AIR TRANSPORT ASSOCIATION

"The cuts to domestic capacity in 2009 are likely to bring the industry back to levels not seen since the late 1990s. Furthermore, we think an economic recovery is not likely to result in meaningful capacity additions given other forces at play. Notably permanently higher energy costs, higher capital costs, higher environmental costs and higher regulatory costs are factors forcing managements to keep fleet growth flat to modest for at least the next several years. Until the current airline fleets start producing positive returns on the underlying invested capital, we don't expect to see much growth in domestic fleets anytime soon."

Michael Linenberg, Bank of America/Merrill Lynch (Oct. 9, 2009)

House T&I Minority Roundtable
Air Transport Association
November 17, 2009

Commercial Aviation: An Economic Enabler

FAA: Every 100 aviation jobs generates 331 jobs in other industries.

"The Economic Impact of Civil Aviation on the U.S. Economy" (FAA, Oct. 2008)

Commercial aviation helps drive:

- $1.14 trillion/year in economic activity
- $346 billion/year in personal earnings
- 10.2 million jobs

Commercial aviation contributes:

- $692 billion/year to U.S. GDP
- 5.2% of U.S. GDP

"Economic growth and prosperity are determined in large part by access to the global economy. And, just as islands require bridges to the mainland….communities require bridges to the global economy. Air transportation is that bridge, providing the necessary access for U.S. cities…to enjoy a 'Virtuous Circle of Economic Growth.'"

"The Plane Truth About Air Service and Economic Development," Global Aviation Improvement Network, Booz Allen (March 2001)

"Every day, the airline industry propels the economic takeoff of our nation. It is the great enabler, knitting together all corners of the country, facilitating the movement of people and goods that is the backbone of economic growth. It also firmly embeds us in that awesome process of globalization that is defining the 21st century."

— Daniel Yergin, Author, *Commanding Heights: The Battle for the World Economy*, in the ATA 2005 Economic Report

Economy, Fuel, Taxes, Regulation Continue Toll on Jobs

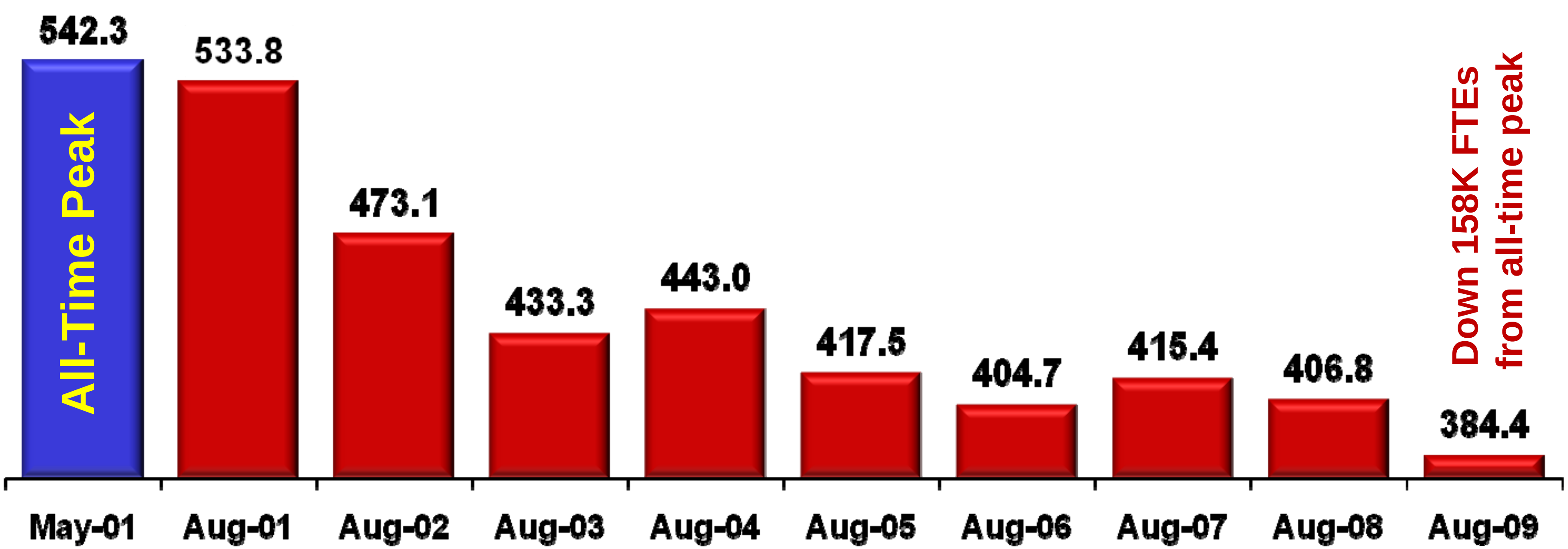
Passenger Airline FTEs Down 28% from August 2001 to August 2009

