2004 Economic Report

Your Airlines
Where the American Dream Takes Flight

AIR TRANSPORT ASSOCIATION

Mission

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

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

Goals

THE AIR TRANSPORT ASSOCIATION OF AMERICA (ATA) IS THE NATION'S OLDEST and largest airline trade association. The association's fundamental purpose is to foster a business environment that will permit U.S. airlines to flourish. By working with members in the technical, legal and political arenas, ATA supports measures that enhance aviation safety, security and industry well-being.

ATA goals include:

- Championing the world's safest transportation system
- Protecting airline passengers and crews by improving government's aviation security system in conjunction with the Transportation Security Administration (TSA)
- Modernizing the U.S. air traffic control system through the Federal Aviation Administration (FAA)
- Fighting government policies that impose unfair regulatory burdens and impinge on marketplace freedoms
- Reducing the disproportionate share of taxes and fees paid by airlines and their customers
- Advocating more deregulation to improve the industry's ability to attract necessary capital
- Shaping international aviation policy to ensure that U.S. and foreign carriers can compete on equal terms

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

Contents

Report Content

Unless otherwise noted, the data provided in this report reflects the activity of 150 U.S. passenger and cargo airlines as recorded by the U.S. Department of Transportation under Chapter 411 of Title 49 of the U.S. Code – see page 23 of this report.

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

For further information on this and other ATA publications, visit www.airlines.org/publications or e-mail pubs@airlines.org. For questions on content, visit www.airlines.org/econ.

Photo Credit

Page 30: Timothy D. Sofranko/Colgate University

Your Business

American business and the air transport industry have grown up side by side. Small businesses and large corporations of every size and scale depend on convenient and reliable air service. Today, airlines continue to invest in technologies – from Web-based flight notification to self-service check-in kiosks. These innovations enable business travelers to maximize their productivity and efficiency, and stay close to their customers – whether they are doing business across the country or around the world.

eef oranges seafood coffee

Your Products

Today, we live in a global marketplace – a marketplace that enables a restaurant in Kansas to offer fresh Alaskan salmon or an event planner in Iowa to fly in Hawaiian leis for a summertime luau. Exotic flowers and gourmet foods, previously available only to local communities, are now widely available around the world. The network systems of the air transport industry have enabled fishermen, farmers and thousands of others to grow their businesses and ship their products to a greatly expanded marketplace.

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Your Airlines. Where the American Dream Takes Flight.

GENERATIONS OF AMERICANS HAVE GROWN UP READING HOW THE BUILDING OF THE railroads bound this nation together and turned it into a great power. There is less focus, however, on the far greater role that airlines play in our own time – bringing people and products together and contributing to advancements in living standards that have made the extraordinary seem ordinary.

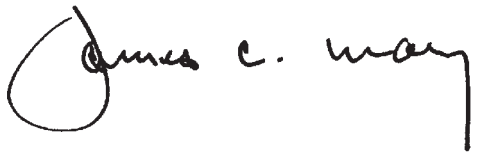
That is the story told in these pages. It is made all the more remarkable because, even in the best of times, the airline industry is intensely competitive and margins are thin. And the past few years have been especially difficult, due to the convergence of world events and an evolving business climate.

Collectively, ATA member airlines lost $3.6 billion in 2003, following losses of $11.3 billion in 2002 and $8.3 billion in 2001. On the plus side, air travel increased 5.5 percent in 2003, combined with tremendous gains in productivity and efficiency, and some striking innovations in passenger service and convenience – notably the expanded use of Web sites and self-service kiosks, which have greatly reduced waiting lines for boarding passes.

Our industry is blessed with great leaders and employees working together for the good of the industry and the traveling public. However, there are some factors – fuel prices, taxes and security costs – that are beyond the control of any airline. On those issues we need to continue to work closely with policy-makers to provide better solutions.

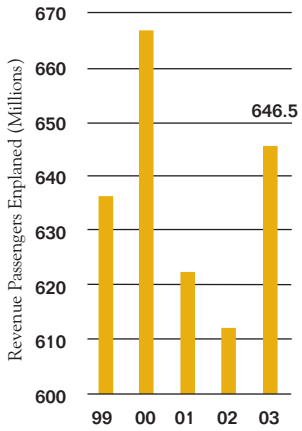
When you consider that federal taxes and fees can constitute $52 of a $200 domestic roundtrip ticket – a 26 percent tax – more than consumers pay on alcohol or tobacco, it becomes clear that existing policies discourage travel and the robust economic vitality it brings. We are committed to working with the government to advance our shared goals for a safe, secure and prosperous aviation system.

I am proud to present the ATA *2004 Economic Report*. It contains a wealth of insight and statistical information on the state of the industry. It also points the way to a better future through needed legislative action and reform.



Passenger Volumes

Scheduled Service

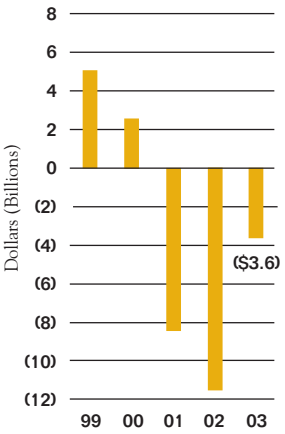


Operational Highlights

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

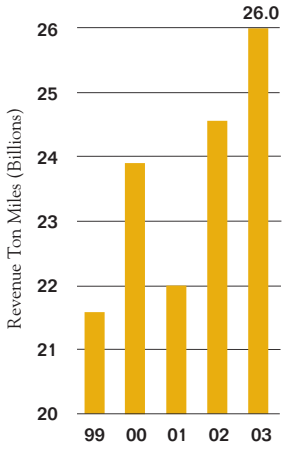
	2002	2003	% Change
Revenue Passengers Enplaned	612.9	**646.5**	5.5
Domestic Service	560.1	**593.0**	5.9
International Service	52.8	**53.5**	1.3
Revenue Passenger Miles	641,102	**655,850**	2.3
Domestic Service	476,004	**499,224**	4.9
International Service	165,098	**156,626**	(5.1)
Available Seat Miles	892,554	**893,902**	0.2
Domestic Service	676,949	**689,170**	1.8
International Service	215,606	**204,732**	(5.0)
Passenger Load Factor (%)	71.8	**73.4**	1.5 pts.
Domestic Service	70.3	**72.4**	2.1 pts.
International Service	76.6	**76.5**	-0.1 pts.
Cargo Revenue Ton Miles	24,591	**25,980**	5.6
Domestic Service	10,705	**13,007**	21.5
International Service	13,886	**12,973**	(6.6)
Aircraft Departures (Thousands)	9,187	**10,840**	18.0
Domestic Service	8,643	**10,273**	18.9
International Service	544	**567**	4.3

Net Profit (Loss)



Cargo Volumes

Scheduled Service



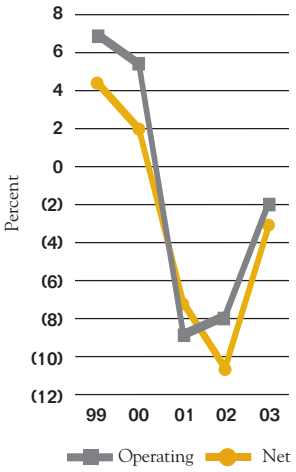
Financial Highlights

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

	2002	2003	% Change
Passenger Revenue	$73,577	**$77,016**	4.7
Domestic Service	57,304	**61,177**	6.8
International Service	16,273	**15,838**	(2.7)
Cargo Revenue	13,525	**14,110**	4.3
Domestic Service	6,559	**7,230**	10.2
International Service	6,966	**6,880**	(1.2)
Charter Revenue	4,225	**5,140**	21.7
Passenger	1,606	**2,347**	46.2
Property	2,619	**2,793**	6.6
Other Revenue	15,659	**19,641**	25.4
Total Operating Revenues	106,985	**115,906**	8.3
Total Operating Expenses	115,552	**118,107**	2.2
Operating Profit (Loss)	(8,566)	**(2,200)**	nm
Net Profit (Loss)	(11,312)	**(3,625)**	nm
Operating Profit Margin (%)	(8.0)	**(1.9)**	6.1 pts.
Net Profit Margin (%)	(10.6)	**(3.1)**	7.4 pts.
Return on Investment (%)	(9.6)	**(0.3)**	9.3 pts.

