AVIATION INDUSTRY PERFORMANCE

A Review of Summer 2007 Aviation System Performance

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Memorandum

U.S. Department of Transportation
Office of the Secretary
of Transportation
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Subject: INFORMATION: Aviation Industry Performance

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From: David A. Dobbs
Principal Assistant Inspector General
for Auditing and Evaluation

Reply to Attn. of: JA-1

To: The Secretary
Acting Federal Aviation Administrator
Assistant Secretary for Aviation and International Affairs

This is the ninth in a series of periodic updates to our aviation industry performance report. The performance metrics were developed in 2002 as a mechanism for monitoring aviation industry trends, including domestic demand and capacity, aviation system performance, airline finances and air service in small communities.[1] Given the intense public interest in the summer of 2007 period, this report will focus specifically on industry performance, during the June through August 2007 period.

Record numbers of passengers, coupled with constraints on capacity growth by the airlines, yielded record high passenger load factors for domestic airlines during the summer of 2007. However, flight disruptions and long delays led to a sharp rise in consumer complaints. Consequently, industry performance has captured the attention of many constituencies, including Congress, the Secretary of Transportation and notably the President of the United States.

We found that on-time flight performance, during the summer of 2007, deteriorated broadly from last year's already poor levels. Of the 55 airports tracked by FAA, the number of delayed flights increased at 51 airports and the average length of delays increased at 52 airports. In contrast, the number of scheduled flights increased at only 33 of the airports. Principally, the number, rate

[1] The performance metrics are based on data collected and processed by the Department of Transportation's Office of Aviation Analysis, Bureau of Transportation Statistics, Office of Airline Information, Federal Aviation Administration and by the Air Transport Association.

and duration of flight delays increased from the summer of 2006 to the summer of 2007.

In response to these issues, the Secretary of Transportation announced that she would form a task force known as the Aviation Rulemaking Committee (ARC). The ARC, comprised of airline, airport and travel officials, developed measures to address air traffic congestion at New York's three major airports. Additionally, the Secretary called a scheduling reduction meeting in October 2007 with airlines serving New York's John F. Kennedy International Airport with the goal of achieving voluntary reductions in the number of scheduled flights at that airport. On December 19, 2007, the Department announced an initial agreement to cap hourly operations at Kennedy Airport and implement procedures, such as opening military airspace to civilian traffic to reduce delays.

Attached to this report are three exhibits: Exhibit A, Summary of Aviation Industry Metrics, which contains detailed textual and graphic presentations of industry measures; Exhibit B, Scope and Methodology, which explains sources, analyses, and terms employed; and Exhibit C, which lists Office of Inspector General (OIG) contributors to the report.

The following highlights the most significant trends that emerged since our last report, in August 2006,[2] and specifically during the summer of 2007.

Summer 2007 Delays and Cancellations Exceeded Summer 2006 Levels

The percentage of delayed flight arrivals[3] rose from 26 percent in the summer of 2006 to 29 percent in the summer of 2007. This represents nearly 621,000 delayed flights in summer 2007, an increase of 15 percent above the approximately 539,000 delayed flights in the summer of 2006. The average length of delays rose from 56 minutes in the summer of 2006 to 60 minutes in the summer of 2007 (a 6 percent increase). Delays increased far faster than the number of flights which increased only one percent during the summer of 2007 to just over 2.0 million flights at 55 large airports tracked by FAA. Of those 55 airports, 51 experienced an increase in the number of arrival delays, ranging from 1 percent (Chicago Midway) to 57 percent (Dallas/Fort Worth). The length of the delays increased at 52 of the airports from less than a one minute increase at Phoenix to a 11 minute increase at Dallas/Fort Worth.

[2] OIG Report Number CC-2006-073, "Aviation Industry Performance: Trends in Demand and Capacity, Aviation System Performance, Airline Finances and Service to Small Airports," August 4, 2006. OIG reports can be found on our website: www.oig.dot.gov.

[3] A flight is considered delayed when it arrives 15 or more minutes after its scheduled arrival time.

Flight cancellation performance deteriorated from last year's levels as well. Airlines cancelled nearly 48,000 flights at the 55 airports during the summer of 2007. This was a 28 percent increase above last summer when just over 37,000 flights were cancelled. Table 1 is a comparison of increases in the summer of 2006 and the summer of 2007.

Table 1. Increases in Flight Delays and Cancellations

(Summer 2006 and Summer 2007)

Notable Statistics	Summer 2006	Summer 2007	Percent Change
Scheduled Flights	1,986,654	2,014,279	+ 1%
Percent Delayed	26%	29%	+ 12%
Airports With Delays > 30%	9	26	+ 189%
Length of Arrival Delays	56 minutes	60 minutes	+ 6%
Cancelled Flights	37,396	47,911	+ 28%

* Comparison of June through August 2006 and 2007, as tracked by FAA at 55 airports.

At New York John F. Kennedy International Airport, the summer of 2006 arrival delay rate was 36.7 percent, but the addition of 9,700 scheduled flights contributed to a summer of 2007 arrival delay rate of 41.4 percent. Although New York La Guardia and Newark Liberty International Airports did not experience the same rapid increase in the number of flights and delays, both airports still experienced an arrival delay rate in excess of 38 percent. With one-third of the Nation's air traffic passing through the New York area, the impact of delays there can be felt across the country.

Delays result from problems outside the carriers' control such as weather, air traffic control as well as problems within the carriers' control such as mechanical issues, crew availability and holding for connections. Carriers also report delays caused by "late arriving aircraft."

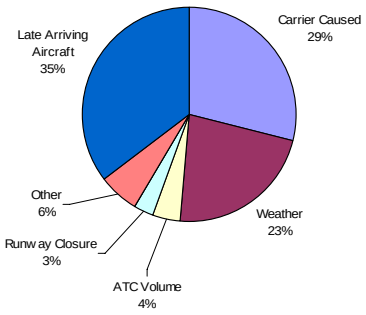
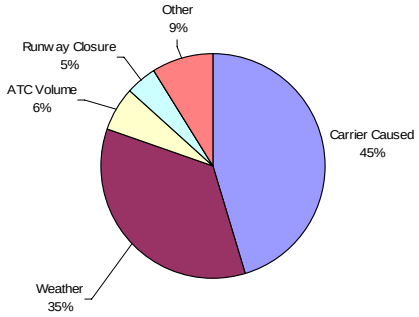
Figure 1 depicts the reasons for delays as reported by the airlines and adjusted for late arriving aircraft. We proportionally allocated "late arriving aircraft" delays across the other categories to provide a better picture of the primary causes of delay[4]. When "late arriving aircraft" delays are allocated across the other reported

[4] "Late arriving aircraft" is a secondary cause of delay, the primary cause of delay is what caused the aircraft to arrive late. Delays are categorized as "late arriving aircraft" when the previous flight operated with the same aircraft arrives late, resulting in the current flight departing late.

reasons for delays, “carrier caused” delays rise to 45 percent of delayed arrivals. Weather related reasons account for 35 percent.

Figure 1. Reasons for Flight Delays

(June through August 2007)

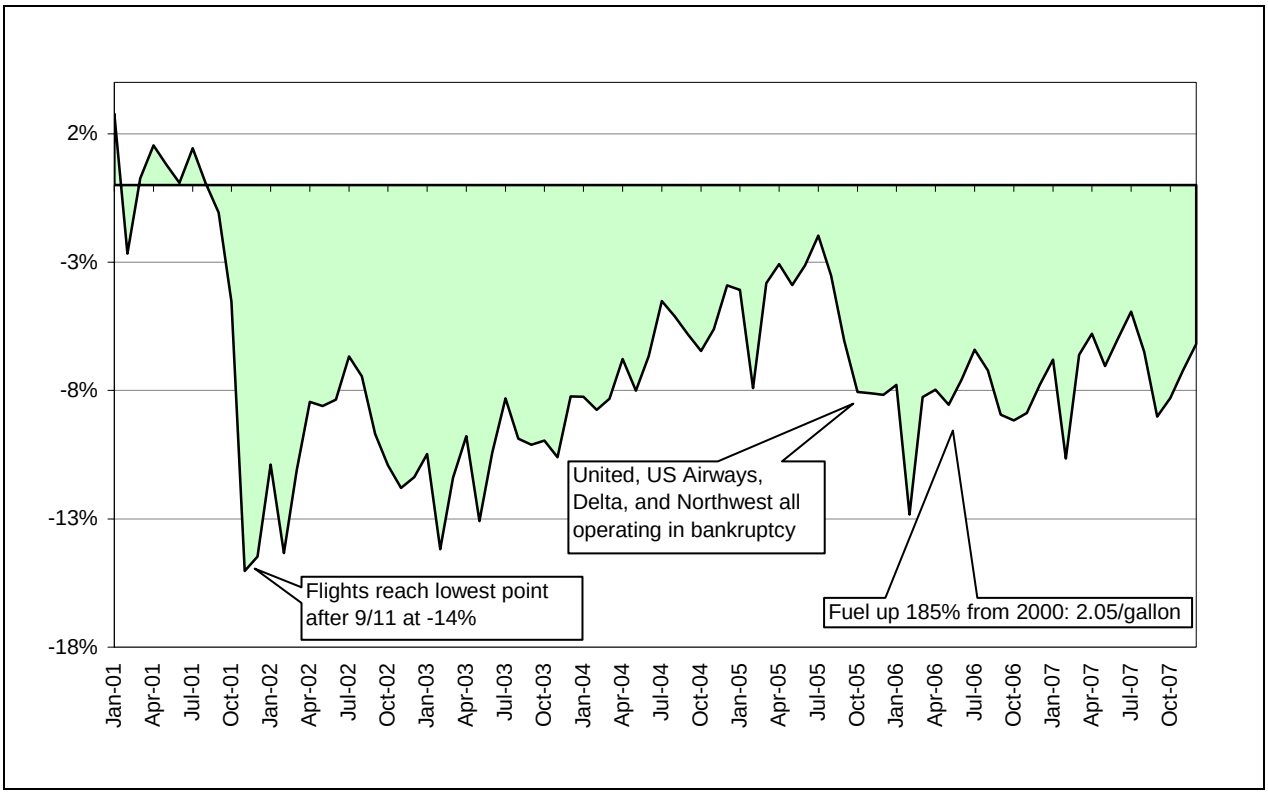
As Reported by Airlines	Adjusted for Late Arriving Aircraft
	

The Number of Scheduled Flights Remained Relatively Flat Since 2006

On average, domestic passenger service (scheduled flights) remained steady over the last year. At the country’s largest airports, scheduled departures in the summer of 2007 were up only 1 percent over the summer of 2006, remaining relatively unchanged at most of these airports. Notable exceptions occurred at New York Kennedy (+25 percent), San Diego, Orlando, and San Francisco (+6 percent each) and Pittsburgh where scheduled departures declined by 11 percent. As figure 2 indicates, the number of scheduled flights continues to remain below summer 2001 levels.

Figure 2. Change in Scheduled Flights, 2001-2007

(Base Year 2000)



Major Passenger Carriers Improved Their Financial Performance by Placing More Passengers on Essentially the Same Number of Flights

The third quarter of 2007 marked the sixth consecutive quarter that the major passenger airlines, as a group, posted operating profits (nearly $2.9 billion). The major passenger airlines achieved these results through strict cost controls and strong passenger demand in concert with limited increases in domestic capacity. While these efforts have had a positive effect on airline financial performance, it also results in fewer available seats to accommodate displaced passengers from disrupted flights. This issue was a major contributor to the rise in airline customer service complaints.

On the revenue side, the average fare paid by passengers remained relatively flat. Despite numerous attempted fare increases in the first half of the year, competition and passenger resistance to increasing fares have rendered most attempts unsuccessful. Revenues improved as airlines added passengers to existing flights (rather than add additional flights and costs). Future revenue increases are questionable as load factors (percent of seats sold) have already hit record highs (83 percent in the second quarter of 2007). The airlines' main strategy to improve

revenues by increasing fares and reducing discounting must overcome passenger resistance to higher fares in order to be successful.

Beginning in the second quarter of 2007, network airlines' non-fuel domestic operating costs (operating costs borne by an airline excluding fuel) increased. Since 2001, the network airlines experienced success in reducing these costs through organizational changes and by reducing available capacity. However, in the second quarter of 2007, this combination of efforts ceased producing reduced non-fuel costs. Additional structural changes that will produce significant cost reductions like those experienced since 2001 are unlikely in the near future. As a result, we expect to see future increases in non-fuel operating costs.

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EXHIBIT A. SUMMARY OF AIRLINE INDUSTRY METRICS

AVIATION SYSTEM PERFORMANCE

ACTUAL FLIGHT OPERATIONS. Two years after September 11, 2001, domestic aircraft operations handled by FAA's Air Route Traffic Control Centers began to recover and surpassed earlier levels. Domestic aircraft operations handled at these centers increased and reached their highest levels in December 2004 (+7.43 percent). Over the last 12 months, operations at these Centers increased an average of 1.55 percent. ***[Figure 1]***

Figure 1: Actual Flight Operations
Percent Change in Air Route Traffic Control Center Operations (FAA Data), Sept 2001 - Sept 2007

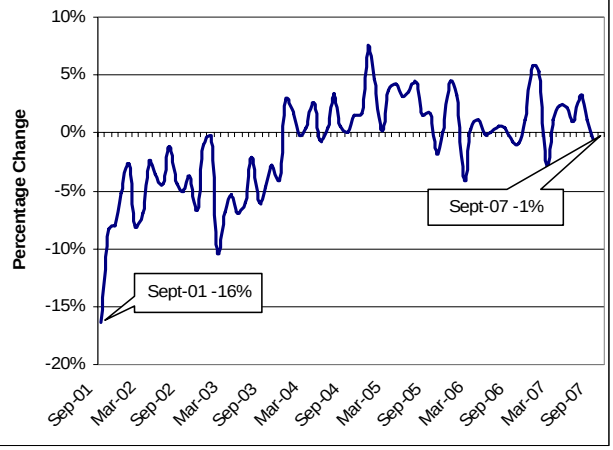
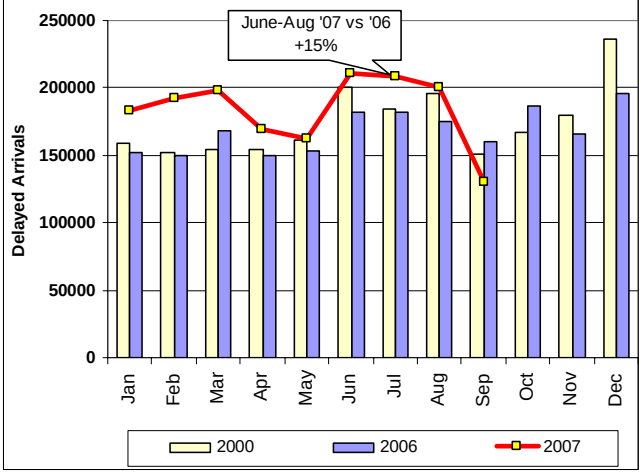


