32,478	372,954	42,776	68,249	85,507	947	7,943	11,108	(92)	(66)
Delta	480	52,229	701,725	85,973	103,561	133,513	1,341	11,346	16,112	(1,197)	(2,914)
Hawaiian	25	3,040	49,200	5,786	6,617	7,541	85	750	824	32	(865)
JetBlue	93	7,560	111,986	14,680	20,187	23,814	9	1,623	1,703	62	(21)
Midwest	35	1,884	47,465	3,183	3,123	4,360	12	372	439	(38)	(55)
Northwest	380	35,735	537,127	56,469	75,802	91,754	2,257	8,838	12,316	(895)	(1,229)
Southwest	445	31,291	1,028,803	88,379	60,223	85,189	204	7,092	7,584	820	548
United	458	54,877	549,744	66,717	113,899	139,811	2,020	12,460	17,304	(241)	(435)
US Airways	374	21,894	666,367	63,981	64,393	83,912	344	7,555	10,610	(334)	(873)
Subtotal	**3,508**	**333,063**	**5,166,904**	**551,959**	**680,093**	**866,070**	**9,536**	**77,672**	**102,553**	**(2,676)**	**(6,761)**
ABX	118	7,930	64,088	-	-	-	618	-	1,464	39	30
ASTAR	43	1,013	22,852	-	-	-	306	-	369	46	28
Atlas/Polar	39	848	21,383	-	-	-	5,890	-	1,674	195	74
Evergreen Int'l	12	446	5,069	-	-	-	829	-	459	84	40
FedEx	370	113,436	373,197	-	-	-	10,028	-	20,533	1,596	964
UPS	241	5,810	145,731	-	-	-	5,776	-	4,105	294	109
Subtotal	**823**	**129,483**	**632,320**	**-**	**-**	**-**	**23,447**	**-**	**28,604**	**2,254**	**1,245**
GRAND TOTAL	**4,331**	**462,546**	**5,799,224**	**551,959**	**680,093**	**866,070**	**32,983**	**77,672**	**131,157**	**(422)**	**(5,516)**

1 Scheduled service only.
2 Excludes bankruptcy-related charges (reorganization expenses and fresh-start accounting gains).