nm – Not meaningful

Profit Margins



Summary—1993-2003

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

	1993[1]	1994	1995	1996	1997	1998	1999	2000	2001[2]	2002[2]	2003[3]
Traffic and Operations—Scheduled											
Revenue Passengers Enplaned	488.5	528.8	547.8	581.2	594.7	612.9	636.0	666.2	622.1	612.9	**646.5**
Revenue Passenger Miles (RPM)	489,684	519,382	540,656	578,663	603,419	618,087	652,047	692,757	651,700	641,102	**655,850**
Available Seat Miles (ASM)	771,641	784,331	807,078	835,071	857,232	874,089	918,419	956,950	930,511	892,554	**893,902**
Passenger Load Factor (%)	63.5	66.2	67.0	69.3	70.4	70.7	71.0	72.4	70.0	71.8	**73.4**
Average Trip Segment (Miles)	1,002	982	987	996	1,015	1,008	1,025	1,040	1,048	1,046	**1,014**
Cargo Revenue Ton Miles (RTM)	14,120	16,062	16,921	17,754	20,513	20,496	21,613	23,888	22,003	24,509	**25,980**
Freight and Express	11,944	13,792	14,578	15,301	17,959	18,131	19,317	21,443	20,119	23,243	**24,608**
Mail	2,176	2,270	2,343	2,454	2,555	2,365	2,296	2,445	1,885	1,348	**1,372**
Revenue Aircraft Miles (RAM)	4,846	5,033	5,293	5,501	5,659	5,838	6,168	6,574	6,514	6,556	**7,068**
Aircraft Departures (Thousands)	7,245	7,531	8,062	8,230	8,127	8,292	8,627	9,035	8,788	9,187	**10,840**
Average Stage Length (Miles)	669	668	657	668	696	704	715	728	741	714	**652**
Financial Results											
Passenger Revenue	$64,288	$65,690	$69,835	$75,515	$79,540	$81,052	$84,383	$93,622	$80,947	$73,577	**$77,016**
Freight and Express Revenue	6,662	7,284	8,616	9,679	10,477	10,697	11,415	12,486	12,066	12,865	**13,210**
Mail Revenue	1,212	1,183	1,266	1,279	1,362	1,708	1,739	1,970	1,063	660	**900**
Charter Revenue	3,386	3,859	3,742	3,675	3,748	4,059	4,284	4,913	4,449	4,225	**5,140**
Other Revenue	9,750	11,020	11,658	12,296	14,790	16,294	17,634	17,848	17,000	15,659	**19,641**
Total Operating Revenues	85,298	89,037	95,117	102,444	109,917	113,810	119,455	130,839	115,526	106,985	**115,906**
Total Operating Expenses	83,884	86,299	89,266	96,300	101,375	104,528	111,119	123,840	125,852	115,552	**118,107**
Operating Profit (Loss)	1,415	2,738	5,852	6,143	8,542	9,283	8,337	6,999	(10,326)	(8,566)	**(2,200)**
Interest Income (Expense)	(2,052)	(2,352)	(2,426)	(1,989)	(1,738)	(1,753)	(1,833)	(2,193)	(2,506)	(3,263)	**(3,334)**
Other Income (Expense)	(1,541)	(727)	(1,143)	(1,427)	(1,686)	(2,682)	(1,226)	(2,320)	4,557	517	**1,910**
Net Profit (Loss)	($2,178)	($341)	$2,283	$2,727	$5,119	$4,847	$5,277	$2,486	($8,275)	($11,312)	**($3,625)**
Passenger Yield (¢/RPM)	13.13	12.65	12.92	13.05	13.18	13.11	12.94	13.51	12.42	11.48	**11.74**
Passenger Unit Revenue (¢/ASM)	8.33	8.38	8.65	9.04	9.28	9.27	9.19	9.78	8.70	8.24	**8.62**
Cargo Yield (¢/RTM)	55.77	52.72	58.40	61.72	57.71	60.53	60.86	60.52	59.67	55.18	**54.31**
Operating Profit Margin (%)	1.7	3.1	6.2	6.0	7.8	8.2	7.0	5.3	(8.9)	(8.0)	**(1.9)**
Net Profit Margin (%)	(2.6)	(0.4)	2.4	2.7	4.7	4.3	4.4	1.9	(7.2)	(10.6)	**(3.1)**
Return on Investment (%)	(0.4)	5.2	11.9	11.5	14.7	12.0	11.1	6.4	(6.5)	(9.6)	**(0.3)**
Employment (Full-Time Equivalents)	537,110	539,759	546,987	564,425	586,509	621,064	646,410	679,967	671,969	601,355	**570,868**

[1] Financial results exclude fresh-start accounting extraordinary gains of Continental and Trans World.

[2] Financial results include cash compensation remitted to air carriers under the Air Transportation Safety and System Stabilization Act (P.L. 107-42).

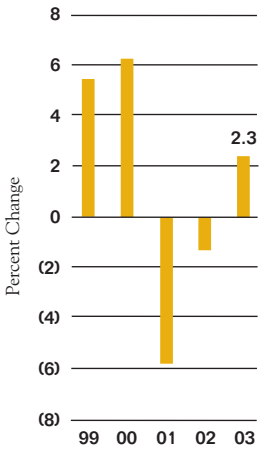
[3] Financial results include security cost reimbursements remitted to carriers under the Emergency Wartime Supplemental Appropriations Act (P.L. 108-11), but exclude fresh-start extraordinary accounting gain of US Airways.

2003 Airline Industry Review

U.S. AIRLINES COLLECTIVELY LOST OVER $3.6 BILLION IN 2003, REPRESENTING THE third straight year in the red and bringing total 2001-2003 losses to a staggering $23.2 billion. Combined, those losses wiped out the $22.7 billion earned from 1995 through 2000 and left the industry mired in debt. The losses were particularly significant considering that financial results in all three years were mitigated by the Stabilization Act payments, as well as partial security cost reimbursements that followed the War in Iraq. After weathering a recession and the terrorist attacks of September 11, 2001, and the hassles and costs of security programs in 2002, airlines faced war, Severe Acute Respiratory Syndrome (SARS) and rising fuel prices in 2003. Yet, despite these and other challenges, airlines continued to make safety their top priority.

Passenger Traffic Growth Rates

Revenue Passenger Miles—Scheduled Service

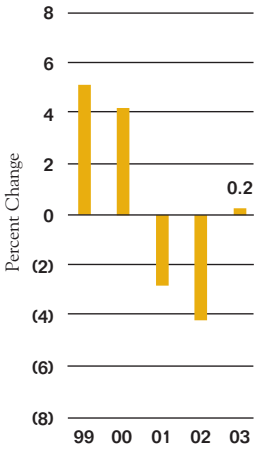


Safety and Security

The airlines' record of safety is outstanding, and every year the industry strives for zero fatalities. In 2002, U.S. airlines achieved that objective with zero fatal accidents in 9.9 million scheduled departures. In 2003, the National Transportation Safety Board recorded only two fatal accidents in 9.8 million scheduled departures. According to the National Safety Council, which measures passenger deaths per 100 million passenger miles, airlines have consistently been the safest mode of intercity travel, followed by bus, rail and the automobile. Carriers continue to work closely with FAA and TSA to ensure that aviation remains not only safe and secure but also as hassle-free as possible. Simply stated, safety and security remain paramount.

Passenger Capacity Growth Rates

Available Seat Miles—Scheduled Service



Safety—1993-2003

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

Year	Departures (Millions)	Total Accidents	Fatal Accidents	Fatal Accident Rates[1]	Fatalities
1993	7.7	22	1	0.013	1
1994	7.8	19	4	0.051	239
1995	8.1	34	2	0.025	166
1996	7.9	32	3	0.038	342
1997	9.9	44	3	0.030	3
1998	10.5	43	1	0.009	1
1999	10.9	46	2	0.018	12
2000	11.0	50	3	0.027	92
2001	10.6	42	6	0.019	531
2002	9.9	34	0	0.000	0
2003	9.8	52	2	0.020	22

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

Source: National Transportation Safety Board

Environment

The airlines continue to reduce environmental impacts from their operations. According to FAA, the number of U.S. people exposed to significant aviation noise levels has fallen 78 percent since 1995, from 1.7 million to an estimated 379,000. At the same time, airlines have taken a leadership role in developing new noise abatement techniques for the future, recently receiving approval from the International Civil Aviation Organization (ICAO) for new techniques to reduce noise from aircraft operations.

Traffic and Operations—2003

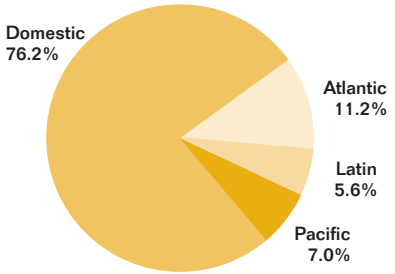
U.S. Airlines (In millions, except as noted)

	Domestic	Atlantic	Latin	Pacific	International [1]	Total
Passenger Traffic—Scheduled Service						
Revenue Passengers Enplaned	593.0	17.9	24.9	10.4	53.5	**646.5**
Revenue Passenger Miles	499,224	73,561	36,617	46,050	156,626	**655,850**
Available Seat Miles	689,170	92,755	52,399	58,982	204,732	**893,902**
Passenger Load Factor (%)	72.4	79.3	69.9	78.1	76.5	**73.4**
Average Trip Segment (Miles)	842	4,112	1,469	4,422	2,929	**1,014**
Cargo Traffic—Scheduled Service						
Revenue Ton Miles—Cargo	13,007	4,823	1,400	6,610	12,973	**25,980**
Freight and Express	12,127	4,536	1,372	6,434	12,481	**24,608**
Mail	879	287	29	176	492	**1,372**
Overall Traffic and Operations						
Revenue Ton Miles—Charter	2,329	477	305	1,103	5,652	**7,981**
Revenue Ton Miles—All Services	65,258	12,656	5,367	12,317	34,288	**99,546**
Available Ton Miles—All Services	119,825	21,945	9,711	20,664	58,637	**178,462**
Weight Load Factor—All Services (%)	54.5	57.7	55.3	59.6	58.5	**55.8**
Revenue Aircraft Departures—Scheduled Service (Thousands)	10,273	133	323	99	567	**10,840**
Revenue Aircraft Miles—Scheduled Service	5,982	443	350	286	1,087	**7,068**
Revenue Aircraft Hours—Scheduled Service (Thousands)	14,979	867	786	556	2,229	**17,208**
Average Stage Length—Scheduled Service (Miles)	582	3,321	1,086	2,887	1,917	**652**