"Why are companies still laying people off if the economy's looking better? A closer look at the airline industry might help answer that question. While carriers say they see glimmers of evidence that the plunge in passenger demand that began a year ago is bottoming out, they aren't seeing many signs that travelers are coming back or are willing to pay more for tickets. So the airlines are continuing to trim jobs, drop money-losing routes and take seats out of the air. The shrinking began in earnest in 2008, when oil prices were surging, but the recession gave them new incentives to keep it up late last year and into 2009. And now fuel prices are rising again, giving more cause for alarm. The Department of Transportation said U.S. airline employment in August fell 5.5% from the year-ago month, for the 14th consecutive monthly decline. The August airline job number, 384,000 workers, was the lowest since 1993, the government said."

Susan Carey, "Airlines Illustrate Why Layoffs Continue," *Wall Street Journal* (Nov. 6, 2009)

Full-Time Equivalent Employees (000) at U.S. Passenger Airlines

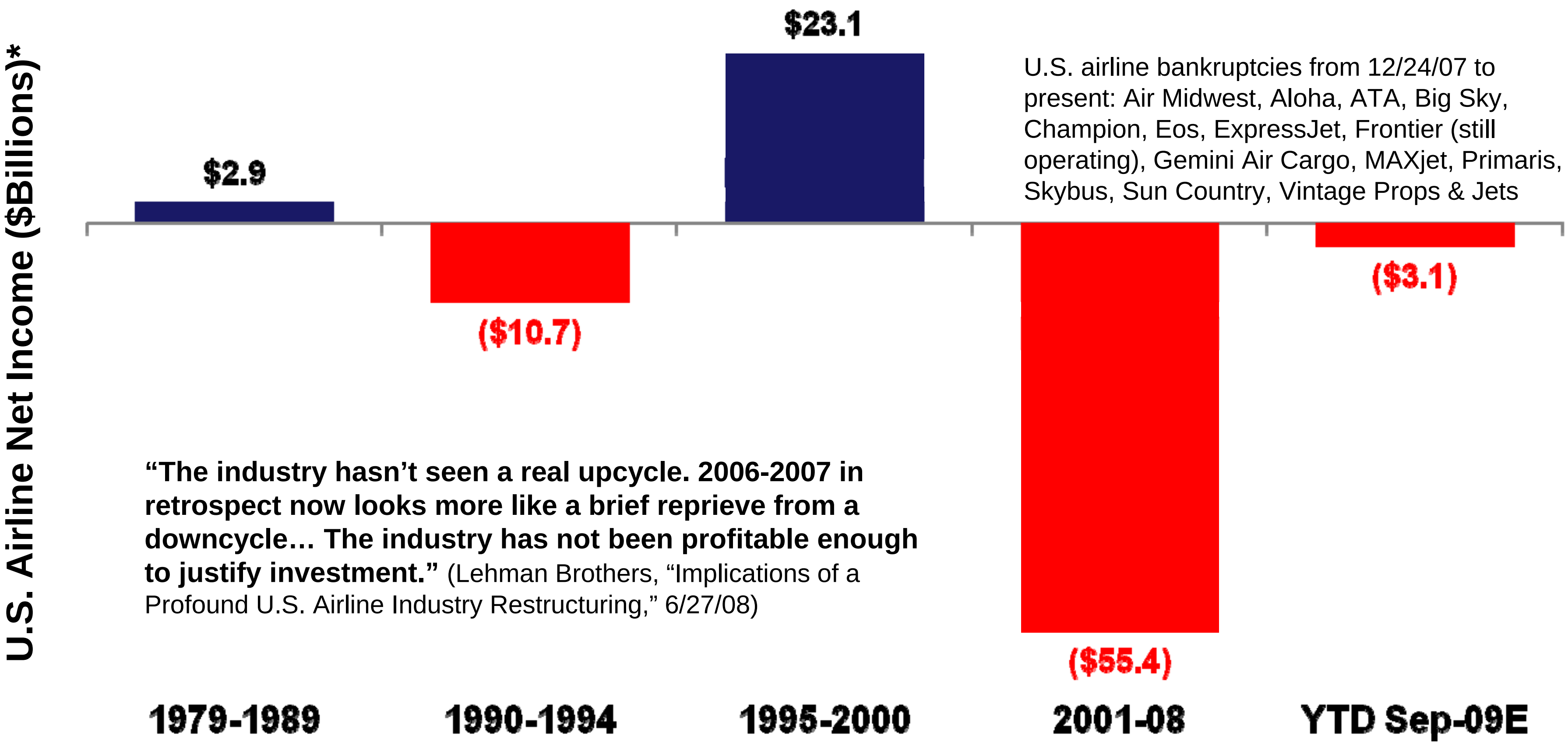
Source: Bureau of Transportation Statistics (http://www.bts.gov/programs/airline_information/number_of_employees/)