Top 25 U.S. Airlines – 2005

	Revenue Passengers Enplaned[1] (Thousands)			**Revenue Passenger Miles**[1] (Millions)			**Available Seat Miles**[1] (Millions)			**Cargo Revenue Ton Miles**[2] (Millions)	
1	**American**	**98,037**	**1**	**American**	**138,222**	**1**	**American**	**175,912**	**1**	**FedEx**	**10,028**
2	**Southwest**	**88,379**	**2**	**United**	**113,899**	**2**	**United**	**139,811**	**2**	**Atlas/Polar**	**5,890**
3	**Delta**	**85,973**	**3**	**Delta**	**103,561**	**3**	**Delta**	**133,513**	**3**	**UPS**	**5,776**
4	**United**	**66,717**	**4**	**Northwest**	**75,802**	**4**	**Northwest**	**91,754**	**4**	**Northwest**	**2,257**
5	**US Airways**	**63,981**	**5**	**Continental**	**68,249**	**5**	**Continental**	**85,507**	**5**	**American**	**2,216**
6	**Northwest**	**56,469**	**6**	**US Airways**	**64,393**	**6**	**Southwest**	**85,189**	**6**	**United**	**2,020**
7	**Continental**	**42,776**	**7**	**Southwest**	**60,223**	**7**	**US Airways**	**83,912**	7	Kalitta	1,562
8	American Eagle	17,534	**8**	**JetBlue**	**20,187**	**8**	**JetBlue**	**23,814**	**8**	**Delta**	**1,341**
9	**Alaska**	**16,740**	**9**	**Alaska**	**16,905**	**9**	**Alaska**	**22,277**	**9**	**Continental**	**947**
10	AirTran	16,619	10	AirTran	11,286	10	AirTran	15,373	**10**	**Evergreen Int'l**	**829**
11	SkyWest	16,561	11	ExpressJet	8,937	11	ExpressJet	11,972	11	Gemini	826
12	ExpressJet	15,985	12	SkyWest	7,631	12	American Eagle	10,523	12	World	680
13	**JetBlue**	**14,680**	13	American Eagle	7,501	13	SkyWest	10,148	**13**	**ABX**	**618**
14	Comair	13,098	14	Frontier	7,237	**14**	**ATA**	**9,578**	14	Tradewinds	489
15	Mesa	13,006	**15**	**ATA**	**6,760**	15	Frontier	9,127	**15**	**US Airways**	**344**
16	Atlantic Southeast	12,026	**16**	**Hawaiian**	**6,617**	16	Mesa	9,041	16	Omni	344
17	Pinnacle	8,122	17	Mesa	6,281	17	Comair	9,022	**17**	**ASTAR**	**306**
18	Frontier	7,305	18	Comair	6,145	18	Atlantic Southeast	8,125	18	Air Transport Int'l	207
19	Air Wisconsin	6,858	19	Atlantic Southeast	5,965	**19**	**Hawaiian**	**7,541**	**19**	**Southwest**	**204**
20	Horizon	6,480	20	Spirit	4,517	20	Pinnacle	5,760	20	Express.Net	187
21	**Hawaiian**	**5,786**	21	Pinnacle	4,137	21	Spirit	5,648	21	Florida West	144
22	Mesaba	5,705	**22**	**Midwest**	**3,123**	**22**	**Midwest**	**4,360**	22	Kitty Hawk	118
23	Independence	5,301	23	Continental Micronesia	3,014	23	Independence	4,162	23	Capital	103
24	**ATA**	**5,287**	24	Independence	2,942	24	Continental Micronesia	4,144	**24**	**Hawaiian**	**85**
25	Spirit	4,507	25	Air Wisconsin	2,728	25	Air Wisconsin	3,689	25	Amerijet Int'l	79

1 Scheduled service only.
2 All services.

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Top 25 U.S. Airlines – 2005 (Continued)

Revenue Aircraft Departures[2]			Revenue Aircraft Miles[2] (Millions)			Revenue Aircraft Hours[2] (Thousands)			Operating Revenues[2] (Millions)		
1	**Southwest**	**1,028,803**	**1**	**American**	**1,025**	**1**	**American**	**2,210**	**1**	**American**	**$20,657**
2	**American**	**820,446**	**2**	**United**	**753**	**2**	**Delta**	**1,621**	**2**	**FedEx**	**20,533**
3	**Delta**	**701,725**	**3**	**Delta**	**731**	**3**	**United**	**1,604**	**3**	**United**	**17,304**
4	**US Airways**	**666,367**	**4**	**Southwest**	**626**	**4**	**Southwest**	**1,510**	**4**	**Delta**	**16,112**
5	**United**	**549,744**	**5**	**US Airways**	**570**	**5**	**US Airways**	**1,321**	**5**	**Northwest**	**12,316**
6	American Eagle	540,432	**6**	**Continental**	**516**	**6**	**Northwest**	**1,153**	**6**	**Continental**	**11,108**
7	**Northwest**	**537,127**	**7**	**Northwest**	**516**	**7**	**Continental**	**1,112**	**7**	**US Airways**	**10,610**
8	SkyWest	524,407	**8**	**FedEx**	**264**	**8**	**FedEx**	**649**	**8**	**Southwest**	**7,584**
9	ExpressJet	449,927	9	ExpressJet	245	9	ExpressJet	630	**9**	**UPS**	**4,105**
10	Comair	387,536	10	American Eagle	218	10	American Eagle	587	**10**	**Alaska**	**2,416**
11	**FedEx**	**373,197**	11	SkyWest	205	11	SkyWest	556	11	American Eagle	1,775
12	**Continental**	**372,954**	12	Comair	174	12	Comair	458	**12**	**JetBlue**	**1,703**
13	Mesa	327,808	**13**	**Alaska**	**161**	13	Mesa	386	**13**	**Atlas/Polar**	**1,674**
14	Atlantic Southeast	313,286	**14**	**UPS**	**157**	14	Atlantic Southeast	381	14	SkyWest	1,564
15	Pinnacle	248,046	**15**	**JetBlue**	**152**	**15**	**Alaska**	**370**	15	ExpressJet	1,563
16	Mesaba	206,941	16	Atlantic Southeast	149	**16**	**UPS**	**333**	**16**	**ABX**	**1,464**
17	AirTran	195,176	17	Mesa	144	**17**	**JetBlue**	**332**	17	AirTran	1,447
18	**Alaska**	**179,529**	18	AirTran	128	18	Pinnacle	319	18	Comair	1,324
19	Horizon	176,912	19	Pinnacle	124	19	AirTran	314	19	Mesa	1,116
20	Air Wisconsin	172,644	20	Frontier	74	20	Mesaba	207	**20**	**ATA**	**1,051**
21	**UPS**	**145,731**	21	Air Wisconsin	68	21	Air Wisconsin	184	21	Frontier	926
22	Trans States	139,203	**22**	**ATA**	**64**	22	Horizon	172	22	Atlantic Southeast	861
23	Independence	134,070	23	Independence	60	23	Frontier	167	23	Pinnacle	842
24	PSA	119,315	24	Mesaba	58	24	Independence	160	**24**	**Hawaiian**	**824**
25	**JetBlue**	**111,986**	**25**	**Atlas/Polar**	**56**	25	Trans States	154	25	Air Wisconsin	682