Figure 2: Number of Flights With Delayed Arrivals
- All airlines, 55 major airports (FAA Data)



ARRIVAL DELAYS DURING THE SUMMER MONTHS. At the 55 airports tracked by FAA, flight delays for the summer months (June-Aug '07) were the highest in recent years. There were 621,000 arrival delays during the period, up 15.2 percent over the summer of 2006 (539,000 arrival delays) and 7.0 percent above the summer of 2000 (580,000 arrival delays). ***[Figure 2]***

ARRIVAL DELAYS YEAR-TO-DATE. With the exception of September, arrival delays for the first 9 months of 2007 are significantly higher than delays for the same period in 2006. On average, monthly arrival delays for the first 9 months of 2007 were 12.4%, higher than the same period in 2006. Arrival delays for the first 9 months of 2007 were 1,655,483 compared to the same period in 2006 (1,472,452). During February 2007, arrival delays rose significantly over the previous year due to a Valentine's Day ice storm negatively impacting flight operations at New York John F. Kennedy International Airport. JetBlue attempted to operate a number of flights during the storm, but many planes were left at de-

icing stations for hours, some planes landed and took gates at the terminal, while gridlock ensued. In March, US Airways experienced more delays, partly due to a computer consolidation that caused passenger check-in and boarding problems that delayed flights. ***[Figure 2]***

CANCELLATIONS FOR SUMMER MONTHS. During the summer of 2007 (June-August) flight cancellations for 55 large airports tracked by FAA were 48,000, a 28 percent rise over the summer of 2006 (37,396 cancellations), and 12 percent higher than the summer months of 2000 (42,956 cancellations). Summer 2007 numbers were exacerbated by a crew shortage at Northwest Airlines, resulting in numerous cancellations. ***[Figure 3]***

CANCELLATIONS YEAR-OVER-YEAR. Cancellations for the first 9 months of 2007 at 55 major airports were 38 percent higher (138,934 cancellations) than cancellations in the first 9 months of 2006 (100,830 cancellations). In February cancellations doubled from last year, due to an ice-storm in the Northeast that caused airlines to cancel flights. ***[Figure 3]***

Figure 3: Cancellations
All airlines, 55 major airports (FAA Data)

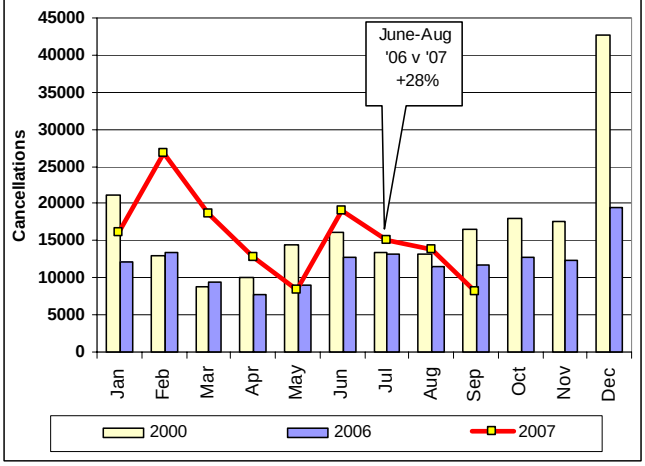
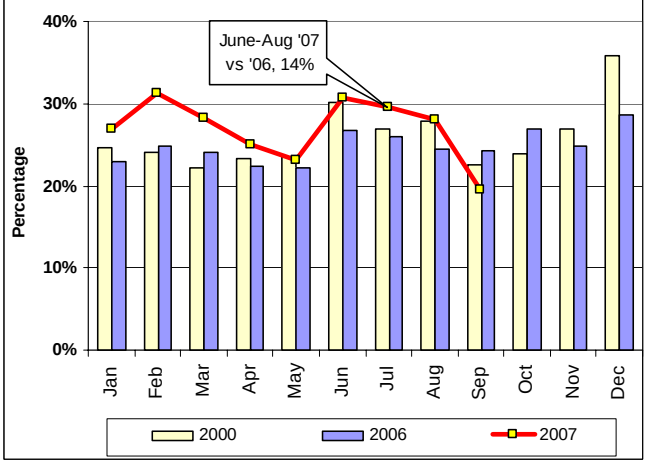


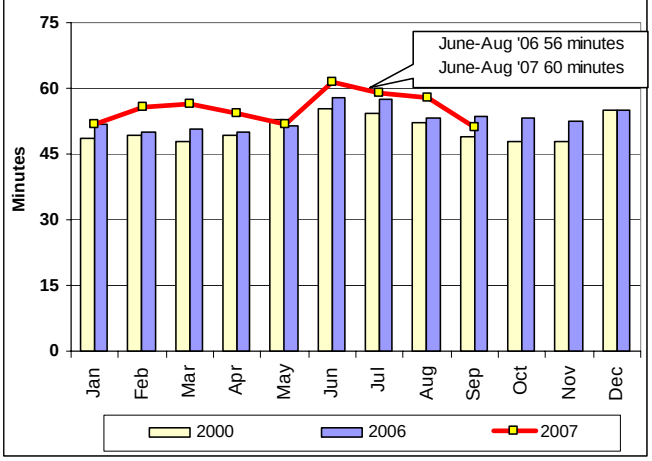
Figure 4: Percent of Flights Arriving Late
All airlines, 55 major airports (FAA Data)



PERCENT OF FLIGHTS ARRIVING LATE, YEAR-TO-DATE. At the 55 major airports tracked by FAA, the percent of flights arriving late, during the summer months (June-August 2007), was 3.7 percentage points higher (29.4 percent) than the same period in 2006 (25.7 percent) and 1.0 percentage points higher than the same period in 2000 (28.3 percent). The percent of flights arriving late for all of 2006 (24.9 percent) was only slightly lower (.9 percentage point) than in all of 2000 (26 percent). However, the percent of flights arriving late for the first 9 months of 2007 was 29.6 percent, 2.7 percentage points higher than the first 9 months of 2006. The percent of flights arriving late reached a peak of 31 percent in February 2007. ***[Figure 4]***

LENGTH OF GATE ARRIVAL DELAYS. The length of gate arrival delays during the summer of 2007 at the 55 major airports rose 5.6 percent (an average 59.5 minute delay), compared to the same period in 2006 (56.2 minute delay). Gate arrival delays (June-August) exceeded the average length of delay for the summer of 2000, by 10.2 percent (a 53.8 minute delay). ***[Figure 5]***

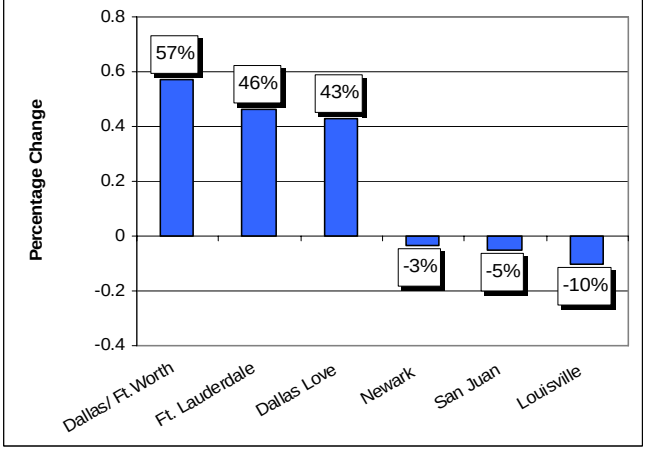
Figure 5: Length of Arrival Delays
All airlines, 55 major airports (FAA Data)



DELAYS AT SELECT AIRPORTS. During the summer 2007, Dallas/Fort Worth, Fort Lauderdale and Dallas Love airports experienced the greatest increases in arrival delays among the 55 airports tracked by FAA. Both Dallas airports suffered from severe weather during June 2007, which caused a large increase in the number of arrival delays for the entire summer of 2007, compared to a year earlier.

Newark, San Juan, Puerto Rico, and Louisville reported declines in the number of arrival delays for the summer of 2007 compared to a year earlier. The declines in arrival delays at Newark and San Juan coincided with reductions in flight operations at both airports. Although, Newark still ranked third highest in terms of percent of arriving flights delayed among the 55 airports tracked by FAA. At Louisville, most of the reduction in delayed flight arrivals resulted from improvements in the on-time performance of cargo airline UPS. ***[Figure 6]***

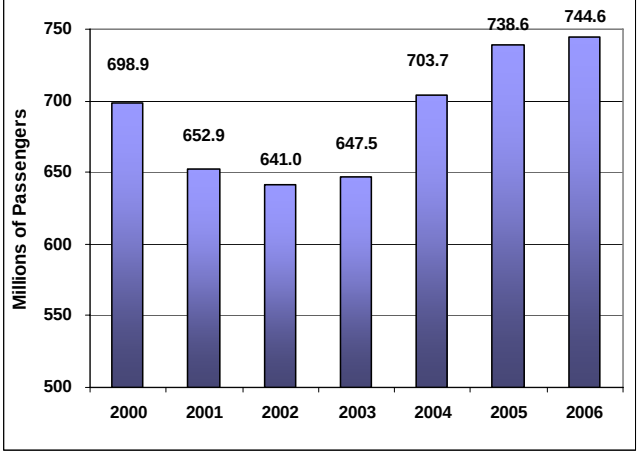
Figure 6: Most Significant Changes in Arrival Delays by Airport - Percent Change in Arrival Delays for Summer 2007 vs. 2006 (FAA Data)



AIR SERVICE DEMAND AND CAPACITY

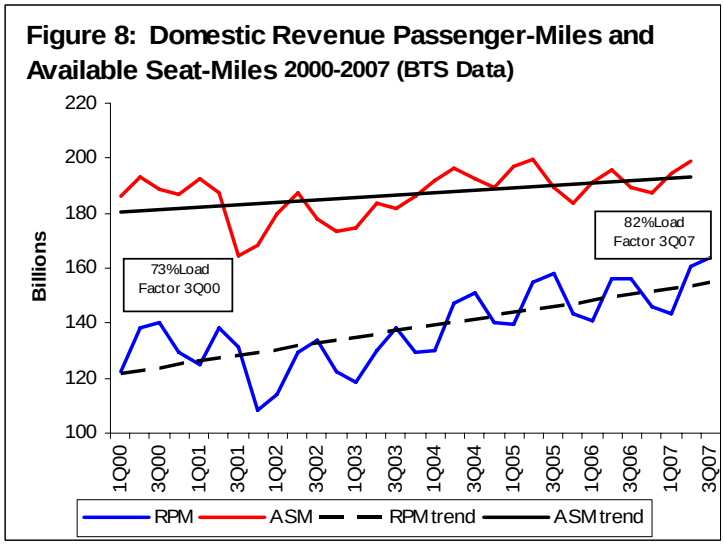
AIR TRAFFIC DEMAND. System passenger enplanements on U.S. airlines increased only 0.8 percent in 2006 compared to 2005. This was the fourth consecutive year enplanements increased. However, the growth rate in 2006 was the lowest rate of growth during the four year period. Enplanements in 2006 were 744.6 million, and exceeded 2000 levels by 6.5 percent, almost 45 million passengers. In the first 9 months of 2007, passenger enplanement growth resumed, increasing 3.1 percent over the same period in 2006. ***[Figure 7]***

Figure 7: Passenger Enplanements 2000-2006 Scheduled Service System-Wide (DOT Data)



DOMESTIC TRAFFIC AND CAPACITY. In the first 9 months of 2007, revenue passenger-miles (RPMs) increased 3.2 percent over the same period of 2006 to 468 billion. Meanwhile, available seat-miles (ASMs) grew 1.9 percent, to 581 billion during the same time period. This continues a long-term moderate growth trend that began in 2001. Compared to the first 9 months of 2000, RPMs in the same period of 2007 were up 16.5 percent while ASMs increased only 3.2 percent. The carriers' ability to handle increased passenger traffic without a corresponding increase in seat capacity resulted in a 9 percentage point jump in load factor (percent of seats occupied) from 72.7 percent in the third quarter of 2000 to 82.3 percent) in the third quarter of 2007. ***[Figure 8]***

Figure 8: Domestic Revenue Passenger-Miles and Available Seat-Miles 2000-2007 (BTS Data)



DOMESTIC AND INTERNATIONAL TRAFFIC. U.S. domestic passenger traffic grew 3.2 percent in the first 9 months of 2007, compared to the same period in 2006. International traffic to and from the U.S. grew at an even faster rate of 4.0 percent from the same period of 2006 to 365 billion RPMs in the first 9 months of 2007. The higher growth rate is a result of the airlines' emphasis on expanding international service. Also, international travel had a slower recovery following the steep declines after September 11, 2001. Therefore, there is greater room for growth in international travel, compared to domestic travel. ***[Figure 9]***

Figure 9: Domestic and International Revenue Passenger-Miles 2000-2007 (BTS Data)

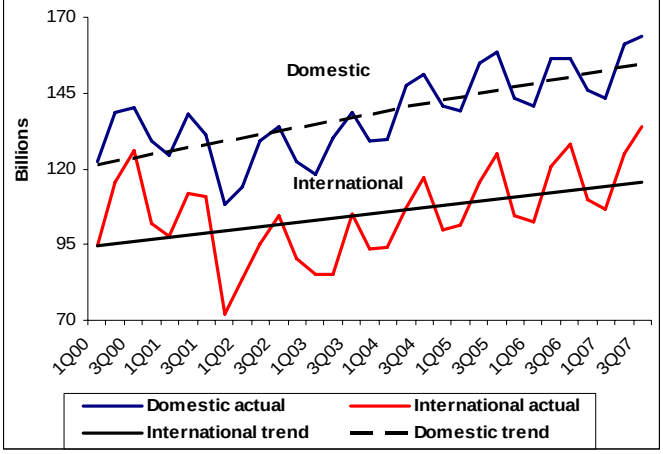
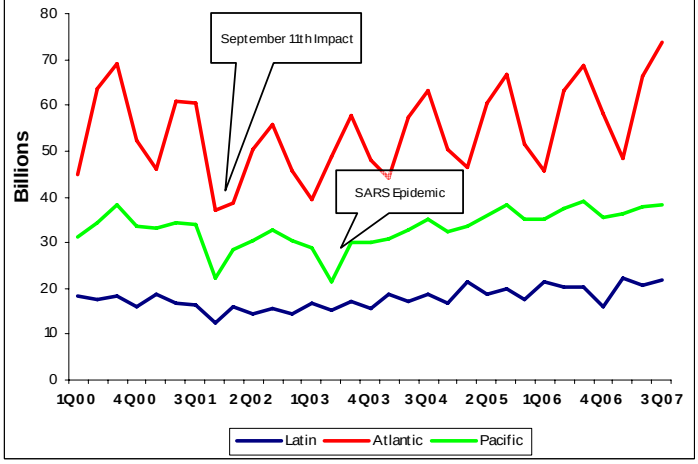