For U.S. Airlines, Losses/Volatility Have Been the Norm

Losses Continue to Mount in 2009

"While at the start of the year we were projecting a modest net profit for the industry despite the worst global economic downturn since World War II, our forecast has been stymied by the impact of the H1N1 influenza, creeping energy prices, and a revenue environment that is showing no signs of improvement." – Michael Linenberg, Merrill Lynch, "Mounting challenges likely mean industry net loss for '09" (6/15/09)



U.S. airline bankruptcies from 12/24/07 to present: Air Midwest, Aloha, ATA, Big Sky, Champion, Eos, ExpressJet, Frontier (still operating), Gemini Air Cargo, MAXjet, Primaris, Skybus, Sun Country, Vintage Props & Jets

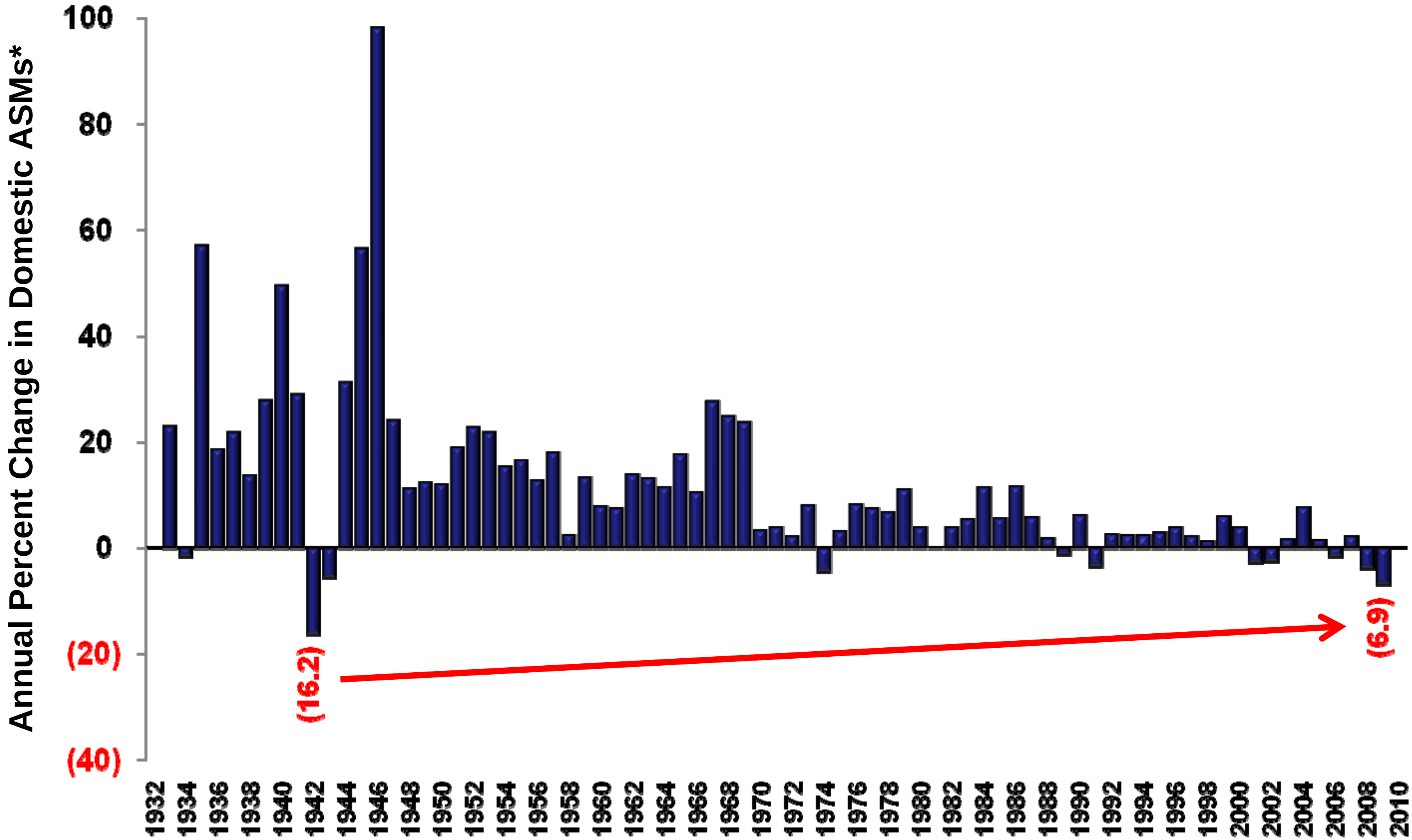
"The industry hasn't seen a real upcycle. 2006-2007 in retrospect now looks more like a brief reprieve from a downcycle… The industry has not been profitable enough to justify investment." (Lehman Brothers, "Implications of a Profound U.S. Airline Industry Restructuring," 6/27/08)