1 Scheduled service only.
2 All services.

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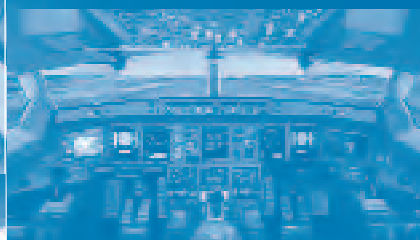

Tailored Arrivals (TAs)

Guiding arriving aircraft through congested terminal airspace has always been a challenge. As traffic builds, controllers must often move traffic away from the airport into holding patterns until they can bring those aircraft in for landing. As a result, aircraft burn more fuel, flights arrive late, exposure to noise increases and voice communication channels choke, causing inefficiencies for both pilots and controllers.

TAs use data-link technologies to send a 4-D flight profile (three spatial dimensions plus time) from an air traffic control facility to the flight deck of an approaching aircraft ready to begin its descent. More advanced than Continuous Descent Approach (CDA) procedures, TAs are generated by air traffic management computers and consider local traffic, weather, terrain, noise restrictions and the aircraft's own capabilities to obtain an optimal route and an exact touchdown time.

Tailored Arrivals offer great potential and promise to increase capacity, maintain schedule integrity and reduce fuel consumption, emissions and noise.

what if...