Figure 10: International Passenger Traffic
Quarterly Revenue Passenger-Miles 1Qtr 2000-3Qtr 2007 (BTS Data)



INTERNATIONAL PASSENGER GROWTH BY REGION. In the Atlantic region, which is the largest of the international air service markets, passenger traffic grew the highest (6.0 percent) in the first 9 months of 2007 over the same period in 2006. The Latin American region traffic grew 4.6 percent through September of 2007 compared to a year earlier. Growth in passenger traffic in the Pacific region tempered recently, up only 0.3 percent in the first 9 months of 2007, compared to a year ago. This was an actual decrease of 2.0 percent in the third quarter of 2007. ***[Figure 10]***

FLIGHT ARRIVALS. Between August 2000 and August 2007, seven major airlines reported fewer domestic flight arrivals at the 55 major airports tracked by FAA; the decreases ranged from 6 percent for America West to 54 percent for US Airways[5]. In contrast, Southwest Airlines and Alaska Airlines reported increases in arrivals of 30 percent and 15 percent respectively. ***[Figure 11]***

Figure 11: Nine Major Airlines Reported Arrivals
Percent Change in Actual Arrivals by Airline August 2007 vs. August 2000 (FAA Data 55 major airports)

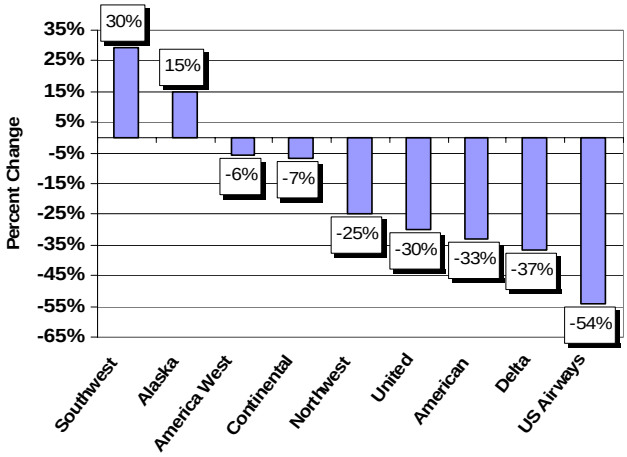
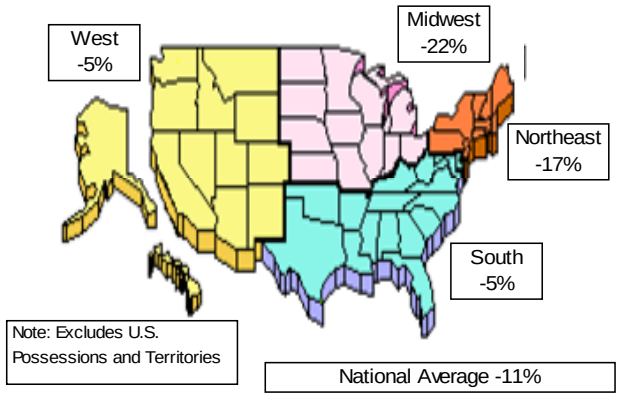


Figure 12: Regional Differences in Capacity at All Airports
Percent Change in Available Seats at All Airports August 2007 vs. August 2000 (FAA Data)



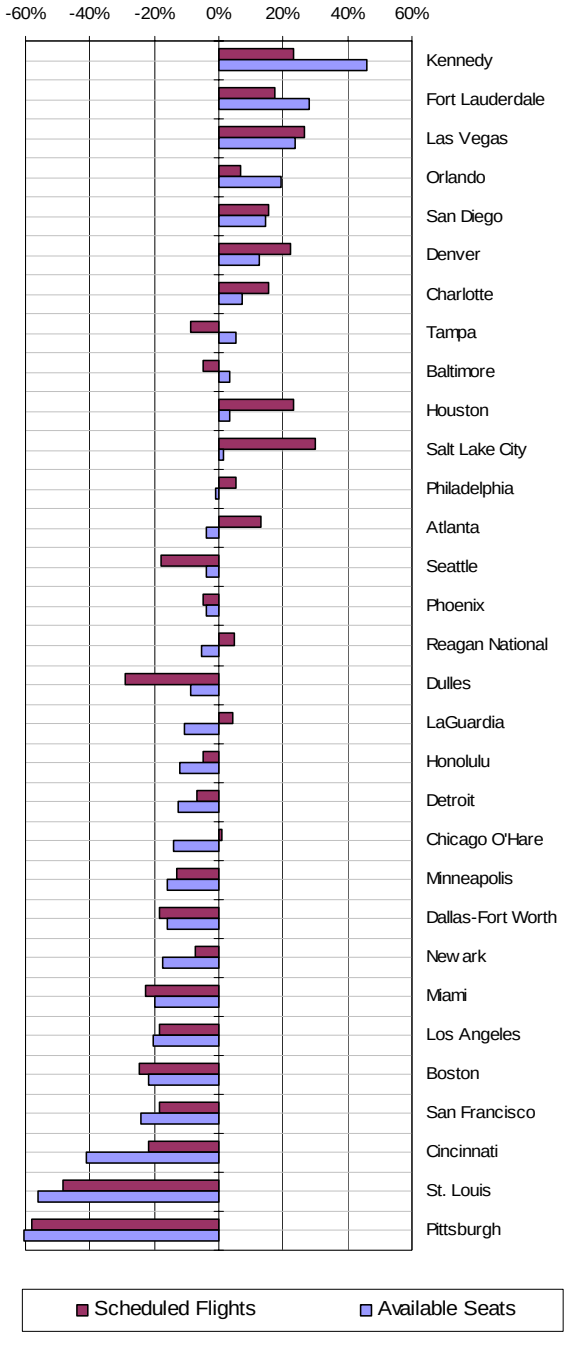
REGIONAL DIFFERENCES IN DOMESTIC SERVICE. Nationwide, the number of scheduled seats on domestic flights in August 2007 was 11 percent below August 2000 levels. Seats declined in the Midwest (-22 percent), Northeast (-17 percent), South (-5 percent), and West (-5 percent). In the last year (August 2006 to August 2007), scheduled seats nationwide increased slightly. Seats in all four regions either increased or experienced minimal change. ***[Figure 12]***

[5] We report US Airways and America West separately. Each carrier held separate operating authority during the time period covered in this report and reported financial and traffic data to DOT separately.

CAPACITY AT LARGE AIRPORTS. Since 2000, the changes in scheduled flights and available seats into large airports varied significantly between airports. In August 2007, available seats at 11 of the largest U.S. airports increased over August 2000 levels. Airports gaining seats include Kennedy (46 percent), Fort Lauderdale (28 percent), and Las Vegas (24 percent).

The increases at these airports largely reflected growth in service by low-cost carriers. In contrast, to these increases, some airports experienced considerable decreases. Airports losing seats include Pittsburgh (60 percent), St. Louis (56 percent), and Cincinnati (41 percent); these are airports where network carriers reduced operations as part of the industry restructuring that has taken place. ***[Figure 13]***

Figure 13: Change in Capacity at Large Airports
Percent Change in Scheduled Flights and Available Seats at Largest Airports August 2007 vs. August 2000 (FAA Data)



LOSS OF SHORT-HAUL AIR SERVICE. In August 2007, scheduled domestic flights were down 8 percent from August 2000. The largest decrease was in the shortest flights: scheduled domestic flights with stage lengths less than 250 miles were down 34 percent and flights between 250 miles and 499 miles were down 9 percent. In contrast, flights of 500 to 999 miles in length increased 22 percent and flights of 1,000 miles or more increased 14 percent.

The drop in short-haul flights (flights less than 250 miles in length) primarily reflected reductions by network carriers (-3.4 million seats) and by regional and other smaller airlines (-2.4 million seats). In addition, low-cost carriers reduced short-haul service a little during this period (-200,000 seats). ***[Figures 14 and 15]***

Figure 14: Length of Domestic Flights
Percent Change in Scheduled Flights by Length of Flight August 2007 vs. August 2000 (FAA Data)

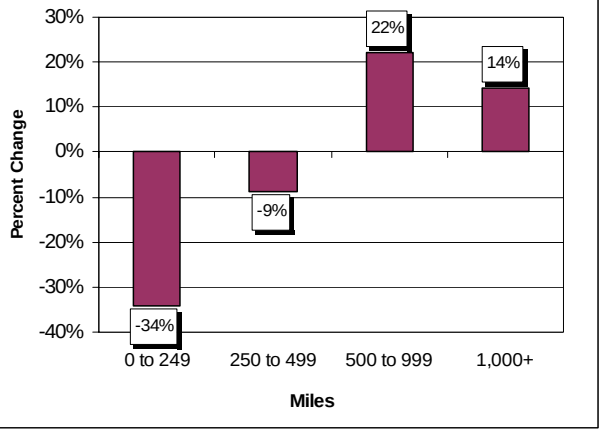
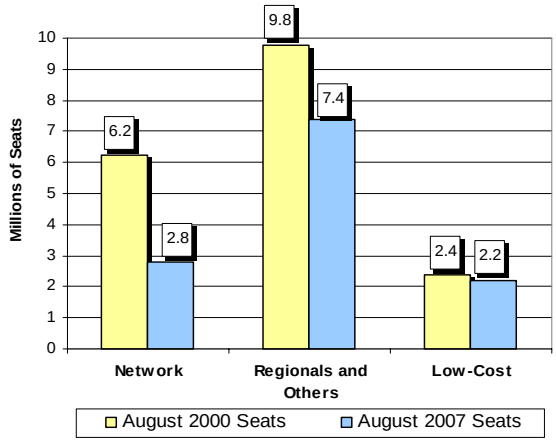


Figure 15: Short-Haul Flights: Seats by Type of Airline Scheduled Available Seats on Flights Less than 250 Miles August 2007 vs. August 2000 (FAA Data)

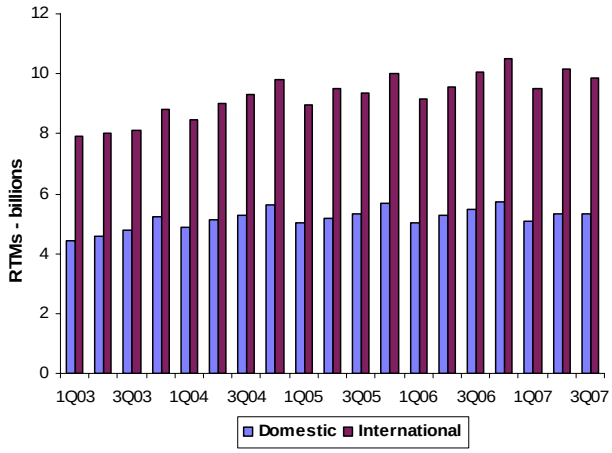


DOMESTIC AND INTERNATIONAL AIR CARGO. The slow growth in the domestic air cargo industry that started in mid-2005 continued into 2007. In comparison, the pace of growth of U.S. international air cargo strengthened until the third quarter of 2007. Domestic air cargo stagnated as customers moved some of their shipping from air to less costly ground delivery networks. Revenue ton-miles (RTMs) for domestic cargo were 15.7 billion for the 9 months that ended in September 2007, down a slight 0.3 percent from the same period a year earlier.

The slight year-to-date downturn masked a 2.4 percent drop in the third quarter, the first quarterly decline since third quarter 2004. At the same time, international air cargo (to and from the U.S.) grew 2.5 percent to 29.5 billion for the 9 months ended in September 2007, but also suffered a third quarter decline (-2.2 percent).

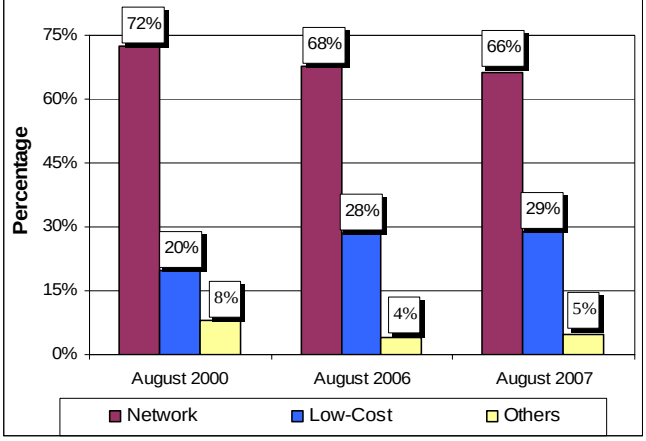
For the 9 months that ended in September of 2007, air cargo in the Latin America region increased 10.3 percent over the similar period that ended in 2006 to 6.0 billion RTMs. The Atlantic region experienced a 3.9 percent increase in air cargo moving to 19.6 billion RTMs in the 9 months that ended in September of 2007 from the year earlier. The Pacific area air cargo grew 2.6 percent to 24.5 billion RTMs and was the only international area to experience a decline in the third quarter of 2007. ***[Figure 16]***

Figure 16: Domestic and International Air Cargo Traffic Quarterly Revenue Ton-Miles 1Qtr 2003 - 3 Qtr 2007 (BTS Data)



LOW-COST CARRIERS CONTINUE TO GAIN MARKET SHARE. Low-cost carriers continued to expand their share of domestic capacity (as measured by scheduled seats). Between August 2000 and August 2007, low-cost carriers increased their share of scheduled seats from 20 percent to 29 percent. Network carriers (including their regional airline affiliates) reduced their share from 72 percent to 66 percent. Other carriers (Aloha Airlines, Hawaiian Airlines, Midwest Airlines, and intra-Alaska carriers) reduced their share from 8 percent to 5 percent. ***[Figure 17]***

Figure 17: Domestic Market Share by Carrier Group Airline Market Share of Scheduled Available Seats August 2000, August 2006, and August 2007



MARKET SHARE AND GROWTH OF LOW-COST CARRIERS. Southwest Airlines accounted for both the largest total number of scheduled seats (58 percent) among the low-cost carriers, and the largest total growth in low-cost service (seats) over the last seven years (38 percent). Together, low-cost carriers increased their capacity nearly 38 percent between 2000 and 2007. ***[Figures 18 and 19]***