* U.S. passenger and cargo airlines reporting to DOT Form 41

Sources: Bureau of Transportation Statistics and Data Base Products

2009 Domestic Seating Capacity Will Fall Most Since 1942

Market Forces, Policy Resulting in Largest Post-WWII Contraction in Aviation History

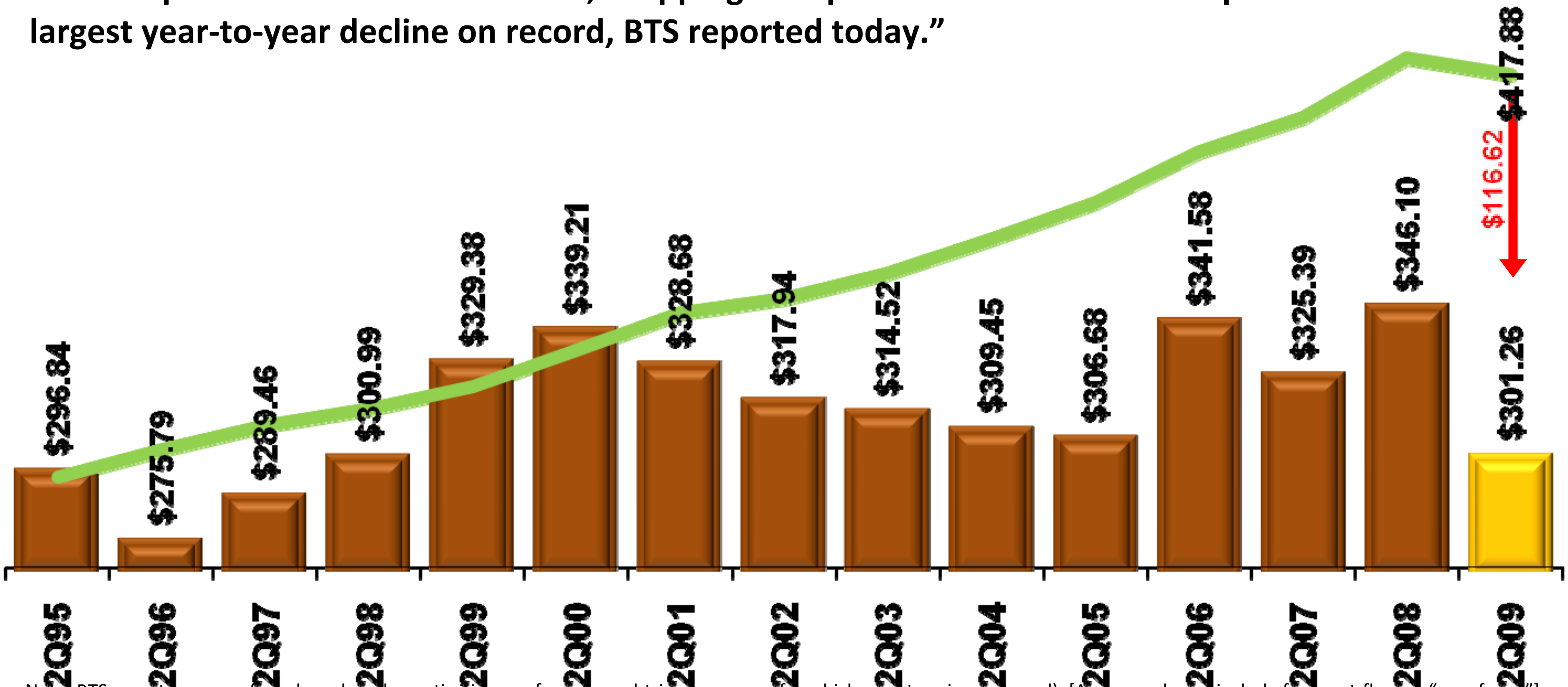


Sources: ATA, BTS and Innovata (via APGDat) * An available seat mile (ASM) is one seat flown one mile

DOT Data Shows Avg. Domestic Ticket Prices at 1998 Levels

U.S. CPI Rose 40.8 Percent from 2Q 1995 to 2Q 2009,
Leaving Prices $116.62 "Short"

"Wednesday, October 28, 2009 - Average domestic air fares in the second quarter of 2009 fell to their lowest April-to-June level since 1998, dropping 13.0 percent from the second quarter of 2008 in the largest year-to-year decline on record, BTS reported today."