Top 40 U.S. Airports – 2005

	Passengers (Arriving + Departing)	**(Thousands)**		**Cargo Metric Tons**[1] (Loaded + Unloaded)	**(Thousands)**		**Operations** (Takeoffs + Landings)	**(Thousands)**
1	Atlanta (ATL)	**85,907**	1	Memphis (MEM)	**3,599**	1	Atlanta (ATL)	**980**
2	Chicago (ORD)	**76,510**	2	Anchorage (ANC)	**2,554**	2	Chicago (ORD)	**972**
3	Los Angeles (LAX)	**61,489**	3	Los Angeles (LAX)	**1,938**	3	Dallas/Fort Worth (DFW)	**712**
4	Dallas/Fort Worth (DFW)	**59,176**	4	Louisville (SDF)	**1,815**	4	Los Angeles (LAX)	**651**
5	Las Vegas (LAS)	**43,990**	5	Miami (MIA)	**1,755**	5	Las Vegas (LAS)	**605**
6	Denver (DEN)	**43,388**	6	New York (JFK)	**1,661**	6	Houston (IAH)	**563**
7	New York (JFK)	**41,885**	7	Chicago (ORD)	**1,546**	7	Denver (DEN)	**561**
8	Phoenix (PHX)	**41,214**	8	Indianapolis (IND)	**985**	8	Phoenix (PHX)	**555**
9	Houston (IAH)	**39,685**	9	Newark (EWR)	**950**	9	Philadelphia (PHL)	**536**
10	Minneapolis/St. Paul (MSP)	**37,604**	10	Atlanta (ATL)	**768**	10	Minneapolis/St. Paul (MSP)	**532**
11	Detroit (DTW)	**36,389**	11	Dallas/Fort Worth (DFW)	**742**	11	Detroit (DTW)	**522**
12	Orlando (MCO)	**34,128**	12	Oakland (OAK)	**673**	12	Charlotte (CLT)	**522**
13	Newark (EWR)	**34,000**	13	San Francisco (SFO)	**591**	13	Washington (IAD)	**509**
14	San Francisco (SFO)	**32,802**	14	Philadelphia (PHL)	**548**	14	Cincinnati (CVG)	**496**
15	Philadelphia (PHL)	**31,495**	15	Ontario (ONT)	**522**	15	Salt Lake City (SLC)	**455**
16	Miami (MIA)	**31,008**	16	Honolulu (HNL)	**457**	16	Newark (EWR)	**437**
17	Seattle (SEA)	**29,289**	17	Houston (IAH)	**388**	17	Los Angeles (VNY)	**411**
18	Charlotte (CLT)	**28,206**	18	Boston (BOS)	**356**	18	Boston (BOS)	**409**
19	Boston (BOS)	**27,088**	19	Toledo (TOL)	**352**	19	New York (LGA)	**405**
20	Washington (IAD)	**26,843**	20	Seattle (SEA)	**339**	20	Memphis (MEM)	**392**
21	New York (LGA)	**26,672**	21	Dayton (DAY)	**332**	21	Miami (MIA)	**382**
22	Cincinnati (CVG)	**22,779**	22	Denver (DEN)	**310**	22	Phoenix (DVT)	**378**
23	Fort Lauderdale (FLL)	**22,390**	23	Washington (IAD)	**303**	23	Long Beach (LGB)	**353**
24	Salt Lake City (SLC)	**22,237**	24	Phoenix (PHX)	**302**	24	San Francisco (SFO)	**353**
25	Baltimore (BWI)	**20,188**	25	Minneapolis/St. Paul (MSP)	**282**	25	New York (JFK)	**352**
26	Honolulu (HNL)	**20,079**	26	Portland (PDX)	**261**	26	Orlando (MCO)	**350**
27	Tampa (TPA)	**19,045**	27	Baltimore (BWI)	**261**	27	Orange County (SNA)	**350**
28	Washington (DCA)	**17,844**	28	Cincinnati (CVG)	**252**	28	Seattle (SEA)	**342**
29	Chicago (MDW)	**17,650**	29	Orlando (MCO)	**226**	29	Oakland (OAK)	**335**
30	San Diego (SAN)	**17,373**	30	Detroit (DTW)	**221**	30	Fort Lauderdale (FLL)	**331**
31	St. Louis (STL)	**14,697**	31	Forth Worth (AFW)	**220**	31	Honolulu (HNL)	**331**
32	Oakland (OAK)	**14,418**	32	Salt Lake City (SLC)	**192**	32	Orlando (SFB)	**319**
33	Portland (PDX)	**13,880**	33	San Diego (SAN)	**171**	33	Baltimore (BWI)	**313**
34	Cleveland (CLE)	**11,463**	34	Hartford/Springfield (BDL)	**169**	34	Chicago (MDW)	**290**
35	Memphis (MEM)	**11,435**	35	Fort Lauderdale (FLL)	**159**	35	St. Louis (STL)	**288**
36	San Jose (SJC)	**10,756**	36	Charlotte (CLT)	**159**	36	Tucson (TUS)	**285**
37	Pittsburgh (PIT)	**10,479**	37	Kansas City (MCI)	**135**	37	Anchorage (ANC)	**281**
38	Sacramento (SMF)	**10,203**	38	San Antonio (SAT)	**119**	38	Phoenix (IWA)	**277**
39	Kansas City (MCI)	**9,992**	39	Fort Wayne (FWA)	**117**	39	Washington (DCA)	**276**
40	Orange County (SNA)	**9,627**	40	Columbia (CAE)	**113**	40	Tampa (TPA)	**270**