Figure 18: Share of Low-Cost Carrier Service Growth Airline Share of Growth by Scheduled Available Seats, August 2000 to August 2007 (FAA Data)

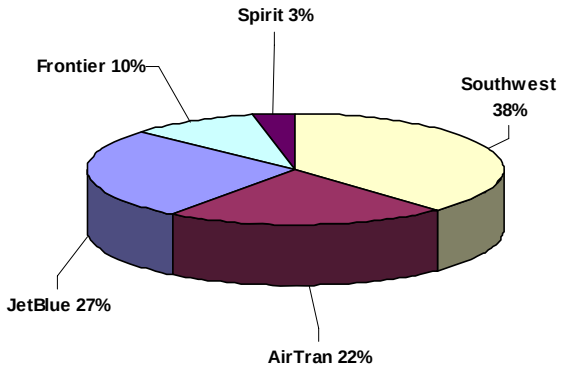
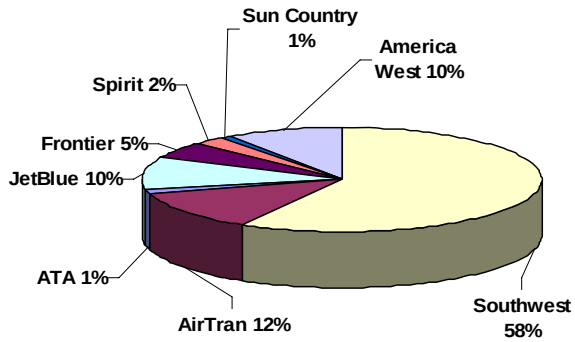
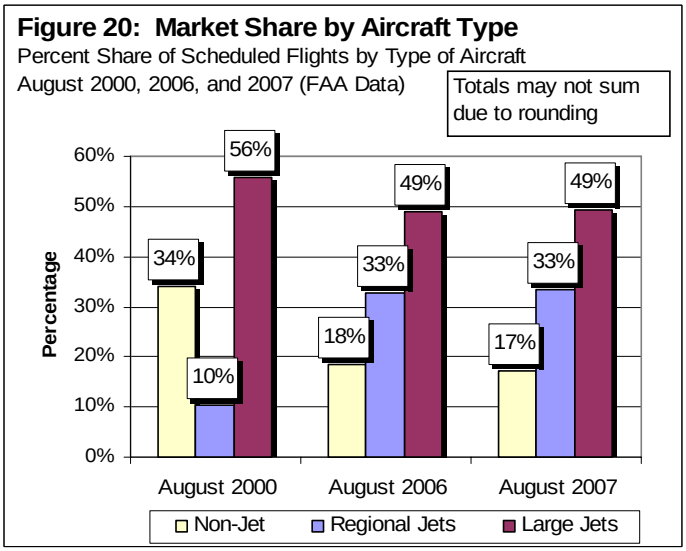


Figure 19: Market Share of Low-Cost Carrier Service Airline Share of Service by Scheduled Available Seats, August 2007 (FAA Data)



MARKET SHARE BY AIRCRAFT TYPE. In August 2000, 10 percent of domestic scheduled flights were on regional jets. In August 2007, regional jets account for 33 percent of all domestic scheduled flights. Use of large jets declined from 56 percent of scheduled flights in August 2000 to 50 percent each of the last 2 years. Since August 2000, non-jets (turboprop and piston engine aircraft) declined from 34 percent to 17 percent of scheduled flights. ***[Figure 20]***

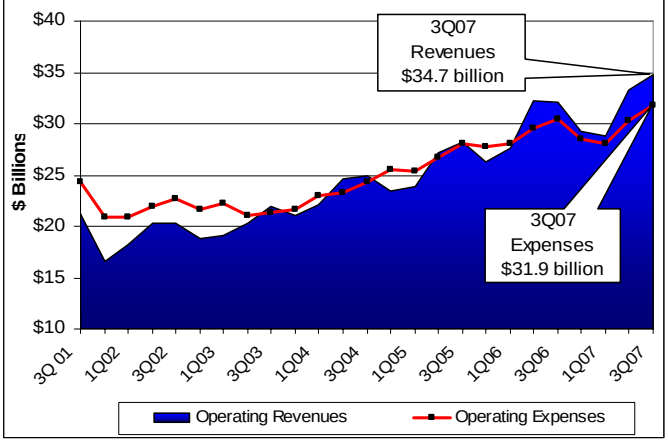
Figure 20: Market Share by Aircraft Type
Percent Share of Scheduled Flights by Type of Aircraft
August 2000, 2006, and 2007 (FAA Data)



AIRLINE FINANCES

AIRLINE REVENUES AND EXPENSES. For the third quarter of 2007, operating revenues of the major passenger carriers were $34.7 billion, exceeding operating expenses of $31.9 billion. This produced an operating profit for the period of nearly $2.9 billion. This marked the sixth consecutive quarterly operating profit for the group. Since a low point in the fourth quarter of 2001, operating expenses have steadily increased as airlines resumed service cut after September 11, 2001, and fuel costs escalated. ***[Figure 21]***

Figure 21: Revenues vs. Expenses
Major Passenger Carriers Operating Revenues and Operating Expenses 3Qtr 2001 through 3Qtr 2007 (DOT Data)



AIRLINE OPERATING PROFITS AND LOSSES. The third quarter of 2007 was the sixth consecutive quarter in which major passenger airlines, as a group reported an operating profit. Five of seven network carriers posted profits in excess of $250 million; the remaining two network carriers also posted substantial profits (US Airways posted a profit of $243 million and Alaska airlines posted a profit of $112 million). United ($635.4 million) and Northwest ($459.3 million) posted the largest profits for the network carriers. Low-cost carriers posted a combined operating profit of $357 million. ***[Figure 22]***

(Note: Financial information for ATA Airlines was not available at the time this report was prepared).

Figure 22: Selected Network and Low-Cost Carriers Operating Profit or Loss
System Operations for Quarter Ending 9/30/07 (DOT Data)

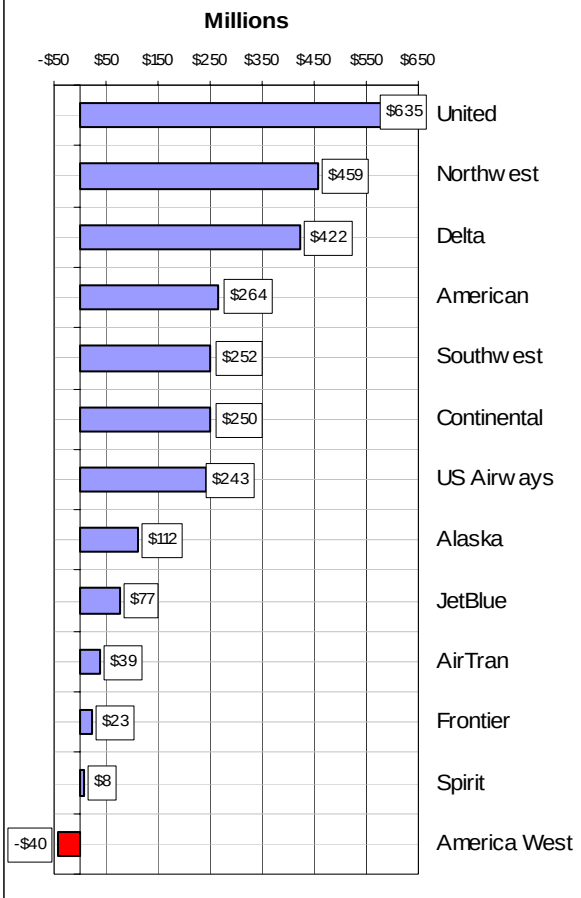
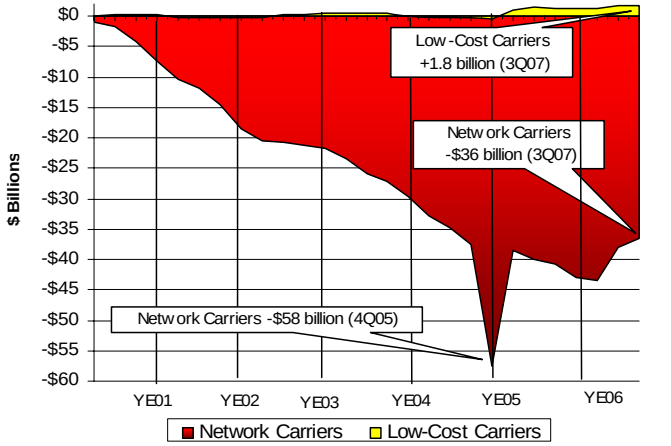


Exhibit A. Summary of Airline Industry Metrics

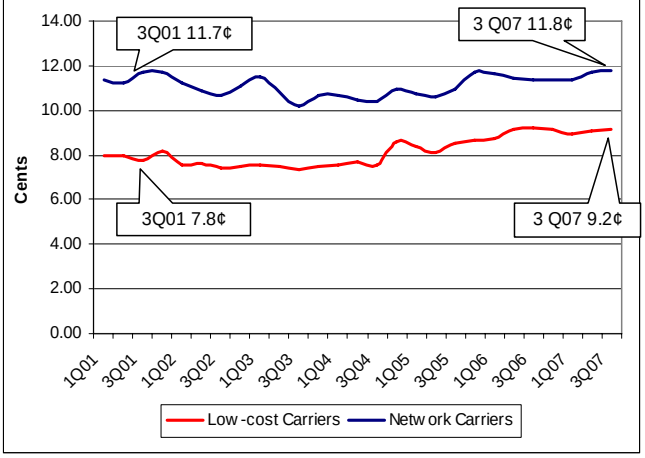
ACCUMULATED NET LOSSES AND PROFITS. The accumulation of net losses experienced by the network carriers since 2001 began to turn in early 2006 with further improvement in the first 9 months of 2007. Aided by continuing strong demand, increasing fares and favorable bankruptcy-related accounting credits, the network carriers as a group posted net profits for the third quarter of 2007, only the third time in 27 consecutive quarters. Accumulated net losses for the group narrowed to $37 billion, an improvement over the low of $58 billion at the end of 2005. Low-cost carriers as a group posted $1.8 billion in net income since the beginning of 2001, mostly due to a $1.4 billion favorable accounting credit posted by ATA Airlines as it exited bankruptcy in the first quarter of 2006. ***[Figure 23]***

Figure 23: Accumulated Net Losses and Gains
1Qtr 2001 Cumulative Through 3Qtr 2007 (DOT Data)



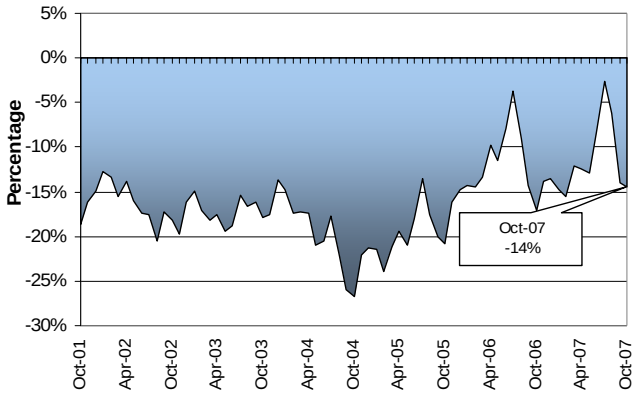
COST PER AVAILABLE SEAT-MILE (CASM). Despite increasing fuel expenses, network carriers continued to keep a cap on domestic operating expenses, showing only a 0.5 percent increase in the cost per available seat-mile (CASM) between the third quarter of 2001 (11.2 cents) to the third quarter of 2007 (11.7 cents). After successfully managing to reduce the cost differential with the low-cost carriers from a high of 4.0 cents in the first quarter of 2003 to 2.1 cents in the third quarter of 2006, the network airlines experienced a widening of the gap in the third quarter of 2007 to 2.6 cents. Low-cost carriers experienced a 17.7 percent increase in CASM since 2001, rising from 8 cents in the third quarter of 2001 to 9.2 cents in the same quarter of 2007. ***[Figure 24]***

Figure 24: Cost Per Available Seat Mile (CASM)
1Qtr 2001 through 3Qtr 2007 (DOT Domestic Quarterly Data less transport-related expense)



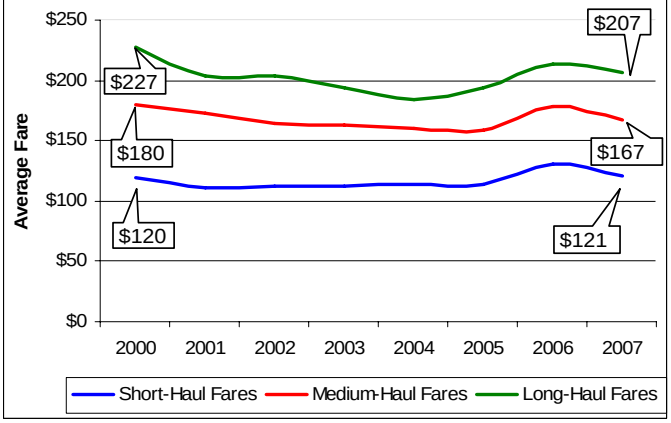
DOMESTIC YIELD. Domestic yield of 12.9 cents per passenger mile for the seven major airlines in October 2007 was above the 12.5 cents per passenger mile posted in October 2006, but yields were still below 2000 levels. For the first 10 months of 2006 and 2007, yields have averaged 12.8 and 12.9 cents per passenger mile, respectively. Yields for the same period in 2000 were 14.5 cents per passenger mile. ***[Figure 25]***

Figure 25: Domestic Yield for Seven Major Airlines
Percent Change in Airline Yield from 2000 (ATA Data)