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

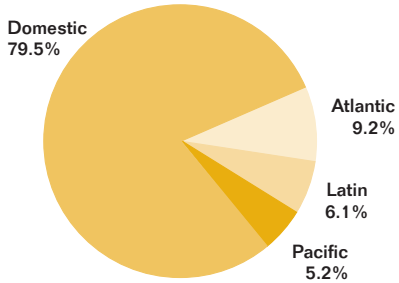
Passenger Traffic by Region—2003

Revenue Passenger Miles—Scheduled Service



Passenger Revenue by Region—2003

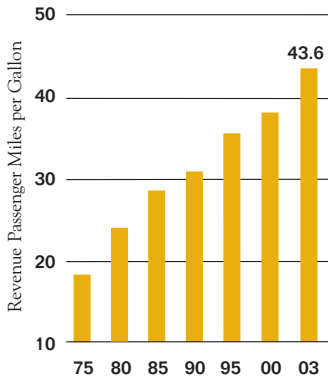
Scheduled Service



U.S. airlines continue to make strides on the emissions front as well, as the fuel efficiency of passenger operations climbed to 43.6 passenger miles per gallon – a 136 percent gain since 1975. Every increase in fuel efficiency translates into real reductions in emissions, including those that contribute to global warming. Beginning in 1982, aviation was the first industry to adopt global standards to reduce nitrogen oxides, carbon monoxide and unburned hydrocarbons, with ATA supporting U.S. adoption of the most recent of these standards in 2003. In addition to their international efforts to reduce emissions at ICAO, U.S. airlines are also actively engaged in a number of national and local efforts to reduce ozone-forming emissions.

The airlines have also taken a leadership role in reducing the impact of their operations on local water bodies. In addition to working with deicing fluid manufacturers to reduce fluid toxicity, the carriers have implemented innovative technologies to reduce usage without compromising safety.

Airline Fuel Efficiency
Passenger Operations



Fleet

ATA member airlines continued to shrink their mainline operating fleets in 2003, with a net drop of 174 aircraft to 4,478 – 8 percent fewer than at the end of 2000. Carriers again targeted older, less fuel-efficient, more maintenance- and labor-intensive aircraft when deciding what to ground. In addition, many airlines postponed delivery dates for new aircraft where possible. As of December 31, 2003, only 36 Fokkers remained in the fleet, along with just six Lockheed L-1011s. Boeing models, led by the B-737, continued to dominate the fleet at 3,720, including 1,001 formerly Douglas aircraft. Airbus continued to make inroads with 716 planes. Meanwhile, in the broader industry, FAA data revealed the continued popularity of regional jets, which grew to 1,321, more than twice the number of RJs in 2000. And FAA expects the RJ fleet to double again by 2010, further reinforcing the need to expand system capacity.

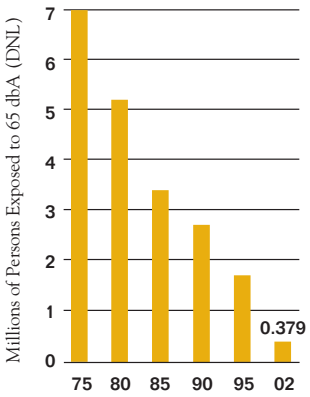
Traffic and Capacity

Throughout 2003, the industry continued its very gradual recovery from the 2001 recession and the aftermath of 9/11. Passenger traffic, as measured in revenue passenger miles (RPMs), grew 2.3 percent. Enplanements grew 5.5 percent, but the average length of haul declined 3.1 percent from 1,046 miles to 1,014. Domestic traffic, which accounted for 76.2 percent of total industry RPMs, grew 4.9 percent as 5.9 percent more enplanements offset a modest decline in the average length of haul. Meanwhile, international traffic was challenged by two external developments, the War in Iraq and SARS, whose effects were concentrated in February, March, April and May 2003. The war affected all regions but hit hardest in the Atlantic, where RPMs declined 5.1 percent. Pacific traffic fell 10.9 percent, due principally to SARS. Latin traffic rose 4.4 percent, especially with growing service to the Caribbean and Mexico. American Airlines remained the largest U.S. carrier as measured by passengers, RPMs and total operating revenues.

Cargo proved to be a bright spot in 2003, as revenue ton miles (RTMs) surpassed 2002 by 5.6 percent on 5.9 percent additional freight and 1.8 percent more mail. Although international volumes fell 6.6 percent, domestic volumes surged 21.5 percent to an all-time record of 13.0 billion RTMs transported in scheduled service. Taking into account both scheduled and non-scheduled services, FedEx topped the industry with 9.5 billion ton miles flown, followed by all-cargo operators UPS (4.6 billion) and Atlas (3.0 billion). Northwest and American rounded out the top five with 2.2 billion and 2.0 billion RTMs, respectively.

Despite an 18.0 percent increase in scheduled aircraft departures – to a record 10.8 million, industry capacity growth was flat for 2003, as available seat miles (ASMs) grew only 0.2 percent. The proliferation

Airline Noise Reduction



Source: FAA

Passenger Yield

Revenue per Passenger Mile (¢)

				Change vs. 1978 (%)		Change vs. 2002 (%)	
	1978	**2002**	**2003**	**Nominal**	**Real**	**Nominal**	**Real**
Domestic	8.49	12.04	**12.25**	44.3	(48.8)	1.8	(0.5)
International	7.49	9.86	**10.11**	35.0	(52.1)	2.6	0.3
Total	8.29	11.48	**11.74**	41.7	(49.8)	2.3	0.1

Cargo Yield

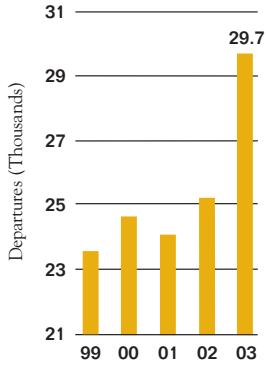
Revenue per Ton Mile (¢)

				Change vs. 1978 (%)		Change vs. 2002 (%)	
	1978	**2002**	**2003**	**Nominal**	**Real**	**Nominal**	**Real**
Domestic	37.04	61.27	**55.58**	50.1	(46.8)	(9.3)	(11.3)
International	27.59	50.17	**53.03**	92.2	(31.9)	5.7	3.4
Total	33.31	55.00	**54.31**	63.0	(42.2)	(1.3)	(3.4)

U.S. CPI	**65.2**	**179.9**	**184.0**	**182.1**	-	**2.3**	-

Daily Departures

Passenger and Cargo—Scheduled Service



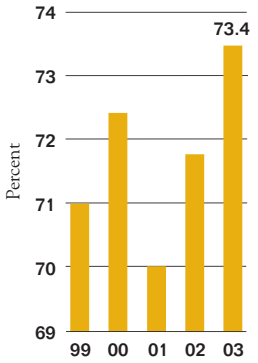
of smaller aircraft, most notably regional jets, drove this phenomenon, as the industry's average aircraft size decreased from 136 seats in 2002 to 126 seats in 2003. The advent of smaller jets enhances the industry's ability to align supply with demand and offer frequent and direct service to the benefit of communities nationwide, and increasingly even trans-border. Domestic ASMs grew just 1.8 percent on 18.9 percent more domestic departures, reflecting the expanded deployment of smaller aircraft. International ASMs declined 5.0 percent as carriers reacted to public response to the War in Iraq and SARS. Atlantic and Pacific capacity fell 5.3 percent and 8.2 percent, respectively; Latin capacity remained flat.

Given the changes in traffic and capacity, the industry's average load factor reached a record 73.4 percent in 2003, up 1.5 points over 2002 and one point above the prior peak of 72.4 percent, set in 2000. The average domestic load factor was 72.4 percent, up 2.1 points over the prior year and 1.2 points over the previous peak of 71.2 percent, set in 2000. The average international load factor, 76.5 percent, fell just 0.1 points below the record set in 2002. This level of utilization was impressive given the challenges the airlines faced in 2003 and reflects well on their ability to readjust capacity according to changes in demand.

As the industry continues to recover – albeit gradually – traffic growth will again bring airport and airway infrastructure issues to the forefront. FAA has forecasted RPMs and passenger enplanements to return to pre-9/11 levels in 2004 and 2005, respectively. Moreover, FAA projects that U.S. airlines will carry over one billion passengers in 2014. Passenger enplanements are forecast to grow at an average annual rate of 4.3 percent through 2015. System capacity must be expanded to meet these projections. A recovery in demand for commercial air transportation, along with the rapid expansion of general aviation (private and corporate aircraft) operators, will continue to strain the system in place today. The industry will continue to partner with FAA and TSA to tackle these challenges.

Passenger Load Factor

Scheduled Service



Revenues

Total operating revenues rose 8.3 percent to $115.9 billion, reversing a two-year decline. Revenues grew despite the War in Iraq and the outbreak of SARS – both curbing primarily international travel. Airlines were aided by the budding economic recovery in the U.S., with GDP growth of 4.8 percent.