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

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

Top 25 U.S. City Pairs – 2005

Origin-Destination Passengers (Outbound + Inbound)		**(Thousands)**
1	New York-Fort Lauderdale	**4,160**
2	New York-Orlando	**3,589**
3	New York-Chicago	**2,991**
4	New York-Los Angeles	**2,736**
5	New York-Atlanta	**2,621**
6	New York-West Palm Beach	**2,007**
7	New York-Las Vegas	**1,829**
8	New York-Washington	**1,792**
9	New York-Tampa	**1,780**
10	New York-San Juan	**1,771**
11	New York-San Francisco	**1,767**
12	New York-Boston	**1,662**
13	Chicago-Las Vegas	**1,651**
14	Chicago-Los Angeles	**1,607**
15	Dallas/Fort Worth-Houston	**1,568**
16	Honolulu-Kahului, Maui	**1,534**
17	Chicago-Orlando	**1,498**
18	New York-Miami	**1,472**
19	Chicago-Washington	**1,443**
20	Atlanta-Washington	**1,418**
21	Chicago-Phoenix	**1,404**
22	New York-Dallas/Fort Worth	**1,397**
23	Los Angeles-Las Vegas	**1,369**
24	Orlando-Philadelphia	**1,279**
25	Los Angeles-Oakland	**1,264**

Note: Select cities include data for multiple airports: Chicago (MDW/ORD), Dallas (DAL/DFW), Houston (HOU/IAH), New York (EWR/JFK/LGA), Tampa (PIE/TPA) and Washington (DCA/IAD)

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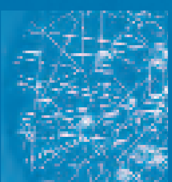
Automatic Dependent Surveillance - Broadcast (ADS-B)

Aircraft moving through the system today are separated by air traffic controllers who rely on conventional radar to determine aircraft location. Because of the inherent limitations of radar, aircraft are separated by more distance than would be necessary with a satellite-based system. In addition to this inefficient use of valuable airspace, radar is very expensive to deploy, operate and maintain.

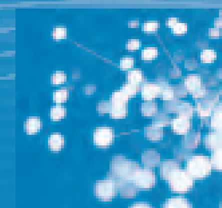


Instead of bouncing a signal off the aircraft and monitoring its return, ADS-B allows the aircraft to transmit its precise GPS-derived position and other valuable information to controllers and other aircraft. It also will enable properly equipped aircraft to “see” other traffic in their area (whether in the air or on the ground) and receive real-time weather and flight information.

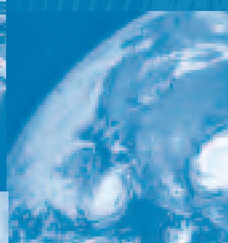
Considered the cornerstone of the Federal Aviation Administration (FAA) Next Generation Air Transportation System (NGATS), ADS-B will create additional capacity, reduce FAA costs, enhance situational awareness and facilitate further safety improvements across the system.

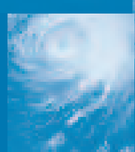
it’s possible

System-Wide Information Management (SWIM)



Today, the Federal Aviation Administration (FAA), the military, other government agencies and the international aviation community essentially recreate the same flight data manually or communicate point-to-point using expensive, complex, custom interfaces.





SWIM is an information-management architecture for the National Airspace System (NAS), acting as its "World Wide Web." It will manage surveillance, weather and flight data, as well as aeronautical and NAS status information, and will provide it securely and seamlessly to all NAS customers.

Designed using commercially available equipment and industry-accepted standards, SWIM will dramatically improve the capabilities of existing systems, reduce capital and operating costs, improve productivity and offer flexible system expansion. SWIM is a fundamental building block for the Next Generation Air Transportation System (NGATS).

soon...

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Note: As of July 2006. Visit www.airlines.org for a description of ATA membership categories.

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