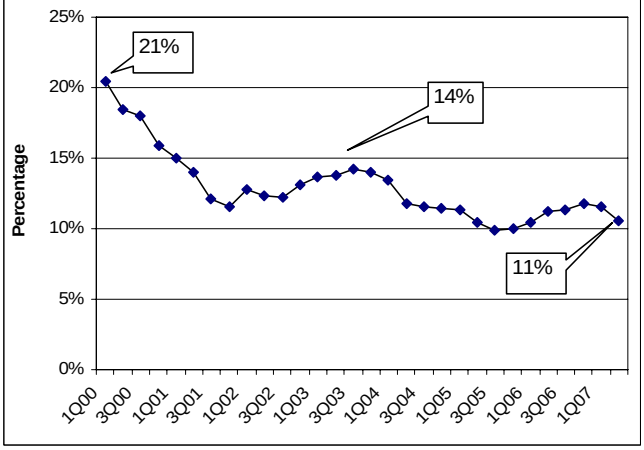
SHORT-HAUL, MEDIUM-HAUL AND LONG-HAUL FARES. Despite several attempts by the airlines to increase fares between the middle of 2006 and the middle of 2007, few were ultimately successful. As a result, average domestic fares paid by passengers in short-haul, medium-haul, and long-haul markets declined in the second quarter of 2007 (down 8 percent, 7 percent, and 3 percent, respectively), compared to the same period in 2006. Over the same period, average fares in medium-haul markets increased a modest 1.6 percent. Over the longer term, intense competition and industry restructuring drove fares down below the levels paid in 2000, even though fuel costs soared. In the second quarter of 2007, fares in long-haul and medium-haul markets ($267 and $167, respectively) were lower than 2000 levels. Only in the short-haul market was the second quarter 2007 average fare relatively unchanged from 2000 ($121 vs. $120). However, short-haul fares were down from the $131 paid, during the same quarter of 2006. ***[Chart 26]***

Figure 26: Average Short-, Medium-, and Long-Haul Fares 2Qtr 2000 - 2Qtr 2007 Fares for 300 mi 1,000 mi, and 1500 mi average distances (DOT Data)



BUSINESS AND LEISURE TRAVEL. After a generally continuous decline over the last seven years, the use of business fares increased slightly since the second quarter of 2006. From a high of 21 percent in early 2000, use of the unrestricted fares, those usually booked by business travelers, fell to a low of 12 percent in 2002, rose slightly to 14 percent in 2003 and fell again to the lowest usage rate (10 percent), during the winter of 2005-2006. Thereafter, the percent of passengers traveling on business fares rose slightly to 11 percent. ***[Figure 27]***

Figure 27: Use of Business Fares Percent of All Passengers Using Business Fares 1Qtr 2000 through 2Qtr 2007 (BTS Data)



AIRLINE LOAD FACTORS. Load factor is the average percent of available seats filled by revenue passengers. For the third quarter of 2007, the load factor for the major passenger airlines was 83 percent, about two percentage points higher than the third quarter 2006 load factor of 81.1 percent. The breakeven load factor or the average percentage of paying passengers needed to cover airline costs, dipped slightly from 78.9 percent in the third quarter of 2006 to 77.8 percent in the third quarter of 2007. ***[Figure 28]***

Figure 28: Passenger Load Factors
Actual vs. Breakeven Percentages 3Qtr 2001 through 3Qtr 2007 (DOT Data)

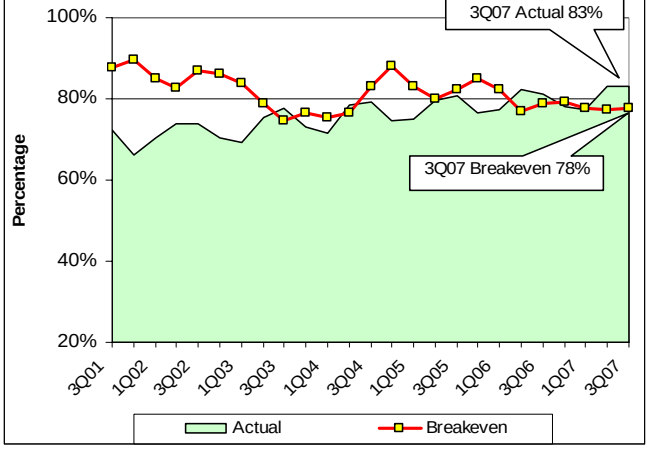
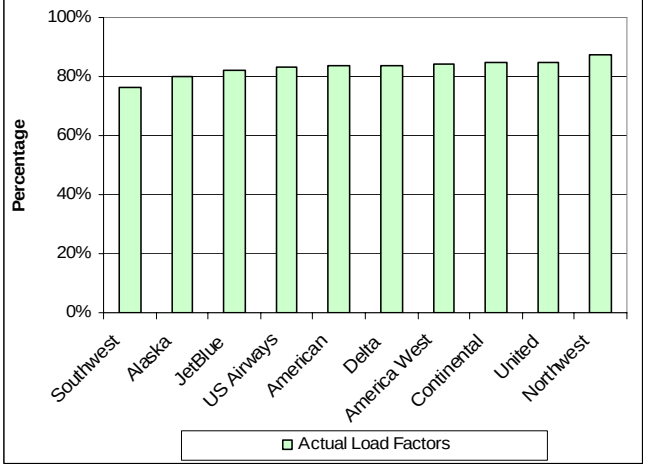


Figure 29: Actual Airline Load Factors
Actual Percentages for 3rd Qtr 2007 (DOT Data)



INDIVIDUAL CARRIERS LOAD FACTORS. For the third quarter of 2007, ten major carriers averaged a load factor of 83 percent. Continental and United (84.7 percent each) along with Northwest (87.2 percent) had the highest load factors of the ten airlines examined. The average load factor for the ten airlines for the third

quarter of 2006 (80.9 percent) was approximately two percentage points lower than the third quarter of 2007 (83 percent). ***[Figure 29]***

DEBT-TO-INVESTMENT RATIO. The debt-to-investment ratio for the major passenger airlines was 61 percent for the third quarter of 2007 versus 105.5 percent for the third quarter of 2006, a decrease of 43 percent. The debt-to-investment ratio for major passenger airlines increased steadily over the past 5-6 years, reaching a peak of 206.8 percent, in the fourth quarter of 2005. However, after the fourth quarter of 2005, the ratio dropped significantly and held steady at around 105 percent, until dropping to a low of 61 percent, in the third quarter of 2007. Three airlines had debt-to-investment ratios that were worse than the group average: United, (78.2 percent) Continental, (80.1 percent) and American (104 percent). ***[Figures 30 and 31]***

Figure 30: Debt-to-Investment Ratio All Major Airlines 3Qtr 2001 through 3rd Qtr 2007 (DOT Data)

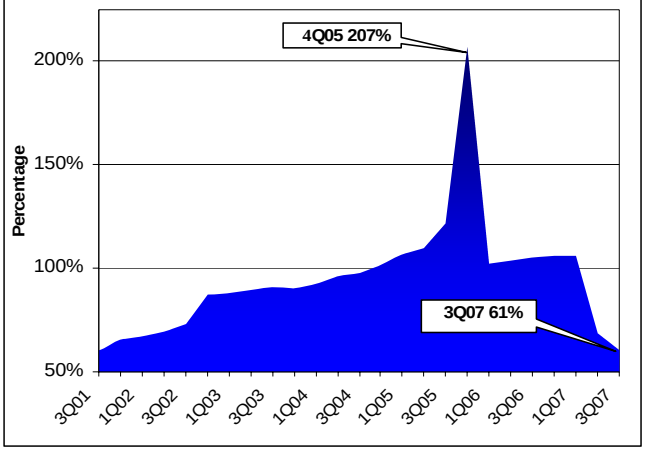
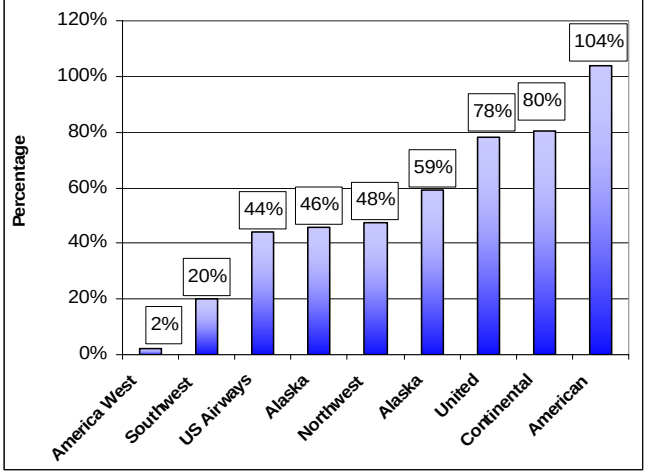


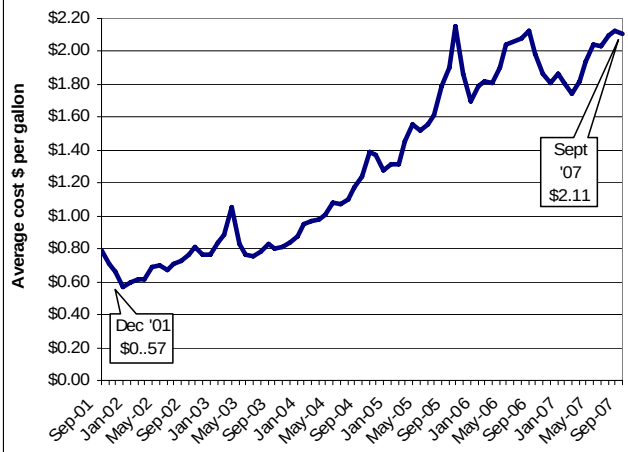
Figure 31: Debt-to-Investment Ratio by Airline
Quarter Ending 9/30/07 (DOT data)



FUEL COSTS. Average annual fuel costs for domestic airlines rose to $1.97 per gallon through the first 9 months of 2007. The peak price per gallon came in September 2007, when prices reached $2.11 per gallon. This represents a 270 percent increase in price per gallon since December 2001. According to the ATA quarterly airline cost index, fuel has superseded labor as the industry's top cost and now constitutes 20 percent to 30 percent of industry operating expenses.

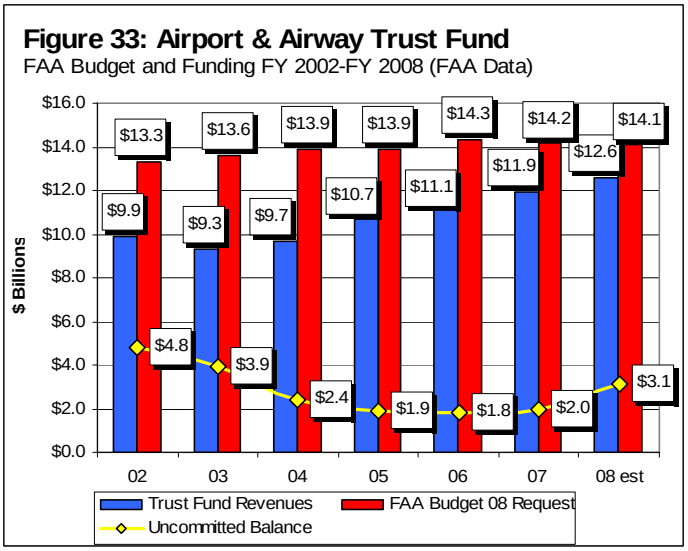
While prices rose steadily from 2001 to present, a wide range of issues outside the control of airlines, such as geopolitical insecurity, and a lack of refining capacity affect fuel prices, making it difficult to predict how prices will move in the future. ***[Figure 32]***

Figure 32: Cost Per Gallon Domestic Jet Fuel (ATA Data)



AIRPORT AND AIRWAY TRUST FUND. The Airport and Airway Trust Fund, which is funded primarily by a set of excise taxes on commercial airline tickets, pays most of the Federal Aviation Administration's (FAA) expenses. Trust Fund revenues increased steadily over the last several years after declining between Fiscal Year (FY) 2001 and FY 2003. At the end of FY 2007 aviation excise taxes supporting FAA's programs expired. FAA programs are presently operating under a short-term extension. ***[Figure 33]***

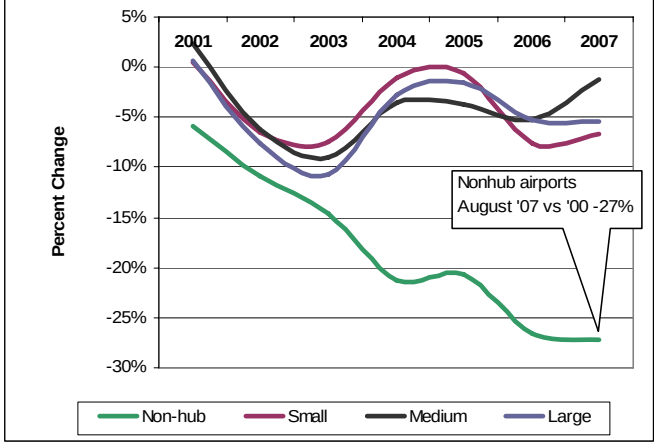
Figure 33: Airport & Airway Trust Fund
FAA Budget and Funding FY 2002-FY 2008 (FAA Data)



AIR SERVICE AT SMALL AIRPORTS

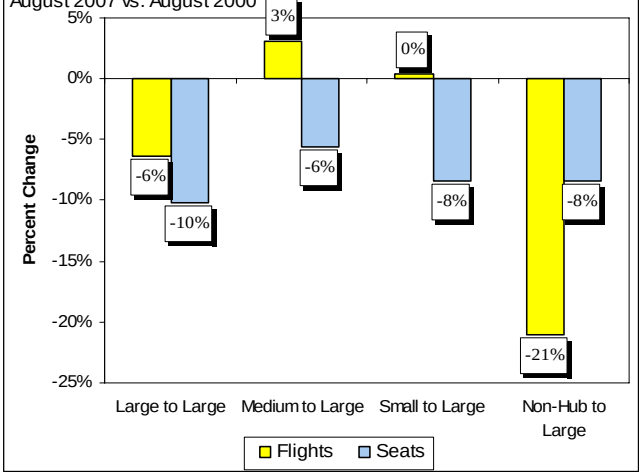
CHANGES IN AIR SERVICE. Following the economic downturn in late 2000 and the after-effect of September 11, 2001, service (as measured by scheduled flights and seats) declined at airports of all sizes. Service began to return in 2003 and scheduled flights at small-hub, medium-hub, and large-hub airports increased. The only category of airports where service has not rebounded is at non-hub airports, which are the Nation's smallest commercial airports. Scheduled flights at non-hub airports in August 2007 decreased 27 percent since 2000. ***[Figure 34]***

Figure 34: Departures at Hub Types
Percent Change in Scheduled Domestic Flights August 2001- August 2007 Compared to August 2000 (FAA Data)



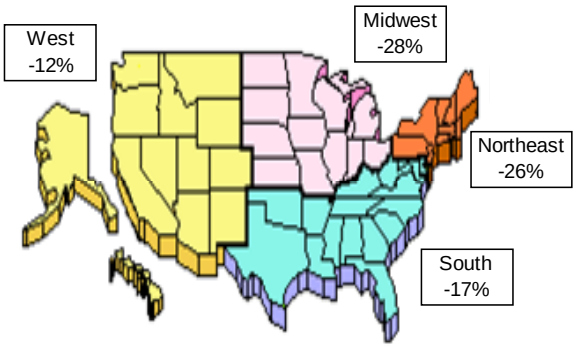
ACCESS TO LARGE AIRPORTS. The number of seats scheduled into large hub airports from markets of all sizes have declined since 2000. The decreases experienced by the various hub sizes ranged from 6 percent to 10 percent. Flights into large airports from non-hubs were down 21 percent between August 2000 and August 2007, although seats were down only 8 percent, as airlines substituted larger aircraft for smaller aircraft. The number of scheduled flights to large hubs from other large hubs decreased by 6 percent from August 2000 to August 2007. In contrast, flights from medium hubs into large airports increased 3 percent and flights from small hubs to large hubs changed little. ***[Figure 35]***