Passenger revenue growth was driven principally by higher volumes, as the price of air travel increased just 2.3 percent. Inflation, measured by the Consumer Price Index (CPI), was also 2.3 percent, leaving inflation-adjusted (real) airline prices virtually unchanged. Consumers continue to benefit from the competitive intensity and efficiencies unleashed by airline deregulation in 1978. Since 1978, in real terms, average airline prices have fallen 49.8 percent. This tremendous decline is largely responsible for the long-term growth of air travel. Throughout the history of commercial aviation, real airfares have declined due to technological advances and increased efficiencies in airline operations. While this was true before 1978, the rate of decline accelerated thereafter due to intensified competition. Between 1970 and 1978 real fares fell 2.0 percent per annum; between 1978 and 2003 the rate of decline surged to 2.7 percent. To put this trend in perspective, nominal airfares have risen 42 percent since 1978, while the price of milk (Bureau of Labor Statistics – BLS) has risen 111 percent, new vehicles 326 percent (National Automobile Dealers Association), prescription drugs 430 percent (BLS) and higher education 574 percent (BLS).

Cargo revenue rose 4.3 percent to $14.1 billion, marking 10.2 percent in higher U.S. sales, partially offset by a 1.2 percent drop in international sales. Mail revenue grew 36.4 percent to $900 million but remained far below the levels seen prior to 9/11. As in the passenger business, cargo revenue growth stemmed primarily from increased traffic rather than gains in price. In fact, cargo prices fell 1.3 percent. Charter revenue soared 21.7 percent to $5.1 billion, as the nation's airlines supported the military by transporting troops, equipment and medical supplies domestically and overseas.

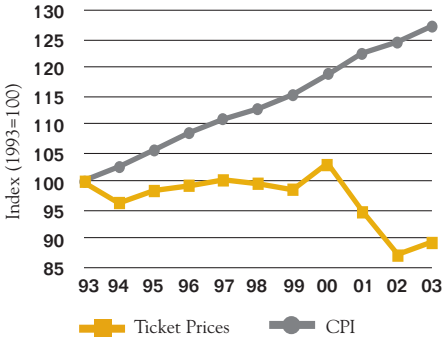
Expenses

In the long run, airline prices must relate to airline costs. But limited pricing power throughout 2003 largely kept the industry from "passing through" its costs to the consumer. Total operating expenses rose 2.2 percent to $118.1 billion.

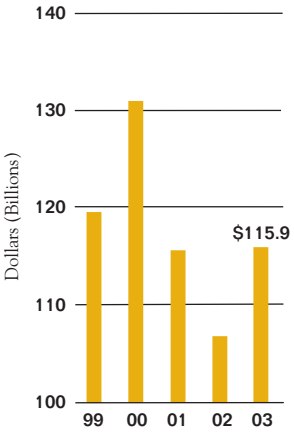
In 2003, average labor costs (wages, benefits and payroll taxes) – the industry's largest expense – rose to an all-time high of $79,356 per employee. Although wages rose slightly, they constituted just 70.7 percent of the cost of employment. Benefits, which represented 24.2 percent of labor costs, rose sharply by 21.9 percent. The remaining cost of employing an airline worker comes from payroll taxes, which increased 11.8 percent in 2003. Most of the increase can be explained by the reduction in headcount at the junior end of the pay scale, as dictated by most collective bargaining contract seniority provisions.

Jet fuel costs are the airlines' second largest expense item. Crude oil prices averaged $31 per barrel in 2003, up from $26 in 2002. Consequently, average jet fuel prices jumped from 71 cents per gallon in 2002 to 85 cents in 2003. Not surprisingly, flying operations remained the industry's largest functional cost center at 31.4 percent of total operating costs, followed by aircraft and traffic servicing at 16.6 percent. But airline management and front-line employees did their best to combat the strong unit-cost growth in labor and fuel by increasing the productivity of each input to record levels. Fuel efficiency rose 4.8 percent to 43.6 passenger miles per gallon, while labor productivity rose 10.7 percent to 2.1 million ASMs per employee.

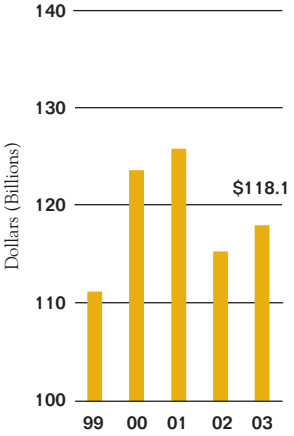
Ticket Prices vs. U.S. Consumer Prices



Operating Revenues



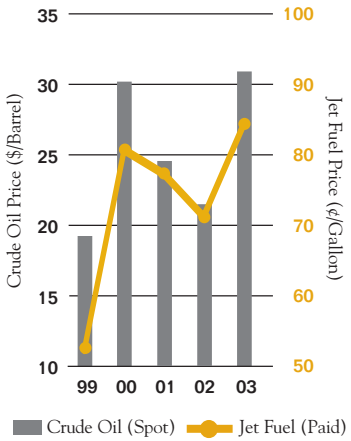
Operating Expenses



Earnings

Profit margins in the industry have always been extremely thin – falling well below the average profitability of U.S. corporations. In good years, these margins are in the low single digits, like many large retailers. But since the late 1990s they have been abysmal. Compared to 2002, airline operating and net profit margins "improved" in 2003 to negative 1.9 percent and negative 3.1 percent, respectively. Airlines benefited as passenger, cargo, charter and other revenues all increased year over year, outpacing a relatively modest rise in total operating expenses. Despite these revenue gains, the breakeven load factor for the industry remained near record-high levels, some 10 percentage points higher than in the late 1990s. As prices stay depressed and unit costs high, more seats must be filled to generate sufficient revenue. At 2003 prices and unit costs, actual load factors, while 1.4 percentage points higher than in 2002, remained 3.0 points below the level needed to break even.

Fuel Prices
Majors, Nationals and Large Regionals



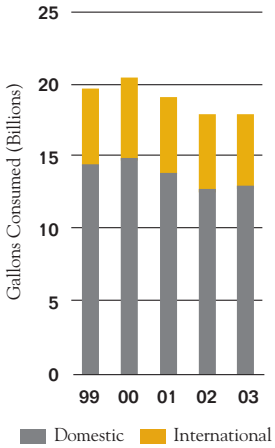
Significantly, with the War in Iraq and SARS as backdrops, airlines were fortunate to receive approximately $2.4 billion in pretax federal compensation as part of the Emergency Wartime Supplemental Appropriations Act (P.L. 108-11). These payments served as partial reimbursements for expenses incurred and revenue foregone as a result of meeting federal security mandates post-9/11, including $100 million for a portion of the direct costs of reinforcing cockpit doors.

Though significant recovery had been anticipated for 2003, airfares stagnated while fuel prices rose along with federal taxes and remitted fees. With balance sheets in tatters, airlines retain little cushion for further shocks.

Balance Sheet

The airline industry is an asset-intensive industry, requiring substantial investments in aircraft, facilities and equipment. In 2003, the total value of these investments, net of depreciation and amortization, reached $93.7 billion out of assets totaling $165.2 billion. The return on investment (ROI) rose in 2003, but stayed in the red at negative 0.3 percent. One of the outcomes of the terrorist attacks and the subsequent industry plight is that airlines will continue to borrow significant amounts to cover losses. Even after the industry returns to profitability, it will take several years to reduce this higher debt to an acceptable level. More than two years have passed since 9/11, but 11 of the 12 passenger airlines rated by Standard & Poor's retained junk bond status at the completion of 2003; only Southwest was considered investment grade.

Fuel Consumption
Majors, Nationals and Large Regionals



Jobs

Heavy financial losses often result in heavy job losses – and not just for the airlines themselves. Within the first year after 9/11, nearly half the jobs lost in the U.S. economy were either in aviation itself or within the broader travel and tourism sector. Indeed, on September 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 growing consistently through the previous decade, airline employment fell for the third consecutive year in 2003, to 570,868, down 5.1 percent from 2002 and 16.0 percent below the 2000 peak. Nearly 140,000 jobs have been eliminated since 9/11.

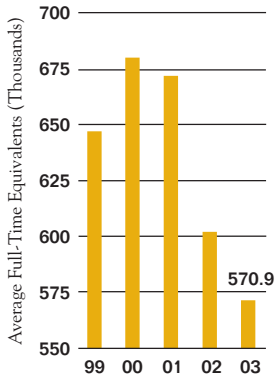
Employment

U.S. Airlines—Full-Time Equivalents

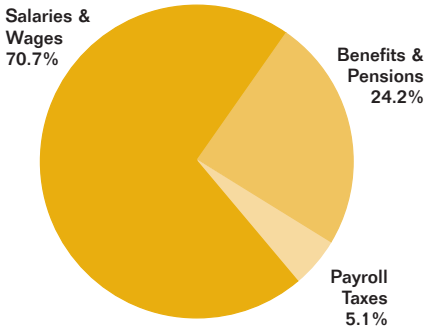
	1993	2002	2003
Pilots and Copilots	52,594	68,753	**67,957**
Other Flight Personnel	7,698	7,463	**8,204**
Flight Attendants	86,089	97,670	**89,870**
Mechanics	55,482	61,714	**57,443**
Aircraft and Traffic Service Personnel	245,940	280,859	**267,833**
Office Employees	40,873	39,902	**36,458**
All Other	48,434	44,994	**43,104**
Total Employment	537,110	601,355	**570,868**
Average Compensation[1]			
Salaries and Wages	$41,371	$55,432	**$56,110**
Benefits and Pensions	9,768	15,725	**19,166**
Payroll Taxes	3,095	3,650	**4,080**
Total Compensation	$54,234	$74,807	**$79,356**

[1]Major and national passenger airlines only

Employees



Employment Cost—2003



Outlook

The outlook for air transportation depends on the gradual recovery of the U.S. economy, relief from high fuel prices, the fulfillment of government's role in funding national security, a lessening of the industry's notoriously high tax burden and continued self-help measures taken by the carriers and their employees.