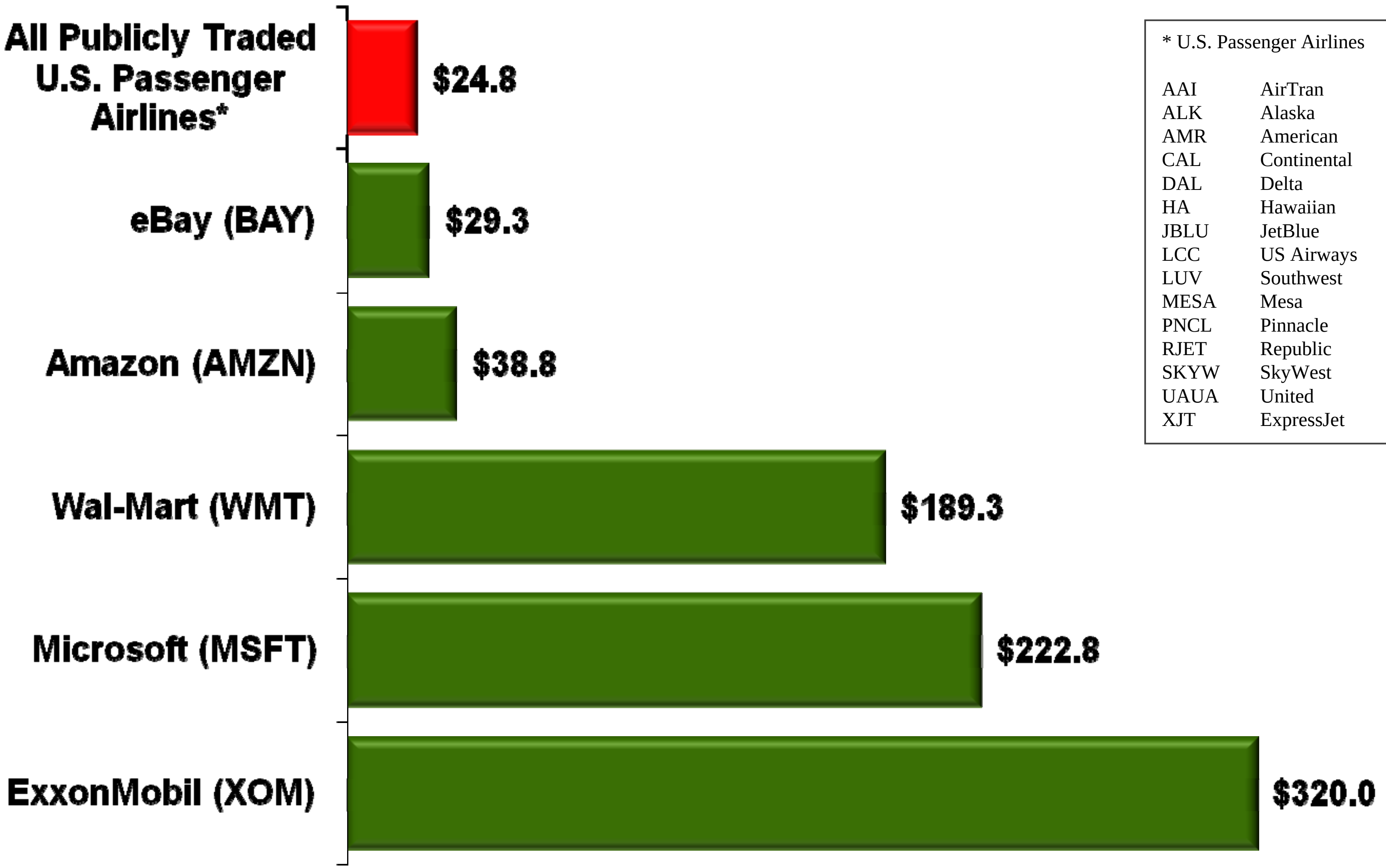


Note: BTS reports average fares based on domestic itinerary fares (round-trip or one-way for which no return is purchased). [Averages do not include frequent-flyer or "zero fares."] **Fares are based on the total ticket value, which consists of the price charged by the airlines plus any additional taxes and fees levied by an outside entity at the time of purchase**. Fares include only the price paid at the time of the ticket purchase and do not include other fees.

Sources: BTS National-Level Average Fare Series (http://www.bts.gov/xml/atpi/src/avgfareseries.xml) and BLS (http://www.bls.gov/cpi/tables.htm)