Figure 35: Access to Large Airports
Percent Change in Number of Scheduled Flights and Available Seats August 2007 vs. August 2000



NON-HUB AIRPORT SERVICE LOSSES BY REGION. In August 2007, scheduled seats at non-hub airports in the Midwest and Northwest regions were lower by 28 percent and 26 percent, respectively, compared to August 2000. Over the same time, scheduled seats declined by 17 percent in the South and 12 percent in the West. However, scheduled seats in all four regions have increased between August 2006 and August 2007. ***[Figure 36]***

Figure 36: Regional Differences in Service at Non-Hubs Percent Change in Available Seats at Non-Hub Airports August 2007 vs. August 2000 (FAA Data)



ESSENTIAL AIR SERVICE. In recent years, a growing number of communities have received subsidies under the Essential Air Service (EAS) program. EAS provided funds for subsidies to air carriers to serve 145 communities in FY 2007, up from 115 communities in FY 2001. Similarly, funding has increased, from $50 million in FY 2001 to $109.4 million in FY 2007. For FY 2008, the Administration requested $50 million for the program. ***[Figure 37]***

Figure 37: Essential Air Service
Funding and Subsidized Communities FY 2001 - FY 2008 (DOT Data)

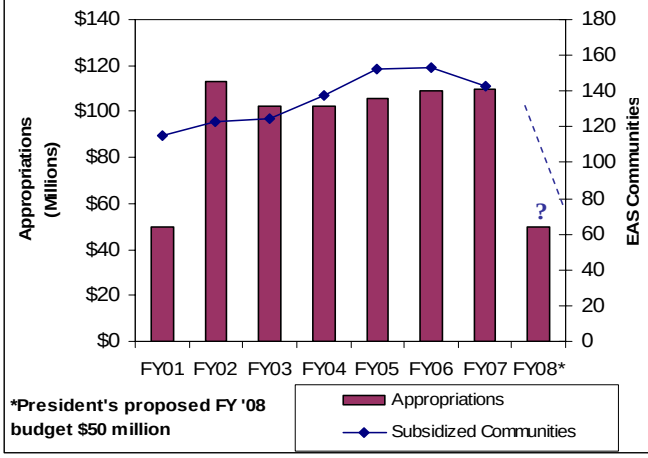


Exhibit A. Summary of Airline Industry Metrics

EXHIBIT B. SCOPE AND METHODOLOGY

Data represented graphically in the report were collected from the following primary sources: the Air Transport Association (ATA), the Federal Aviation Administration (FAA), the Bureau of Transportation Statistics (BTS), and the Office of Aviation Analyses (OAA). The ATA is a trade association of U.S. certificated air carriers. FAA, BTS, and OAA are organizations within the Department of Transportation. These sources were used to perform the analyses detailed below.

We note that we did not systematically audit or validate the data contained in any of the databases. However, we conducted trend analyses and sporadic checks of the data to assess reasonableness and comprehensiveness. When our judgmental sampling identified anomalies or apparent limitations in the data, we held discussions with managers responsible for maintaining the databases to understand and attempt to resolve the inconsistencies. Consequently, we did not perform sufficient tests to draw conclusions or form an opinion on the completeness or accuracy of the data sources.

We met periodically with staff from ATA, FAA, BTS, and OAA to discuss data issues and obtain feedback on modifications we made to existing data in order to more accurately represent industry trends. We used a definition of a regional jet based on size, operational, and ownership criteria that differ from those used by other industry and government entities. We sought feedback on the definition and adjusted data sets to reflect our revised definition. In addition, we classified our set of low-cost carriers to include America West Airlines, whose costs per available seat mile are consistent with other low-cost carriers. In some of our prior reports on industry conditions, we included America West Airlines as a network carrier.

A. Analyses Performed With ATA Data

Financial and statistical analyses of history, trends, status, and performance of fuel expenses and unit revenues, utilized financial, traffic, and operational statistics obtained from ATA sources.

1. ATA Monthly Passenger Yield Report. A collection of current and historic airline yield statistics (passenger revenue per revenue passenger-mile). Scope: selected member airlines of the ATA, 2000 through October 2007.[6]

[6] Data for "Domestic Yield for Seven Major Airlines" (Figure 25) includes the following major network air carriers: Alaska Airlines, American Airlines, Continental Airlines, Delta Airlines, Northwest Airlines, United Airlines, and US Airways (includes America West).

2. ATA Monthly Fuel Report. A publication of monthly airline fuel consumption and cost data collected and reported by BTS. Scope: all U.S. certificated airlines required to report fuel cost and consumption reports (DOT Form 41, Schedule P-12), 2001 through September 2007.[7]

B. Analyses Performed With BTS Data

Financial and statistical analyses of history, trends, status and performance of financial condition, net profits and losses, debt and investment, load factors, and business and leisure travel characteristics, utilized financial, traffic, operational statistics, and passenger ticket survey information obtained from BTS sources.

1. Air Carrier Financial Statistics. A compilation of financial reports submitted by air carriers as required under Title 14 Code of Federal Regulations (CFR) Part 241 (Form 41) and by hardcopy in the public reference room of the Office of Airline Information. Scope: all certificated U.S. air carriers, 2001 through the quarter ended September 30, 2007.

2. Air Carrier Traffic Statistics. A compilation of traffic and capacity reports submitted by air carriers as required under 14 CFR Part 241 (Form 41). Scope: all certificated U.S. air carriers (passenger and cargo), commuter air carriers, and foreign air carriers operating to and from the United States, 2000 through September 2007.

3. Origin and Destination Survey of Passenger Travel (O&D Survey). A compilation of surveyed ticket information submitted quarterly as required under 14 CFR Part 241 (Form 41). Scope: 10 percent sample of tickets used by passengers, 2000 through the second quarter 2007.

C. Analyses Performed With DOT-OAA Data

Financial and statistical analyses of history, trends, status and performance of airline revenues, expenses, profits, traffic, capacity and the Essential Air Service Program utilized financial, traffic and operational statistics obtained from DOT sources.

1. Airlines Quarterly Financial Review. A quarterly report analyzing the financial and operating performance and condition of the major airlines in the U.S. prepared using financial and traffic statistics reported to BTS by

[7] Data for "Cost per Gallon Domestic Jet Fuel" (Figure 32) include all major, national, and large regional U.S. airlines that report to DOT.

the airlines. Scope: 18 major air carriers (18 passenger and 2 all-cargo carriers), 2001 through the third quarter 2007.

2. Essential Air Service Program (EAS). Information on EAS budgets and number of communities served was supplied to the OIG by EAS program administrators. Scope: budget and program activity for Fiscal Years 2001 through 2007 as well as the Administration's budget proposal for Fiscal Year 2008 and figures for full House and Senate committee appropriations for EAS.

3. Domestic Airline Fares Consumer Report. Table 6 of this quarterly report supplies the average air fare paid by passengers traveling in distinct airport-pair markets with an average of 10 or more daily passengers. This report was prepared using the DOT domestic edition of the Origin and Destination Survey of Passenger Travel (O&D Survey). Scope: A 10 percent sample of tickets of passengers traveling on domestic flights within the 48 states, quarterly from 2000 through the second quarter 2007.

D. Analyses Performed With FAA Data

Air Traffic Control (ATC) delay and operational statistics as well as airline flight schedule data obtained from FAA sources were used in statistical analyses of history, trends, status and performance of air traffic control management and delays; airline scheduled capacity, operations and market share; aircraft type usage; and the Aviation Airport and Airway Trust Fund.

1. Flight Schedule Data System (FSDS). A database of published airline flight schedules. Scope: nationwide, 2000 through August 2007.

2. Aviation System Performance Metrics (ASPM). A database of FAA air traffic control performance measures including delays, cancellations, operations, and causes for delays. Scope: 55 major airports across the country and all air route traffic control centers, 2000 through September 2007.

3. Operations Net (OPSNET) – Center. A database of air route traffic control center aircraft movement operations handled by the various air route traffic control centers. Scope: 22 air route traffic control centers, 2000 through September 2007.

4. Aviation Airport and Airway Trust Fund The OIG obtained actual and estimated revenues for the Trust Fund from the FAA. Scope: actual revenues and uncommitted Trust Fund balances for Fiscal Years 2001

through and 2006; estimates of revenue and uncommitted Trust Fund balances for Fiscal Year 2006 and 2007.

Terms and Definitions for the Current Report

Business Travel – Business travel is measured by the percent of ticket coupons in the Origin and Destination Survey of Passenger Travel with fare codes that are typically used in business travel compared to all ticket coupons used. Fare codes typically used for business travel include restricted and unrestricted first and business class travel and unrestricted coach class travel. The count of business fare code ticket coupons in the O&D Survey excludes restricted "first class" fare coded ticket coupons from the business category for carriers with single class service.

Hub Airport – A ranking designation of U.S. airports by the FAA based upon the airport's percentage share of total passenger enplanements at all U.S. airports. The FAA categorizes airports based on the following criteria:

Percentage of Annual Passenger Enplanements in the U.S. by Hub Type:

Large Hub	1.0% or more of total enplanements
Medium Hub	at least 0.25%, but less than 1%
Small Hub	at least 0.05%, but less than 0.25%
Non-hub	at least 2,500, but less than 0.05%

Large Jet – For the purposes of the Aviation Industry Performance report, large jets are all commercially operated jet transport aircraft other than those defined as regional jets.

Low-cost Carrier – For the purposes of the Aviation Industry Performance report, the category low-cost carrier includes: AirTran, America West, American Trans Air (ATA), Frontier Airlines, JetBlue Airways, National Airlines, Pan American Airways, Southwest Airlines, Spirit Airlines, Sun Country, and Vanguard Airlines. However, Vanguard Airlines and National Airlines ceased operations in July 2002 and November 2002, respectively; Pan American ceased operations in 1998.

Major passenger airline – Except where noted, for the Aviation Industry Performance report, the category major passenger airline includes: AirTran Airways, Alaska Airlines, America West Airlines, American Airlines, American Eagle Airlines, ATA, Inc., Atlantic Southeast Airlines, Comair, Continental Airlines, Delta Air Lines, ExpressJet, JetBlue, Northwest Airlines, SkyWest, Southwest Airlines, United Airlines, and US Airways. AirTran, Atlantic Southeast, and Skywest were added to the list in the first quarter of 2006.

Network airline – For the purposes of the Aviation Industry Performance report, the category network airline includes: Alaska Airlines, American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, United Airlines, and US Airways. For the purposes of consistency over time, the financial and operating statistics for the former Trans World Airlines have been merged with those of the acquirer American Airlines.

Other airlines – Except where noted, for the purposes of Aviation Industry Performance report, the category other airlines includes all scheduled U.S. airlines not included in the network and low-cost categories (mostly smaller scheduled regional, commuter, and national airlines which are affiliated with the major network carriers).

Regional carrier – An entity whose fleet is principally comprised of aircraft configured with fewer than 100 seats, operated within a limited geographic scope (may have multiple regions, though not interlinked across the country under its own single brand), principally serving hub-and-spoke networks, and conducting most of its operations under the affiliation(s) of larger branded airlines (network carriers). For the purposes of this report, we also consider internal mainline operating units that are principally involved in regional operations as regional carriers.

Regional Jet (RJ) – All turbofan jet-powered aircraft configured to seat 77 or fewer passengers, and operated by either a regional or network carrier. All turbofan jet-powered aircraft configured to seat between 78 and 100 passengers and operated by regional carriers.

Regions – For purposes of the airline performance report, the Nation was delineated into four regions composed of states and the District of Columbia: Northeast: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania; Midwest: Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas; South Region: Delaware, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, Texas and District of Columbia; West: Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Washington, Oregon, California, Alaska, and Hawaii.

EXHIBIT C. MAJOR CONTRIBUTORS TO THIS REPORT

The following individuals contributed to this report.

Name	Title
Mitch Behm	Program Director
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Ralph W. Morris	Economist
Andrew Sourlis	Analyst
Stephen G. Smith	Transportation Analyst
Darlisa Crawford	Writer-Editor
Andrea Nossaman	Writer-Editor

The following pages contain textual versions of the graphs and charts contained in this document. These pages were not a part of the original document but have been added here to accommodate assistive technology.

Aviation Industry Performance
A Review of Summer 2007 Aviation System Performance
Section 508 Compliant Presentation

Figure 1: Actual Flight Operations
Percent Change from 2000 in Air Route Traffic Control Operations (FAA Data)

Month	2001 Percent Change in Operations	2002 Percent Change in Operations	2003 Percent Change in Operations	2004 Percent Change in Operations	2005 Percent Change in Operations	Percent 2006 Change in Operations	Percent 2007 Change in Operations
January	5%	-3%	0%	2%	5%	3%	5%
March	-4%	-8%	-10%	0%	0%	-4%	-3%
March	-2%	-7%	-7%	1%	4%	0%	1%
April	0%	-3%	-5%	3%	4%	1%	2%
May	-1%	-4%	-7%	-1%	3%	0%	1%
June	-3%	-4%	-6%	1%	4%	0%	2%
July	1%	-1%	-2%	3%	4%	1%	3%
August	0%	-4%	-6%	1%	2%	0%	1%
September	-16%	-5%	-5%	0%	2%	-1%	-1%
October	-8%	-4%	-3%	1%	-2%	-1%	
November	-8%	-7%	-4%	2%	0%	1%	
December	-5%	-1%	3%	7%	5%	6%	

Note: September 2001 Actual Flight Operations Down 16 Percent
Note: All percentages are rounded

Figure 2: Number of Flights with Delayed Arrivals
(FAA Data-All Airlines, 55 Major Airports)

Month	2000 Arrival Delays	2006 Arrival Delays	2007 Arrival Delays
January	158,982	152,330	183,227
February	152,326	150,099	192,067
March	154,507	168,493	197,887
April	154,472	149,272	169,517

MAY	160,781	152,815	162,228
June	200,301	182,383	210,521
July	183,866	181,964	209,101
August	195,624	174,675	210,006
September	150,585	160,421	129,929
October	167,005	186,872	
November	179,700	165,951	
December	235,929	196,409	

Note: Arrival delays for summer months 2007 are up 15% versus summer months in 2006.