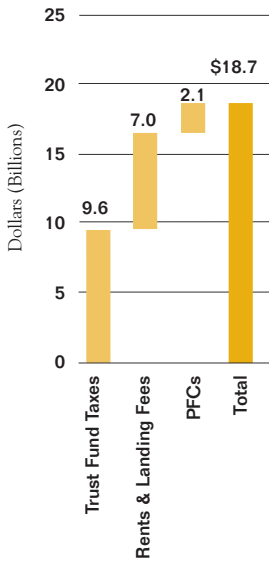
Recovery for the airlines would bode well for a remarkably wide array of sectors throughout the U.S. economy. For its part, the industry has taken many steps to improve operational performance amidst extensive cost cutting, including strategic investments throughout the business. But macroeconomic forces remain paramount, and although passenger and cargo volumes have generally improved, we have seen little change in the customer's willingness to pay higher prices given the increasingly transparent and agile distribution channels and the intensely competitive operating environment. Under current conditions, it is unlikely that the industry will record a full-year profit until at least 2005.

The challenge now is to introduce an extended period of economic health. Airlines will continue to provide safe, secure, invitingly convenient and affordable air transportation, and employees will play their part by seeking new and better ways to improve productivity and customer service. Government must do its part by meeting its national security responsibilities, in cooperation with airports and airlines, in a manner that encourages travelers back into the air, minimizes hassles throughout the system and avoids the government's traditional dependence on higher taxes and fees, which continues to hobble the industry's recovery.

Airlines and airports.
A shared responsibility to customers.

Talk about your symbiotic relationships – U.S. airlines and airports have produced an air transportation system that's the envy of the world – one that is unrivaled in its safety, security and productivity.

System Funding
Airline Contributions—
FY04 Estimates



That's no small task when you consider that the United States accounts for more than 30 percent of worldwide commercial aviation activity. This is made possible by a national airport system that includes more than 400 commercial airports serving more than 600 million travelers each year. That system depends on a strong, vibrant and financially stable airline industry.

It's a delicate balance, one that's been put to the test as U.S. airlines and airports face diminished revenues in the post-9/11 environment. That's particularly true as both airlines and airports struggle with the need to address mounting infrastructure and capacity demands. Because of the airline industry's continuing financial problems, greater discipline will be required in the future to resist speculative or low-priority airport projects. And more checks and balances for airport projects are needed at the federal level. Ultimately, proposed airport improvements should meet a basic test: do they increase system capacity, ease traffic congestion and reduce customer hassles?

"… greater discipline will be required in the future to resist speculative or low-priority airport projects. And more checks and balances for airport projects are needed at the federal level."

Through substantial contributions to the Airport and Airway Trust Fund, the airlines cover 100 percent of FAA's capital expenses and more than half of its operating expenses. At the airport level, more than 90 percent of revenue comes from airport users. Together, airlines and their customers pay $19 billion into the aviation system each year through taxes, terminal rents, landing fees and passenger facility charges (PFCs).

This self-sufficient system ensures that money collected in the business of flying goes back into making it safe, secure and productive. But it also means that airlines and airports are absolutely financially interdependent and must work to optimize investment decision-making.

Ultimately, airlines and airports can succeed only in unison. It's an old story. Together we stand, divided we fall. Through wise policymaking and prudent expenditures, airlines and airports can meet the demands of passengers and shippers and make an already enviable air transport system even better.

Airline pricing. A matter of supply and demand.

Traffic will soon rebound to pre-9/11 levels, but consumers on average paid 13 percent less to fly one mile in 2003 than in 2000. In fact, they are paying less than they paid in 1988, even without adjusting for inflation. This underscores today's weak revenue environment, cited widely and repeatedly by Wall Street analysts, and largely illustrates the competitive intensity and price elasticity of today's air travel marketplace.

One key factor is a newfound thriftiness among business travelers that has instilled in them more flexible purchasing habits. The emergence of low-cost carriers as a viable and truly national product alternative has brought about lower fares, greater flexibility and increasingly competitive schedules. And on short-haul routes, where the hassle of airport security is an especially significant consideration, many travelers quickly divert to the automobile or train when the price of air travel rises even slightly.

Another key factor is the transparency of pricing associated with the ever-rising popularity of Internet distribution channels. The Internet offers consumers a wealth of instant and accurate fare and schedule information with relative ease of use. Meanwhile carriers compete intensely for the price-sensitive passenger.

It's incumbent on all involved in the debate over taxes and user fees to recognize today's weak revenue environment. Market forces are driving prices lower – not higher – and the prospect of higher taxes and fees doesn't bode well for an industry that is struggling to regain stability. Airlines create a perishable and price-sensitive product, and most now cite air travel as a commodity.

The factors above have made travelers more price-sensitive than ever. And higher prices in the form of taxes do not translate into airline revenue. In theory, the industry and its customers share the burden of taxes and fees, but today the burden rests primarily on the airlines.

"While small in comparison with the impact of declining revenue and rising fuel prices, we also believe that additional taxes and fees levied on the industry in the aftermath of 9/11 are having a financial impact … Again, in the current revenue environment, the industry cannot pass these additional costs along to consumers."

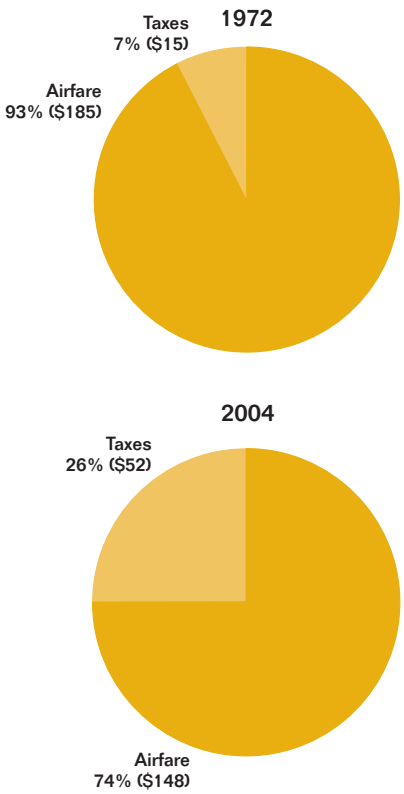
Gary Chase, Lehman Brothers, Testimony before the U.S. House of Representatives, June 3, 2004.

"Fuel prices are an external factor that airlines cannot control … Fuel represents a roughly comparable proportion of expenses for railroads and many trucking companies … but they have not been hurt by higher fuel prices to nearly the same degree … [mostly] due to the fact that many of their contracts with corporate customers allow them to pass through higher fuel costs in the form of surcharges. Airlines have tried repeatedly to raise fares in response to high fuel costs, but with little success. Again, the problem comes back to a lack of pricing power in a very competitive market."

Philip Baggaley, Standard & Poor's, Testimony before the U.S. House of Representatives, June 3, 2004.

Taxes and fees. A growing burden.

Sample Ticket[1]



[1] Itinerary assumes a single-connection domestic roundtrip with maximum PFC at each airport; $200 total price includes taxes and fees.

Is flying a sin? You might think so, when you consider that federal taxes and fees can constitute $52 of a $200 domestic roundtrip ticket – a 26 percent tax – more than consumers pay in federal consumption taxes on alcohol, tobacco or gas. That's nearly twice Uncle Sam's tax rate on commercial air travel from a decade ago (15 percent) and more than three times the rate from 30 years ago (7 percent).

And policymakers continue to push for more, hoping to help subsidize government's security expenses in the post-9/11 era. After 9/11, Congress determined that airline security is national security, and its cost a government responsibility. Furthermore, government already collects nearly $2 billion in security fees each year from the industry – more than its fair share. No other U.S. industry subsidizes national security at that level, so why single out the airlines and their customers to pay additional costs? It simply does not make sense.

Increasing federal taxes raises the cost of traveling and shipping by air, dampening demand by making air transport less affordable. In today's highly competitive and price-sensitive marketplace, these increased costs cannot be passed on to consumers and instead cut directly into the airline industry's bottom line. That forces the cancellation of air service, threatens jobs and hurts thousands of communities and businesses that rely on air transportation. It impairs not just the airlines and related industries but also the strength and vitality of our nation's transportation-dependent economy.

Airlines were already serving up a hefty portion of federally imposed or approved taxes and fees before the tragic events of 9/11. Today, with the economic health of the industry still fragile at best, this massive $14 billion tax burden, along with backdoor security charges, threatens an industry that sits at the center of the American – indeed the global – economy. Only by reducing this burden can we protect jobs, expand service and sustain economic growth.