U.S. Passenger Airlines* Market Value in Context

Market Capitalization (Billion USD) as of Oct. 2, 2009 Settlement



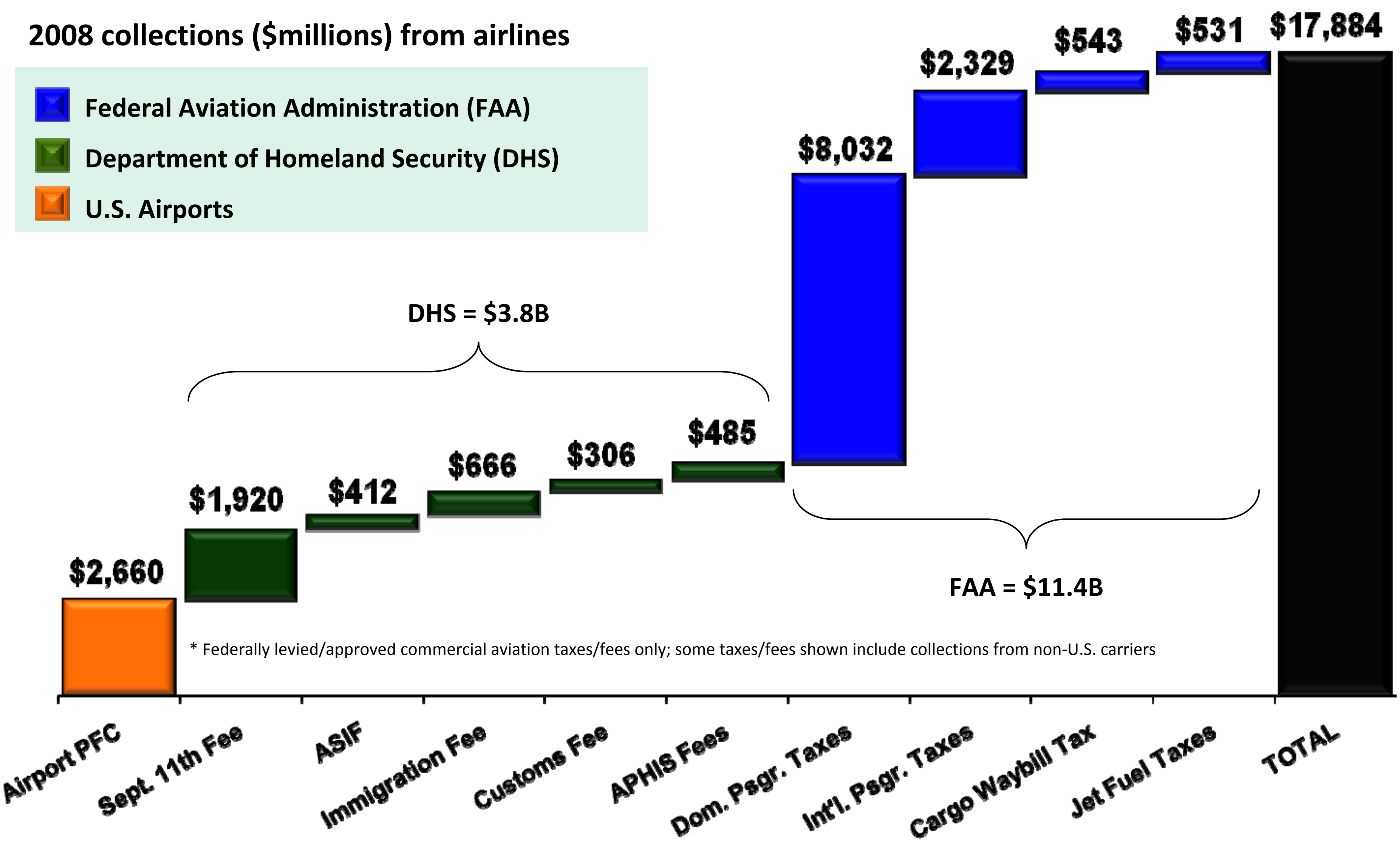
* U.S. Passenger Airlines

AAI	AirTran
ALK	Alaska
AMR	American
CAL	Continental
DAL	Delta
HA	Hawaiian
JBLU	JetBlue
LCC	US Airways
LUV	Southwest
MESA	Mesa
PNCL	Pinnacle
RJET	Republic
SKYW	SkyWest
UAUA	United
XJT	ExpressJet

Source: MSN Money - http://moneycentral.msn.com/investor/research/welcome.asp

“Special” Tax Burden* is $18 Billion per Year

In Addition to Typical Federal, State and Local Corporate Taxes (e.g., Income, Property, Sales)



* Federally levied/approved commercial aviation taxes/fees only; some taxes/fees shown include collections from non-U.S. carriers

Sources: Department of Homeland Security, FAA, Office of Management Budget, Transportation Security Administration, ATA

$$ Threats to U.S. Airlines

Impact all Industry Interests

Environment

- U.S. Climate change taxes
  - $5B in 2012
  - will increase as carbon prices increase
- EU emissions trading scheme
  - $3.5B in 2012
- UK Passenger duty tax
  - $4.1B
- Developing Nations tax
  - $10B/year

$$ Threats to U.S. Airlines

Impact all Industry Interests

- Loss of U.S. Antitrust Immunity for alliances
  - 15,000 jobs
  - $1.2B
- Lack of access to foreign repair stations
  - Decrease in current U.S $2.4B trade balance
  - Decrease in current 200,000 jobs in U.S. MRO
- PFC increase
  - $2B
- ADS-B equipage mandate
  - $3B/2012
- Rising fuel costs
  - $45B in 2007
  - $60B in 2008
- EPA Airport Deicing NPRM
  - $714M in capital costs
  - $91M annual costs (likely underestimated)

Five Actions That What Would Help

1. No new taxes and fees, which would burden an already overtaxed industry and travelers/shippers

2. Fully funded and accelerated modernization of the nation's air traffic control (ATC) system

3. Enhanced oversight of energy markets to excessive speculation and the resulting volatility of oil prices

4. Elimination of arcane restrictions on airlines' ability to operate efficiently in the global marketplace

5. A global sectoral approach to climate change for aviation developed through the International Civil Aviation Organization (ICAO)