Figure 3: Cancellations
(FAA Data-All major airlines, 55 major airports)

Month	2000 Cancellations	2006 Cancellations	2007 Cancellations
JANUARY	21,170	12,219	16,105
February	13,074	13,371	26,768
March	8,859	9,424	18,697
April	10,050	7,804	12,830
May	14,474	8,922	8,473
June	16,214	12,709	18,959
July	13,458	13,151	15,152
August	13,284	11,536	13,799
September	16,507	11,694	8,151
October	17,943	12,765	
November	17,511	12,429	
December	42,675	19,507	

Note: Cancellations for summer months 2007 are up 28% versus summer months in 2006.
Note: Cancellations for February and March 2007 are up 100% and 98% versus February and March 2006.

Figure 4: Percent of Flights Arriving Late
(FAA All major airlines, 55 major airports)

Month	2000	2006	2007
JANUARY	25%	23%	27%
February	24%	25%	31%
March	22%	24%	28%
April	23%	22%	25%
May	23%	22%	23%
June	30%	27%	31%
July	27%	26%	30%
August	28%	24%	28%
September	23%	24%	20%
October	24%	27%	
November	27%	25%	
December	36%	29%	

Note: Percent of Flights Arriving Late during summer months 2007 are up 14% versus summer months 2006.
Note: All Percentages are rounded

Figure 5: Length of Arrival Delays
(FAA Data All airlines, 55 major airports)

Month	2000 (In Minutes)	2006 (In Minutes)	2007 (In Minutes)
JANUARY	49	52	52
February	49	50	56
March	48	51	57
April	49	50	54
May	53	51	52
June	55	58	62
July	54	58	59
August	52	53	58
September	49	54	51
October	48	54	
November	48	52	
December	55	55	

Note: Arrivals Delayed 60 Minutes during summer months 2007 versus 56 minutes during summer months 2006.
Note: All numbers are rounded

Figure 6: Most Significant Changes in Arrival Delays by Airport
Percent Change in Arrival Delays for Summer 2007 versus 2006 (FAA Data)

Airport	Percent Change
Dallas/Ft. Worth	57%
Ft. Lauderdale	46%
Dallas Love	43%
Newark	-3%
San Juan	-5%
Louisville	-10%

Figure 7: Passenger Enplanements 2000-2006
Scheduled Service System-Wide (DOT Data)

Year	Number of Enplanements (millions)
2000	698.9
2001	652.9
2002	641.0
2003	647.5
2004	703.7
2005	738.6
2006	744.6

Figure 8: Domestic Revenue Passenger-Miles and Available Seat-Miles from 2000-2007 (BTS Data)

Quarter Year	Traffic (Revenue Passenger-Miles) in billions	Capacity (Available Seat-Miles) in billions
First Quarter 2000	123	184
Second Quarter 2000	139	186
Third Quarter 2000	140	193
Fourth Quarter 2000	129	189
First Quarter 2001	125	187
Second Quarter 2001	138	193
Third Quarter 2001	131	188
Fourth Quarter 2001	108	165
First Quarter 2002	114	168

Second Quarter 2002	**129**	**180**
Third Quarter 2002	**134**	**188**
Fourth Quarter 2002	**122**	**178**
First Quarter 2003	**118**	**173**
Second Quarter 2003	**130**	**175**
Third Quarter 2003	**138**	**183**
Fourth Quarter 2003	**129**	**182**
First Quarter 2004	**130**	**186**
Second Quarter 2004	**147**	**192**
Third Quarter 2004	**151**	**196**
Fourth Quarter 2004	**140**	**192**
First Quarter 2005	**139**	**189**
Second Quarter 2005	**155**	**197**
Third Quarter 2005	**158**	**200**
Fourth Quarter 2005	**143**	**189**
First Quarter 2006	**141**	**184**
Second Quarter 2006	**156**	**191**
Third Quarter 2006	**156**	**196**
Fourth Quarter 2006	**146**	**190**
First Quarter 2007	**143**	**188**
Second Quarter 2007	**161**	**195**
Third Quarter 2007	**164**	**199**

Note: Capacity trend line increasing steadily from first quarter 2000 to third quarter 2007. The traffic trend line is increasing at a more rapid rate for this same time period.
Note: Third quarter of 2000, the load factor was 73 percent. The load factor in the third quarter of 2007 was 82 percent.
Note: All numbers are rounded

Figure 9: Domestic and International Revenue Passenger-Miles From 2000-2007 (BTS Data)

Quarter Year	Domestic Traffic (Revenue Passenger-Miles) in billions	International Traffic (Revenue Passenger-Miles) in billions
First Quarter 2000	**123**	**95**
Second Quarter 2000	**139**	**115**
Third Quarter 2000	**140**	**126**
Fourth Quarter 2000	**129**	**102**
First Quarter 2001	**125**	**98**
Second Quarter 2001	**138**	**112**

Third Quarter 2001	**131**	**111**
Fourth Quarter 2001	**108**	**72**
First Quarter 2002	**114**	**83**
Second Quarter 2002	**129**	**95**
Third Quarter 2002	**134**	**104**
Fourth Quarter 2002	**122**	**90**
First Quarter 2003	**118**	**85**
Second Quarter 2003	**130**	**85**
Third Quarter 2003	**138**	**105**
Fourth Quarter 2003	**129**	**94**
First Quarter 2004	**130**	**94**
Second Quarter 2004	**147**	**107**
Third Quarter 2004	**151**	**117**
Fourth Quarter 2004	**140**	**100**
First Quarter 2005	**139**	**102**
Second Quarter 2005	**155**	**115**
Third Quarter 2005	**158**	**125**
Fourth Quarter 2005	**143**	**104**
First Quarter 2006	**141**	**103**
Second Quarter 2006	**156**	**121**
Third Quarter 2006	**156**	**128**
Fourth Quarter 2006	**146**	**110**
First Quarter 2007	**143**	**107**
Second Quarter 2007	**161**	**125**
Third Quarter 2007	**164**	**134**

Note: The trend line for international traffic is increasing very slightly from first quarter 2000 to first quarter 2006. The traffic trend line for domestic is increasing at a more rapid rate for this same time period.
Note: All numbers are rounded

Figure 10: International Passenger Traffic Quarterly Revenue Passenger-Miles From 2000 to 2007 BTS Data

Quarter Year	Latin Traffic (Revenue Passenger-Miles) in billions	Atlantic Traffic (Revenue Passenger-Miles) in billions	Pacific Traffic (Revenue Passenger-Miles) in billions
First Quarter 2000	**18**	**45**	**31**
Second Quarter 2000	**17**	**63**	**35**
Third Quarter 2000	**19**	**69**	**38**

Fourth Quarter 2000	16	52	34
First Quarter 2001	19	46	33
Second Quarter 2001	17	61	34
Third Quarter 2001	16	60	34
Fourth Quarter 2001	13	37	22
First Quarter 2002	16	39	29
Second Quarter 2002	15	50	30
Third Quarter 2002	16	56	33
Fourth Quarter 2002	14	46	30
First Quarter 2003	17	39	29
Second Quarter 2003	15	49	21
Third Quarter 2003	17	58	30
Fourth Quarter 2003	15	48	30
First Quarter 2004	19	44	31
Second Quarter 2004	17	57	33
Third Quarter 2004	19	63	35
Fourth Quarter 2004	17	51	32
First Quarter 2005	21	47	34
Second Quarter 2005	19	60	36
Third Quarter 2005	20	67	38
Fourth Quarter 2005	17	52	35
First Quarter 2006	22	46	35
Second Quarter 2006	20	63	37
Third Quarter 2006	20	69	39
Fourth Quarter 2006	16	58	36
First Quarter 2007	22	48	36
Second Quarter 2007	21	66	38
Third Quarter 2007	22	74	38

Note: The September 11th impact had a sharp downward affect on all three areas (Latin, Atlantic and Pacific) in the fourth quarter of 2001.
Note: The SARS epidemic had a negative impact in second quarter, 2003 RPMs for the Pacific region.
Note: All numbers are rounded

Figure 11: Nine Major Airlines Reported Arrivals
Percent Change in Actual Arrivals by Airline August 2007 versus August 2000 (FAA Data 55 major airports)

Airline	Percentage Change
Southwest	30%

Alaska	**15%**
America West	**-6%**
Northwest	**-25%**
Continental	**-7%**
Delta	**-37%**
American	**-33%**
US Airways	**-54%**
United	**-30%**

Note: All percentages are rounded

Figure 12: Regional Differences in Capacity in All Airports
Percent Change in Available Seats at All Airports August 2007 versus August 2000 (FAA Data)

Region	Percent Change in Available Seats
Northeast (includes Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont)	**-17%**
Midwest (includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin)	**-22%**
West (includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming)	**-5%**
South (includes Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia)	**-5%**
National Average	**-11%**

Note: All percentages are rounded.

Figure 13: Change in Capacity at Large Airports. Percent Change in Scheduled Flights and Available Seats at the 31 Largest Airports August 2007 versus August 2000 (FAA Data).

Airports	Percent Change in Scheduled Flights 8/07 vs. 8/00	Percent Change in Scheduled Seats 8/07 vs. 8/00
Kennedy	23%	46%
Fort Lauderdale	18%	28%
Las Vegas	27%	24%
Orlando	7%	19%
San Diego	15%	14%
Denver	22%	13%
Charlotte	16%	7%
Tampa	-9%	5%
Baltimore	-5%	3%
Houston	23%	3%
Salt Lake City	30%	1%
Philadelphia	5%	-1%
Atlanta	13%	-4%
Seattle	-18%	-4%
Phoenix	-5%	-4%
Reagan National	5%	-5%
Dulles	-29%	-9%
LaGuardia	5%	-11%
Honolulu	-5%	-12%
Detroit	-7%	-13%
Chicago O'Hare	1%	-14%
Minneapolis	-13%	-16%
Dallas-Fort Worth	-18%	-16%
Newark	-7%	-18%
Miami	-23%	-20%
Los Angeles	-18%	-20%
Boston	-25%	-22%
San Francisco	-19%	-24%
Cincinnati	-22%	-41%
St. Louis	-48%	-56%
Pittsburgh	-58%	-60%

Note: All percentages are rounded

Figure 14: Length of Domestic Flights
Percent Change in Scheduled Flights by Length of Flight

August 2007 versus August 2000 (FAA Data)

Range in Miles	Percent Change in Flights
0 to 249 miles	-34%
250 to 499 miles	-9%
500 to 999 miles	22%
1,000 miles or more	14%

Figure 15: Short-Haul Flights: Seats by Type of Airline
Available Seats on Flights Less Than 250 Miles
August 2007 versus August 2000 (FAA Data)

Carrier Type	August 2000	August 2007
Network	6.2 million	2.8 million
Regionals And Others	9.8 million	7.4 million
Low-Cost	2.4 million	2.2 million

Figure 16: Domestic and International Air Cargo Traffic. Quarterly Revenue Ton-Miles From First Quarter of 2003 trough Third Quarter of 2007. BTS Data.

Quarter Year	Domestic Traffic (Revenue Ton-Miles) in billions	International Traffic (Revenue Ton-Miles) in billions
First Quarter 2003	4	8
Second Quarter 2003	5	8
Third Quarter 2003	5	8
Fourth Quarter 2003	5	9
First Quarter 2004	5	8
Second Quarter 2004	5	9
Third Quarter 2004	5	9
Fourth Quarter 2004	6	10
First Quarter 2005	5	9
Second Quarter 2005	5	9
Third Quarter 2005	5	9
Fourth Quarter 2005	6	10

First Quarter 2006	5	9
Second Quarter 2006	5	10
Third Quarter 2006	5	10
Fourth Quarter 2006	6	11
First Quarter 2007	5	10
Second Quarter 2007	5	10
Third Quarter 2007	5	10

Note: All numbers are rounded

Figure 17: Domestic Market Share by Seller Carrier Group
Airline Market Share of Scheduled Available Seats
August 2000, August 2006, and August 2007 (FAA Data)

Carrier Type	August 2000	August 2006	August 2007
Network	72%	68%	66%
Low-Cost	20%	28%	29%
Others	8%	4%	5%

Note: All percentages are rounded.

Figure 18: Share of Low-Cost Carrier Service Growth
Airline Share of Service by Scheduled Available Seats, August 2007 (FAA Data)

Low-Cost Airline	Service Growth Percentage
Southwest	38%
JetBlue	27%
AirTran	22%
Frontier	10%
Spirit	3%

Note: All percentages are rounded.

Figure 19: Market Share of Low Cost Carrier Service
Airline Share of Growth by Scheduled Available Seats, August 2000 to August 2007 (FAA Data)

Low- Cost Airline	Market Share Percentages
Southwest	58%
JetBlue	10%
AirTran	12%
Frontier	5%
America West	10%
Spirit	2%
Sun Country	1%
American Trans Air	1%

Note: All percentages are rounded.

Figure 20: Market Share by Aircraft Type
Percent Share of Scheduled Flights by Type of Aircraft August 2000, 2006, and 2007 (FAA Data)

Aircraft Type	August 2000	August 2006	August 2007
Large Jets	56%	49%	49%
Regional Jets	10%	33%	33%
Non-Jet	34%	18%	17%

Note: All percentages are rounded.