"Tax policies often have had a major and adverse effect on the industry. Although … tax changes alone will not restore the industry to profitability, we believe there are several tax provisions that impede the ability of the industry to return to financial health. We believe those provisions violate reasonable principles of common sense and good public policy and we are of the opinion changes must be made to relieve the airline industry's unfair tax burden."

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

U.S. airlines. Where the American economy takes flight.

"… aviation holds a peculiar and unique relationship to the overall process of globalization. Although it is one of the great enablers of globalization, it is also a laggard in adapting to globalization … As industries go, aviation is highly visible … What is less understood is the complex system of domestic and international rules under which the industry operates, and how this regime can constrain the commercial adaptation of the industry to the forces that press upon it. In many ways globalization is pushing the limits of the current regime governing aviation."

Daniel Yergin, Richard H. K. Vietor and Peter C. Evans, "Fettered Flight: Globalization and the Airline Industry," November 2000.

Radio, TV and the Internet have shrunk the world. And so have U.S. airlines – a driving force behind today's just-in-time economy. They are examples of what economists call networked businesses. According to the authors of *Fettered Flight: Globalization and the Airline Industry*, "Airlines that can build the most effective networks are most likely to be successful in lowering both costs and delivering the type of service that the broader process of trade and economic integration will require."

Like the railroad, trucking and shipping industries, the airline industry uses network infrastructures to move people and products from place to place. U.S. airlines also use their networks to extend next-day markets to remote and rural communities and to enhance inventory management for businesses worldwide – delivering everything from fresh flowers and seafood to overnight packages and mission-critical supplies.

For every job the airline industry creates, as many as 10 more jobs are added to the U.S. economy. In 2003 U.S. airlines employed 571,000 people and generated $115 billion in operating revenues. But that's just the beginning. The entire commercial aviation sector helps create and sustain more than 10 million jobs – from taxi drivers, bellhops and waiters to bankers, architects and farmers – and ultimately drives eight percent of the U.S. gross domestic product.

Airline networks have changed the way the world does business – and the economic ripple is substantial. Airlines help drive the travel and tourism sector, including hotels, motels and other lodging; rental car agencies; resorts; cruise and tour operators; amusement and recreation parks; restaurants; meeting and convention centers and museums. Together, airlines and the broader travel industry drive a force equivalent to the eighth biggest economy in the world.

When you think about airline jobs, you probably think about pilots and flight attendants. You may even think about ticket agents, maintenance workers or air traffic controllers. But the 10 million U.S. jobs that depend on the economic health of the airlines reach outside of the airport and across the country into communities large and small. For every job an airline creates, as many as 10 more are added to the U.S. economy – from travel agents and taxi drivers to bellhops and bankers – millions of people just like you working to achieve the American dream. Maintaining a strong and vibrant airline industry is vital – to sustain those jobs and, with them, the economic growth and stability of our nation.

Your Job

Your Family

The American dream means different things to different people, but to you it's all about family. Your mother turned 70 last week, your parents celebrated their 50th wedding anniversary last fall and your younger sister gave birth to her first child – your only niece – in August. Still, in spite of your crazy work schedule and the hundreds of miles between you, you were there. Thanks to today's affordable, reliable and convenient air service, linking communities large and small, families are able to stay connected and celebrate the most important moments of their lives – together.

Income Statement—2003

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

	Domestic	Int'l	Total
Operating Revenues			
Passenger	$61,177	$15,838	**$77,016**
Freight and Express	6,685	6,525	**13,210**
Mail	545	355	**900**
Charter	3,316	1,824	**5,140**
Other	16,662	2,979	**19,641**
Total Operating Revenues	88,385	27,521	**115,906**
Operating Expenses			
Flying Operations	27,994	9,034	**37,029**
Maintenance	10,345	3,075	**13,420**
Passenger Service	6,471	2,742	**9,213**
Aircraft and Traffic Servicing	15,486	4,102	**19,588**
Promotion and Sales	6,319	1,917	**8,236**
General and Administrative	6,082	2,255	**8,337**
Depreciation and Amortization	5,002	1,688	**6,691**
Transport Related	13,350	2,244	**15,594**
Total Operating Expenses	91,049	27,057	**118,107**
Operating Profit (Loss)	($2,664)	$464	**($2,200)**
Other Income (Expense)			
Interest Income (Expense)	(2,546)	(788)	**(3,334)**
Income Tax Credit (Provision)	(228)	4	**(225)**
Other	2,417	(283)	**2,135**
Net Profit (Loss)	($3,022)	($603)	**($3,625)**
Operating Profit Margin (%)	(3.0)	1.7	**(1.9)**
Net Profit Margin (%)	(3.4)	(2.2)	**(3.1)**

Expense Categories

Flying Operations Expenses incurred directly in the in-flight operation of aircraft and expenses related to the holding of aircraft and aircraft operational personnel in readiness or assignment for an in-flight status.

Maintenance All expenses, both direct and indirect, specifically identifiable with the repair and upkeep of property and equipment.

Passenger Service Costs of activities contributing to comfort, safety and convenience of passengers while in flight and when flights are interrupted. Includes salaries and expenses of flight attendants and passenger food expenses.

Aircraft and Traffic Servicing Compensation of ground personnel, in-flight expenses for handling and protecting all non-passenger traffic including passenger baggage, and other expenses incurred on the ground to (1) protect and control the in-flight movement of aircraft (2) schedule and prepare aircraft operational crews for flight assignment (3) handle and service aircraft while in line operation and (4) service and handle traffic on the ground after issuance of documents establishing the air carrier's responsibility to provide air transportation.

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

General and Administrative Expenses of a general corporate nature and expenses incurred in performing activities that contribute to more than a single operating function such as general financial accounting activities, purchasing activities, representation at law, and other general operational administration not directly applicable to a particular function. Passenger service, aircraft and traffic servicing, and promotion and sales expenses are also included for certain small air carriers.

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

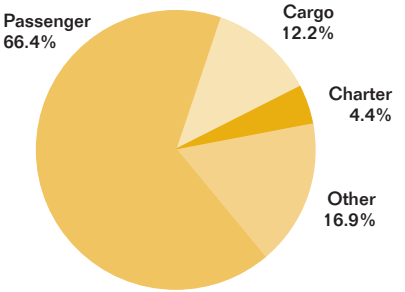
Transport Related All expense items applicable to the generation of transport-related revenues.

Balance Sheet—2003

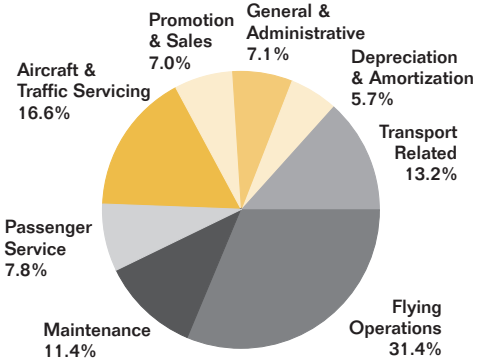
U.S. Majors, Nationals and Large Regionals (In millions)

Assets	2002	2003
Current Assets	$29,176	**$34,890**
Investments and Special Funds	19,013	**15,109**
Flight Equipment Owned	106,297	**108,554**
Ground Equipment and Property	4,224	**23,408**
Reserve for Depreciation (Owned)	(44,366)	**(44,495)**
Leased Equipment and Property Capitalized	8,124	**9,304**
Reserve for Amortization (Leased)	(2,764)	**(3,073)**
Other Property	16,174	**18,997**
Deferred Charges	2,308	**2,465**
Total Assets	$158,186	**$165,160**
Liabilities and Stockholders' Equity		
Current Liabilities	$39,556	**$42,117**
Long-Term Debt	48,662	**52,710**
Other Non-Current Liabilities	37,535	**38,115**
Deferred Credits	14,943	**14,888**
Stockholders' Equity—Net of Treasury Stock	17,490	**17,329**
Preferred Stock	334	**347**
Common Stock	1,116	**1,415**
Other Paid-In Capital	20,579	**16,156**
Retained Earnings	(573)	**3,310**
Less: Treasury Stock	(3,966)	**(3,898)**
Total Liabilities and Stockholders' Equity	$158,186	**$165,160**

Operating Revenues—2003



Operating Expenses—2003



ATA Member Airline Statistics—2003

	Operating Aircraft (Year-End)	Employees (Full-Time Equivalents)	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]	Cargo	Operating	Operating	Net
Alaska	110	10,087	180,469	15,046	14,557	20,808	73	1,788	86	2,019	(18)	(2)
Aloha	25	2,477	58,482	4,119	1,968	2,690	10	340	40	393	(8)	1
America West	140	11,107	197,484	20,031	21,266	27,843	70	2,108	35	2,223	24	45
American	743	85,558	887,114	88,151	120,004	164,780	2,012	14,236	621	17,403	(1,444)	(1,318)
ATA	66	7,328	78,402	9,386	11,840	16,373	40	1,006	21	1,398	14	13
Continental	358	34,927	371,100	38,474	56,886	74,969	865	6,556	283	7,333	30	38
Delta	523	59,525	704,759	84,076	89,154	119,912	1,349	10,272	508	14,203	(1,157)	(896)
Hawaiian	26	2,966	50,416	5,597	5,560	6,924	79	627	28	706	60	(48)
JetBlue	53	4,515	66,920	8,949	10,442	13,689	5	965	4	998	169	104
Midwest	29	2,055	37,883	2,098	1,969	2,968	7	260	4	319	(19)	(8)
Northwest	431	39,407	553,245	51,865	68,459	88,573	2,184	7,617	780	9,184	(277)	478
Southwest	387	32,972	950,572	74,719	47,940	71,789	141	5,612	97	5,937	482	442
United	528	63,612	601,361	66,018	103,857	135,867	1,888	10,619	668	13,398	(1,554)	(3,086)
US Airways	277	26,809	438,625	41,250	37,727	51,474	361	4,925	144	6,762	(421)	(465)
Subtotal	**3,696**	**383,345**	**5,176,832**	**509,779**	**591,628**	**798,659**	**9,083**	**66,931**	**3,318**	**82,277**	**(4,118)**	**(4,703)**
ABX	115	5,799	70,401	-	-	-	700	-	1,115	1,161	42	19
ASTAR[2]	41	933	20,568	-	-	-	348	-	148	153	32	18
Atlas	27	1,006	14,651	-	-	-	3,006	-	n/a	n/a	n/a	n/a
Evergreen Int'l	14	447	8,140	-	-	-	677	-	256	266	44	19
FedEx	324	114,306	359,840	-	-	-	9,487	-	8,377	16,807	474	250
Polar	15	682	5,884	-	-	-	1,115	-	n/a	n/a	n/a	n/a
UPS	246	6,098	139,958	-	-	-	4,624	-	1,215	3,046	228	40
Subtotal	**782**	**129,271**	**619,442**	-	-	-	**19,958**	-	**11,111**	**21,433**	**820**	**347**
GRAND TOTAL	**4,478**	**512,616**	**5,796,274**	**509,779**	**591,628**	**798,659**	**29,041**	**$66,931**	**$14,429**	**$103,710**	**($3,298)**	**($4,356)**

[1] Scheduled service only
[2] Financial results reflect the period from July 14 through December 31, 2003.

n/a – Not available at time of printing

Top 25 U.S. Airlines—2003

	Revenue Passengers Enplaned[1] (Thousands)		Revenue Passenger Miles[1] (Millions)		Cargo Revenue Ton Miles[2] (Millions)		Operating Revenues[2] (Millions)	
1	**American**	**88,151**	**1**	**American**	**120,004**	**1**	**FedEx**	**9,487**	**1**	**American**	**$17,403**
2	**Delta**	**84,076**	**2**	**United**	**103,857**	**2**	**UPS**	**4,624**	**2**	**FedEx**	**16,807**
3	**Southwest**	**74,719**	**3**	**Delta**	**89,154**	**3**	**Atlas**	**3,006**	**3**	**Delta**	**14,203**
4	**United**	**66,018**	**4**	**Northwest**	**68,459**	**4**	**Northwest**	**2,184**	**4**	**United**	**13,398**
5	**Northwest**	**51,865**	**5**	**Continental**	**56,886**	**5**	**American**	**2,012**	**5**	**Northwest**	**9,184**
6	**US Airways**	**41,250**	**6**	**Southwest**	**47,940**	**6**	**United**	**1,888**	**6**	**Continental**	**7,333**
7	**Continental**	**38,474**	**7**	**US Airways**	**37,727**	**7**	**Delta**	**1,349**	**7**	**US Airways**	**6,762**
8	**America West**	**20,031**	**8**	**America West**	**21,266**	**8**	**Polar**	**1,115**	**8**	**Southwest**	**5,937**
9	**Alaska**	**15,046**	**9**	**Alaska**	**14,557**	**9**	**Continental**	**865**	**9**	**UPS**	**3,046**
10	American Eagle	12,474	**10**	**ATA**	**11,840**	10	Gemini	732	**10**	**America West**	**2,223**
11	AirTran	11,651	**11**	**JetBlue**	**10,442**	**11**	**ABX**	**700**	**11**	**Alaska**	**2,019**
12	Continental Express	11,227	12	AirTran	7,159	**12**	**Evergreen Int'l**	**677**	**12**	**ATA**	**1,398**
13	Comair	10,935	13	Continental Express	5,769	13	Kalitta	660	13	Continental Express	1,311
14	Skywest	10,719	**14**	**Hawaiian**	**5,560**	**14**	**US Airways**	**361**	**14**	**ABX**	**1,161**
15	**ATA**	**9,386**	15	Comair	5,227	**15**	**ASTAR**	**348**	15	American Eagle	1,128
16	Atlantic Southeast	9,205	16	Frontier	4,666	16	World	301	16	Comair	1,032
17	**JetBlue**	**8,949**	17	Spirit	4,578	17	Air Transport Int'l	203	**17**	**JetBlue**	**998**
18	Atlantic Coast	8,390	18	Skywest	4,232	18	Florida West	197	18	AirTran	918
19	Air Wisconsin	5,865	19	American Eagle	4,135	19	Express.Net	165	19	Atlantic Coast	876
20	Mesaba	5,702	20	Atlantic Southeast	4,008	20	Tradewinds	164	20	Atlantic Southeast	837
21	**Hawaiian**	**5,597**	21	Atlantic Coast	3,320	**21**	**Southwest**	**141**	**21**	**Hawaiian**	**706**
22	Frontier	5,061	22	Continental Micronesia	2,286	22	Kitty Hawk	122	22	Frontier	590
23	Horizon	4,934	23	Air Wisconsin	2,212	23	Ryan Int'l	118	23	Air Wisconsin	527
24	**Aloha**	**4,119**	**24**	**Midwest**	**1,969**	24	Centurion	118	24	World	475
25	Spirit	4,105	**25**	**Aloha**	**1,968**	25	Southern	106	25	Horizon	464

[1] Scheduled service only [2] All services ■ ATA member

U.S. Airlines—2003

Majors (15)
ABX
Alaska
America West
American
American Eagle
ATA
Continental
Continental Express
Delta
FedEx
Northwest
Southwest
United
UPS
US Airways

Nationals (32)
Air Transport Int'l
Air Wisconsin
AirTran
Aloha
Arrow
ASTAR
Atlantic Coast
Atlantic Southeast
Atlas
Champion
Comair
Continental Micronesia
Evergreen Int'l
Executive
Frontier
Gemini
Hawaiian
Horizon
JetBlue
Kalitta
Mesa
Mesaba
Midwest
North American
Omni
Pinnacle
Polar
Ryan Int'l
Skywest
Spirit
Trans States
World

Large & Medium Regionals (39)
Aerodynamics
Allegiant
Amerijet Int'l
Ameristar
Asia Pacific
BNJ Charter
Capital Cargo
Caribbean Sun
Casino
Centurion
Chicago Express
Custom
Express.Net
Falcon Air Express
Florida West
Freedom
Gulf & Caribbean
Kitty Hawk
Lynden
Miami
Northern
Pace
Pan American
Planet
Renown
Sierra Pacific
SkyKing
Southeast
Southern
Sun Country
Sunworld Int'l
Tatonduk
Tradewinds
Trans Air Link
TransContinental
TransMeridian
USA 3000
USA Jet
Zantop

Small Certificated/Commuters (64)
40-Mile
Air Midwest
Air St. Thomas
Alaska Central Express
Alaska Seaplane Service
Allegheny
Aloha Island
Arctic Circle
Arctic Transportation
Arizona Express
Baker
Bellair
Bemidji
Bering
Big Sky
Boston-Maine
Cape Smythe
Chautauqua
Colgan
Commutair
Corporate
Eagle Canyon
Ellis Air Taxi
Empire
ERA Aviation
Florida Coastal
Flying Boat
Frontier Flying Service
Grand Canyon Helicopters
Grant
Gulfstream
Hageland
Iliamna
Inland Aviation
Island Air Service
Kenmore Air Harbor
LAB Flying Service
Larry's Flying Service
New England
Olson Air Service
Pacific Island Aviation
Pacific Wings
Peninsula
Piedmont
Promech
PSA
Rio Grande
Seaborne Aviation
Servant
Shuttle America
Skagway
Skyway
Smokey Bay
Spernak
Tanana
Taquan
Valley Air Express
Village Aviation
Vintage Props & Jets
Warbelow's
West Isle
Wings of Alaska
Wright
Yute Air Alaska

Note: Major airlines have annual revenues in excess of $1 billion; nationals have revenues between $100 million and $1 billion; regionals/small certificated/commuters have revenues under $100 million. ■ ATA member

Surprisingly, many of the simple pleasures that we all take for granted would not be possible without our country's airlines. Having dinner out with friends? The beautiful Dutch tulips decorating the dinner table were flown in overnight and delivered to the local florist. Have a taste for fresh seafood? Today's catch was flown in from the Florida coast this morning. Heading to a performance at the theater? The cast – along with their costumes – arrived on yesterday's flight from New York. Every day, in hometowns all across the country, airlines are delivering the American dream.