Note: Numbers are rounded

Figure 21: Revenues versus Expenses
Major Passenger Carriers Operating Revenues and Operating Expenses First Quarter 2001 through Third Quarter 2007 (DOT Data)

Quarter	Operating Revenues In Billions	Operating Expenses In Billions
First Quarter 2001	$23.3	$24.1
Second Quarter 2001	$24.3	$25.0
Third Quarter 2001	$21.2	$24.4

Fourth Quarter 2001	$16.6	$20.9
First Quarter 2002	$18.2	$20.9
Second Quarter 2002	$20.4	$21.9
Third Quarter 2002	$20.2	$22.6
Fourth Quarter 2002	$18.8	$21.7
First Quarter 2003	$19.2	$22.2
Second Quarter 2003	$20.3	$21.0
Third Quarter 2003	$21.9	$21.3
Fourth Quarter 2003	$21.0	$21.7
First Quarter 2004	$22.0	$23.0
Second Quarter 2004	$24.7	$23.3
Third Quarter 2004	$24.9	$24.3
Fourth Quarter 2004	$23.4	$25.5
First Quarter 2005	$23.9	$25.4
Second Quarter 2005	$27.2	$26.7
Third Quarter 2005	$28.1	$28.0
Fourth Quarter 2005	$26.3	$27.7
First Quarter 2006	$27.6	$28.0
Second Quarter 2006	$33.2	$29.6
Third Quarter 2006	$32.1	$30.4
Fourth Quarter 2006	$29.3	$28.6
First Quarter 2007	$28.9	$28.1
Second Quarter 2007	$33.2	$30.2
Third Quarter 2007	$34.7	$31.9

Note: All amounts are rounded

Figure 22: Selected Network and Low-Cost Airlines Operating Profit or Loss System Operations for Quarter Ending September 30, 2007 (DOT Data)

Airline	Profit or Loss (In Millions)
Southwest	$251.5
America West	$-40.4
JetBlue	$76.8
Frontier	$22.8
Spirit	$7.7
Air Tran	$38.5
American	$264.6
Alaska	$111.8
US Airways	$243.1

Continental	$250.1
United	$635.4
Northwest	$459.3
Delta	$421.8

Figure 23: Accumulated Net Losses and Gains
First Quarter 2001 Cumulatively through Third Quarter 2007
(DOT Data)

Quarter Year	Network Carriers Cumulative Sum Dollars in Billions	Low-Cost Carriers Cumulative Sum Dollars in Billions
First Quarter 2001	-$1	$0.1
Second Quarter 2001	-$1.8	$0.2
Third Quarter 2001	-$4.2	$0.3
Fourth Quarter 2001	-$7.4	$0.2
First Quarter 2002	-$10.4	-$0.2
Second Quarter 2002	-$11.9	-$0.2
Third Quarter 2002	-$14.5	-$0.2
Fourth Quarter 2002	-$18.5	-$0.3
First Quarter 2003	-$20.4	-$0.3
Second Quarter 2003	-$20.7	$0.2
Third Quarter 2003	-$21.2	$0.3
Fourth Quarter 2003	-$21.8	$0.4
First Quarter 2004	-$23.4	$0.4
Second Quarter 2004	-$25.8	$0.5
Third Quarter 2004	-$27.2	$0.5
Fourth Quarter 2004	-$29.7	-$0.1
First Quarter 2005	-$32.8	-$0.3
Second Quarter 2005	$34.8	-$0.2
Third Quarter 2005	$37.5	-$0.2
Fourth Quarter 2005	$57.6	-$0.5
First Quarter 2006	$38.5	$1.0
Second Quarter 2006	$40.0	$1.4
Third Quarter 2006	$40.7	$1.3
Fourth Quarter 2006	$42.9	$1.2
First Quarter 2007	$43.3	$1.3
Second Quarter 2007	$38.0	$1.6
Third Quarter 2007	$36.5	$1.8

Note: Fourth Quarter 2005 - Since the first quarter of 2001 Network Carriers Have Accumulated Net Losses of 58 billion Dollars
Note: Third Quarter 2007 - Since the first quarter of 2001 Network Carriers Have Accumulated Net Losses of 37 billion Dollars
Note: Third Quarter 2007 - Since the first quarter of 2001 Low-Cost Carriers Have Accumulated $1.8 billion Dollars in Net Income.
Note: Numbers are rounded

Figure 24: Cost per Available Seat Mile (CASM)
First Quarter 2001 through Third Quarter 2007
(DOT Domestic Quarterly Data)

Quarter Year	Network Carriers	Low-Cost Carriers
First Quarter 2001	11.4¢	8.0¢
Second Quarter 2001	11.2¢	8.0¢
Third Quarter 2001	11.7¢	7.8¢
Fourth Quarter 2001	11.7¢	8.1¢
First Quarter 2002	11.2¢	7.6¢
Second Quarter 2002	10.9¢	7.6¢
Third Quarter 2002	10.7¢	7.4¢
Fourth Quarter 2002	11.1¢	7.5¢
First Quarter 2003	11.5¢	7.6¢
Second Quarter 2003	10.8¢	7.5¢
Third Quarter 2003	10.2¢	7.3 ¢
Fourth Quarter 2003	10.7¢	7.5¢
First Quarter 2004	10.7¢	7.6¢
Second Quarter 2004	10.4¢	7.7¢
Third Quarter 2004	10.4¢	7.5¢
Fourth Quarter 2004	10.9¢	8.6¢
First Quarter 2005	10.8¢	8.4¢
Second Quarter 2005	10.6¢	8.1¢
Third Quarter 2005	11.0¢	8.5¢
Fourth Quarter 2005	11.7¢	8.7¢
First Quarter 2006	11.6¢	8.8¢
Second Quarter 2006	11.4¢	9.2¢
Third Quarter 2006	11.4¢	9.3¢
Fourth Quarter 2006	11.4¢	9.1¢
First Quarter 2007	11.4¢	8.9¢
Second Quarter 2007	11.7¢	9.1¢
Third Quarter 2007	11.8¢	9.2¢

Note: All amounts are rounded

Figure 25: Domestic Yield for Seven Major Airlines
Percent Change in Airline Yield from 2000 (ATA Data)

Month	2001 % Change in Yield	2002 % Change in Yield	2003 % Change in Yield	2004 % Change in Yield	2005 % Change in Yield	2006 % Change in Yield	2007 % Change in Yield
Jan	4%	-13%	-15%	-15%	-21%	-14%	-15%
Feb	0%	-13%	-17%	-17%	-24%	-14%	-16%
Mar	-3%	-15%	-18%	-17%	-21%	-13%	-12%
Apr	-3%	-14%	-18%	-17%	-20%	-10%	-12%
May	-7%	-16%	-19%	-21%	-21%	-12%	-13%
June	-9%	-17%	-19%	-21%	-18%	-8%	-8%
July	-9%	-18%	-15%	-18%	-14%	-4%	-3%
Aug	-13%	-21%	-17%	-22%	-18%	-9%	-6%
Sept	-18%	-17%	-16%	-26%	-20%	-14%	-14%
Oct	-19%	-18%	-18%	-27%	-21%	-17%	-14%
Nov	-16%	-20%	-18%	-22%	-16%	-14%	
Dec	-15%	-16%	-14%	-21%	-15%	-14%	

Figure 26: Average Short-. Medium-, and Long-Haul Fares Second Quarter 2000-2007
Fares for 300 mi, 1000 mi, and 1500 mi average distances (DOT Data)

Fiscal Year	Short Haul	Medium Haul	Long Haul
2000	$116	$177	$226
2001	$99	$154	$195
2002	$106	$162	$196
2003	$112	$161	$195
2004	$109	$154	$182
2005	$119	$162	$197

Figure 27: Use of Business Fares
Passengers Using Business Fares as a Percent of All Passengers First Quarter 2000 through Second Quarter 2007 (BTS Data)

Quarter	Percent of Passengers Using Business Fares

First Quarter 2000	21%
Second Quarter 2000	19%
Third Quarter 2000	18%
Fourth Quarter 2000	16%
First Quarter 2001	15%
Second Quarter 2001	14%
Third Quarter 2001	12%
Fourth Quarter 2001	12%
First Quarter 2002	13%
Second Quarter 2002	12%
Third Quarter 2002	12%
Fourth Quarter 2002	13%
First Quarter 2003	14%
Second Quarter 2003	14%
Third Quarter 2003	14%
Fourth Quarter 2003	14%
First Quarter 2004	13%
Second Quarter 2004	12%
Third Quarter 2004	12%
Fourth Quarter 2004	12%
First Quarter 2005	11%
Second Quarter 2005	10%
Third Quarter 2005	10%
Fourth Quarter 2005	10%
First Quarter 2006	10%
Second Quarter 2006	11%
Third Quarter 2006	11%
Fourth Quarter 2006	12%
First Quarter 2007	12%
Second Quarter 2007	11%

Figure 28: Passenger Load Factors
Actual versus Breakeven Percentages Fourth Quarter 2000 through Third Quarter 2007 (DOT Data)

Quarter	Actual Load Factor	Breakeven Load Factor
First Quarter 2000	69%	68%

Second Quarter 2000	76%	67%
Third Quarter 2000	76%	71%
Fourth Quarter 2000	70%	72%
First Quarter 2001	68%	74%
Second Quarter 2001	74%	76%
Third Quarter 2001	72%	88%
Fourth Quarter 2001	66%	90%
First Quarter 2002	70%	85%
Second Quarter 2002	74%	83%
Third Quarter 2002	74%	87%
Fourth Quarter 2002	71%	86%
First Quarter 2003	69%	84%
Second Quarter 2003	75%	79%
Third Quarter 2003	78%	75%
Fourth Quarter 2003	73%	77%
First Quarter 2004	72%	75%
Second Quarter 2004	78%	77%
Third Quarter 2004	79%	83%
Fourth Quarter 2004	75%	88%
First Quarter 2005	75%	83%
Second Quarter 2005	80%	80%
Third Quarter 2005	81%	83%
Fourth Quarter 2005	77%	86%
First Quarter 2006	77%	82%
Second Quarter 2006	82%	77%
Third Quarter 2006	81%	79%
Fourth Quarter 2006	78%	79%
First Quarter 2007	77%	78%
Second Quarter 2007	83%	78%
Third Quarter 2007	83%	78%

Note: All percentages are rounded.

Figure 29: Actual Airline Load Factors
Actual Percentages for Third Quarter 2007 (DOT Data)

Airline	Actual Load Factor
Southwest	76.5%

Delta	83.9%
America West	84.0%
American	83.9%
Continental	84.7%
Northwest	87.2%
United	84.7%
US Airways	83.2%
Alaska	79.8%
JetBlue	82.1%

Figure 30: Debt-to-Investment Ratio All Major Airlines
First Quarter 2001 through Third Quarter 2007 (DOT Data)

Quarter	Ratio (Percentage)
First Quarter 2001	54%
Second Quarter 2001	54%
Third Quarter 2001	60%
Fourth Quarter 2001	66%
First Quarter 2002	67%
Second Quarter 2002	69%
Third Quarter 2002	73%
Fourth Quarter 2002	87%
First Quarter 2003	89%
Second Quarter 2003	90%
Third Quarter 2003	91%
Fourth Quarter 2003	91%
First Quarter 2004	93%
Second Quarter 2004	96%
Third Quarter 2004	98%
Fourth Quarter 2004	102%
First Quarter 2005	107%
Second Quarter 2005	110%
Third Quarter 2005	122%
Fourth Quarter 2005	207%
First Quarter 2006	102%
Second Quarter 2006	104%
Third Quarter 2006	106%

Fourth Quarter 2006	106%
First Quarter 2007	106%
Second Quarter 2007	69%
Third Quarter 2007	61%

Note: All percentages are rounded

Figure 31: Debt-to-Investment Ratio by Airline
For the Quarter Ending September 30, 2007 (DOT Data)

Airlines	Ratio (Percentage)
Southwest	20.1%
Alaska	59%
America West	2.2%
Northwest	47.7%
Continental	80.1%
American	104.0%
US Airways	44.3%
Delta	45.9%
United	78.2%

Figure 32: Jet Fuel Cost Per Gallon (ATA Data Domestic Fuel Costs)

Month	2001 Average Cost	2002 Average Cost	2003 Average Cost	2004 Average Cost	2005 Average Cost	2006 Average Cost	2007 Average Cost
January	$0.86	$0.60	$0.84	$0.95	$1.31	$1.79	$1.81
February	$0.85	$0.62	$0.88	$0.97	$1.32	$1.82	$1.75
March	$0.80	$0.62	$1.05	$0.98	$1.45	$1.81	$1.82
April	$0.77	$0.69	$0.83	$1.00	$1.56	$1.90	$1.94
May	$0.78	$0.70	$0.76	$1.08	$1.52	$2.05	$2.04
June	$0.81	$0.67	$0.75	$1.07	$1.56	$2.06	$2.03
July	$0.77	$0.71	$0.78	$1.10	$1.61	$2.08	$2.09
August	$0.77	$0.72	$0.83	$1.18	$1.79	$2.13	$2.12
September	$0.79	$0.77	$0.80	$1.24	$1.90	$1.99	$2.11
October	$0.71	$0.81	$0.82	$1.38	$2.15	$1.87	
November	$0.66	$0.77	$0.84	$1.37	$1.86	$1.80	

December	$0.57	$0.76	$0.88	$1.27	$1.70	$1.86	

Note: December 2001 $0.57.
Note: September 2007 $2.11.
Note: Numbers are rounded

Figure 33: Airport and Airway Trust Fund
FAA Budget and Funding Fiscal Year 2002 to Fiscal Year 2008 (FAA Data)

Fiscal Year	Trust Fund Revenues	FAA Budget Request	Uncommitted Balance
2002	$9.9	$13.3	$4.8
2003	$9.3	$13.6	$3.9
2004	$9.7	$13.9	$2.4
2005	$10.7	$13.9	$1.9
2006	$11.1	$14.3	$1.8
2007	$11.9	$14.2	$2.0
2008	$12.6	$14.1	$3.1

Note: Figures for Fiscal Years 2007 and 2008 are estimated.

Figure 34 Departures by Airport Types
Percent Change in Scheduled Domestic Flights August 2001 through August 2007 compared to August 2000 (FAA Data)

Month Year	At Large-Hub Airports	At Medium-Hub Airports	At Small-Hub Airports	At Non-Hub Airports
August 2001	1%	2%	0%	-6%
August 2002	-8%	-6%	-6%	-11%
August 2003	-11%	-9%	-7%	-15%
August 2004	-3%	-4%	-1%	-21%
August 2005	-1%	-4%	-1%	-21%
August 2006	-5%	-5%	-8%	-27%
August 2007	-5%	-1%	-1%	-27%

Note: All percentages are rounded

Figure 35: Access to Large Airports
Percent Change in Number of Scheduled Flights and Available Seats August 2007 versus August 2000 (FAA Data)

To Large Airports	Flights	Seats
Large	-6%	-10%
Medium	3%	-6%
Small	0%	-8%
Non-Hub	-21%	-8%

Note: All percentages are rounded

Figure 36: Regional Differences in Service at Non-Hubs

Percent Change in Available Seats at Non-Hub Airports

August 2007 versus August 2000 (FAA Data)

Region	Percent Change in Available Seats
Northeast (includes Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont)	-26%
Midwest (includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin)	-28%
South (includes Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia)	-17%
West (includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming)	-12%
National Average	-19%

Note: All percentages are rounded.

Figure 37: Essential Air Service
Congressional Funding and Subsidized Communities Fiscal Year 2001 through Fiscal Year 2008 (DOT Data)

Fiscal Year	Appropriations In Millions	Number of Communities Subsidized
2001	$50	115
2002	$113	123

2003	**$102**	**125**
2004	**$102**	**138**
2005	**$106**	**152**
2006	**$109**	**153**
2007	**$109**	**143**
2008	**50**	**?**

Note: President's proposed FY 2008 Budget; actual number of communities supported is unknown.