Operating Fleet—2003

ATA Member Airlines—Mainline aircraft as of December 31, 2003

		ABX (GB)	Alaska (AS)	Aloha (AQ)	America West (HP)	American (AA)	ASTAR (ER)	ATA (TZ)	Atlas (5Y)	Continental (CO)	Delta (DL)	Evergreen Int'l (EZ)	FedEx (FX)	Hawaiian (HA)	JetBlue (B6)	Midwest (YX)	Northwest (NW)	Polar (PO)	Southwest (WN)	United (UA)	UPS (5X)	US Airways (US)	**Total**
Airbus	A300					33	6						44								32		**115**
	A310												47										**47**
	A319				32												70			55		59	**216**
	A320				50										53		74			97		22	**296**
	A321																					28	**28**
	A330																5					9	**14**
Boeing	B-717													12		11							**23**
	B-727						26						113				1				34		**174**
	B-737		82	25	45	77		32		247	139								387	147		118	**1,299**
	B-747								27			10					36	15		30	15		**133**
	B-757				13	141		28		45	121						68			96	75	31	**618**
	B-767	26				73				26	117			14						49	32	10	**347**
	B-777					45				18	8									54			**125**
	DC-8	15					9														47		**71**
	DC-9	74										4				5	155						**238**
	DC-10												47				22						**69**
	MD-10												31										**31**
	MD-11										2		42								11		**55**
	MD-80		28			338				22	120					13							**521**
	MD-90										16												**16**
Fokker	F-100					36																	**36**
Lockheed	L-1011							6															**6**
Total		**115**	**110**	**25**	**140**	**743**	**41**	**66**	**27**	**358**	**523**	**14**	**324**	**26**	**53**	**29**	**431**	**15**	**387**	**528**	**246**	**277**	**4,478**

( ) Airline code

Source: Air Transport Association of America, Inc.

Your Supplies

Airlines are the driving force behind today's just-in-time global economy, streamlining shipping and warehousing processes, enhancing inventory management and delivering time-sensitive, mission-critical documents and supplies for businesses of every shape and size – where they need to be and when they need to be there. Overnight shipping and the transportation and logistics industry, largely built by the airlines, have enabled businesses around the world to recognize enormous cost savings and consumers to benefit from better service and ever-expanding product offerings.

Top 25 U.S. Airports—2003

	Passengers (Arriving+Departing)	(000)		Cargo Metric Tons (Loaded+Unloaded)	(000)		Operations (Takeoffs+Landings)	(000)
1	Atlanta (ATL)	79,087	1	Memphis (MEM)	3,391	1	Chicago (ORD)	929
2	Chicago (ORD)	69,354	2	Anchorage (ANC)	2,097	2	Atlanta (ATL)	912
3	Los Angeles (LAX)	54,969	3	Los Angeles (LAX)	1,806	3	Dallas/Fort Worth (DFW)	765
4	Dallas/Fort Worth (DFW)	53,243	4	Miami (MIA)	1,637	4	Los Angeles (LAX)	622
5	Denver (DEN)	37,462	5	New York (JFK)	1,633	5	Phoenix (PHX)	542
6	Phoenix (PHX)	37,409	6	Louisville (SDF)	1,618	6	Minneapolis/St. Paul (MSP)	512
7	Las Vegas (LAS)	36,266	7	Chicago (ORD)	1,605	7	Cincinnati (CVG)	506
8	Houston (IAH)	34,120	8	Indianapolis (IND)	891	8	Las Vegas (LAS)	501
9	Minneapolis/St. Paul (MSP)	33,196	9	Newark (EWR)	868	9	Denver (DEN)	497
10	Detroit (DTW)	32,679	10	Atlanta (ATL)	797	10	Detroit (DTW)	491
11	New York (JFK)	31,713	11	Dallas/Fort Worth (DFW)	668	11	Houston (IAH)	475
12	Miami (MIA)	29,596	12	Oakland (OAK)	620	12	Los Angeles (VNY)	461
13	Newark (EWR)	29,585	13	San Francisco (SFO)	573	13	Philadelphia (PHL)	447
14	San Francisco (SFO)	29,297	14	Philadelphia (PHL)	525	14	Charlotte (CLT)	441
15	Orlando (MCO)	27,316	15	Honolulu (HNL)	416	15	Miami (MIA)	417
16	Seattle (SEA)	26,753	16	Cincinnati (CVG)	393	16	Newark (EWR)	405
17	Philadelphia (PHL)	24,671	17	Houston (IAH)	384	17	Memphis (MEM)	402
18	Charlotte (CLT)	23,061	18	Boston (BOS)	363	18	Salt Lake City (SLC)	400
19	Boston (BOS)	22,778	19	Seattle (SEA)	353	19	Phoenix (DVT)	389
20	New York (LGA)	22,470	20	Dayton (DAY)	327	20	Orlando (SFB)	385
21	Cincinnati (CVG)	21,228	21	Denver (DEN)	325	21	St. Louis (STL)	380
22	St. Louis (STL)	20,430	22	Minneapolis/St. Paul (MSP)	317	22	New York (LGA)	374
23	Baltimore (BWI)	20,046	23	Phoenix (PHX)	308	23	Boston (BOS)	373
24	Honolulu (HNL)	19,623	24	Washington (IAD)	285	24	Pittsburgh (PIT)	361
25	Salt Lake City (SLC)	18,475	25	Toledo (TOL)	281	25	Seattle (SEA)	351

Note: Airport data reflects the scheduled and non-scheduled services of commercial, general and military aviation. Source: Airports Council International, preliminary data—April 2004.

Top 25 U.S. City Pairs—2003[1]

Origin and Destination Passengers (Thousands)[2]

1	New York	Fort Lauderdale	3,506	10	Chicago	Los Angeles	1,616	19	Chicago	Phoenix	1,230
2	New York	Orlando	2,908	11	New York	Boston	1,601	20	Los Angeles	Las Vegas	1,225
3	New York	Chicago	2,686	12	New York	San Juan	1,568	21	Honolulu	Lihue, Kauai	1,220
4	New York	Atlanta	2,270	13	Chicago	Las Vegas	1,524	22	Chicago	Orlando	1,210
5	New York	Los Angeles	2,196	14	Dallas/Fort Worth	Houston	1,477	23	New York	Dallas/Fort Worth	1,206
6	Honolulu	Kahului, Maui	1,791	15	New York	San Francisco	1,455	24	Honolulu	Kona, Hawaii	1,165
7	New York	Las Vegas	1,694	16	New York	Tampa	1,417	25	Chicago	Atlanta	1,133
8	New York	West Palm Beach	1,654	17	New York	Miami	1,339				
9	New York	Washington	1,648	18	Los Angeles	Oakland	1,269				

[1] Includes all commercial airports in a metropolitan area. [2] Outbound plus inbound

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Glossary

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

Available Seat Mile (ASM) One seat transported one mile.

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

Consumer Price Index (CPI) A measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The CPI serves as an economic indicator, a deflator of other economic series and a means of adjusting dollar values.

Fiscal Year (FY) The 12-month period for which the federal government sets its budget and measures operational performance, beginning October 1 and ending September 30 of the subsequent year. The fiscal year is designated by the calendar year in which it ends (i.e., FY 2005 begins October 1, 2004, and ends September 30, 2005).

Geographic Regions For reporting related to the conduct of scheduled service, 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** Operations via the Atlantic Ocean (excluding Bermuda).
- **Latin** 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** Operations via the Pacific Ocean, including the North/Central Pacific, South Pacific (including Australia) and the Trust Territories.
- *Note:* **International** Denotes all operations not considered Domestic. **System** Denotes the summation of Domestic and International.

Gross Domestic Product (GDP) The market value of goods and services produced by labor and property in the United States, regardless of nationality. GDP replaced gross national product (GNP) as the primary measure of U.S. production in 1991.

Load Factor The percentage of seating or freight capacity that is utilized. Average is computed as the ratio of RPMs to ASMs or, in the case of cargo, RTMs to ATMs.

Passenger Facility Charge (PFC) A tax authorized by Congress, approved by FAA, assessed by airports and collected by airlines (on behalf of airports) as an add-on to the passenger airfare. PFCs are used by airports to fund FAA-approved projects that enhance safety, security or capacity; reduce noise; or increase air carrier competition. The PFC program authorizes the collection of fees up to $4.50 for every enplaned passenger at commercial airports controlled by public agencies.

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

Revenue Aircraft Mile (RAM) One aircraft in revenue service flown one mile.

Revenue Passenger Enplanement One fare-paying passenger – originating or connecting – boarding an aircraft with a unique flight coupon.

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

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

Scheduled Service Transport service based on published flight schedules, including extra sections.

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

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

U.S. Airlines Carriers certificated under Chapter 411 of Title 49 of the U.S. Code that operate large aircraft designed to have a maximum seating capacity of more than 60 seats or a maximum payload of more than 18,000 pounds.

Yield The average amount paid per RPM or RTM, net of taxes.

A young leukemia patient needs transportation to a children's hospital hundreds of miles from his home for urgent medical treatment. Blood is quickly being loaded onto an aircraft and taken to meet a growing shortage created after a recent hurricane. A doctor in a small rural town needs specialized tests from a lab located halfway across the country. Every day, in hundreds of communities, airlines and their employees and passengers work together to assist those in need – transporting people, medical devices, pharmaceutical products and, most importantly, hope.

specialist medicine donor

Your Health

raduations **reunions** vacations

Your Life

You've worked hard and played hard all of your life. You've managed to grow a successful business and still find time to vacation with family and friends. You've had some incredible successes along the way, but today's reunion isn't about success. It's about friendship and shared memories and belly laughs. It's about old friends sharing new adventures. And even though you were separated by 50 years and almost 2,000 miles, it seemed like yesterday when you stepped off that plane and saw the old gang waiting. When being there really matters, you can count on America's airlines.

Air Transport Association (ATA) Member Airlines—2004

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