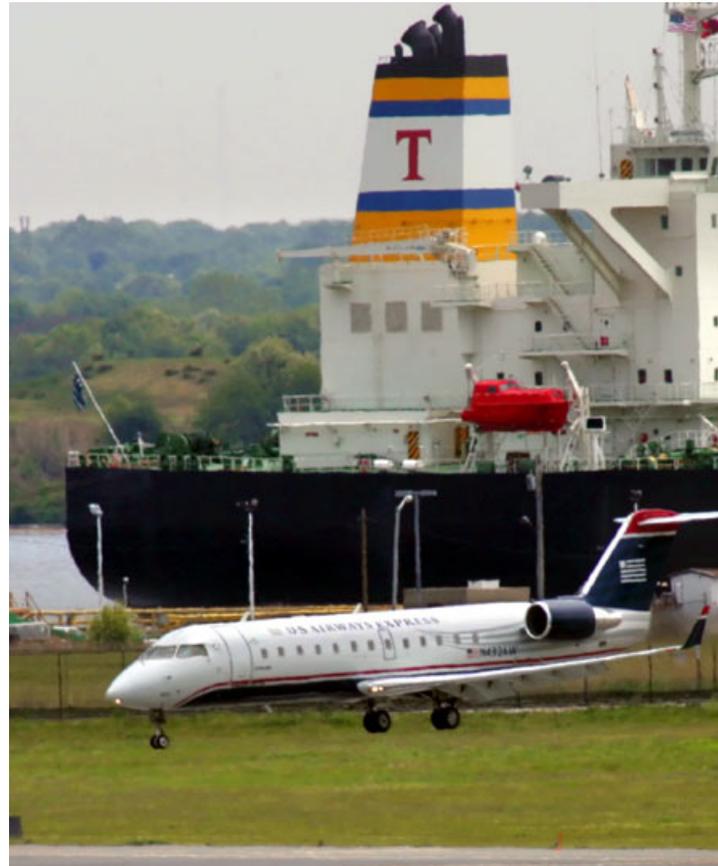


Fuel Prices: U.S. Airline Industry Perspective



**John Heimlich — Vice President and Chief Economist
Air Transport Association of America, Inc.**

Jan. 24, 2007

The Air Transport Association of America, Inc.

ATA Members Carry ~95% of U.S. Airline Passenger and Cargo Traffic

Combination Services (12)

**Alaska Airlines
Aloha Airlines
American Airlines
Continental Airlines
Delta Air Lines
Hawaiian Airlines
JetBlue Airways
Midwest Airlines
Northwest Airlines
Southwest Airlines
United Airlines
US Airways**

All-Cargo Services (6)

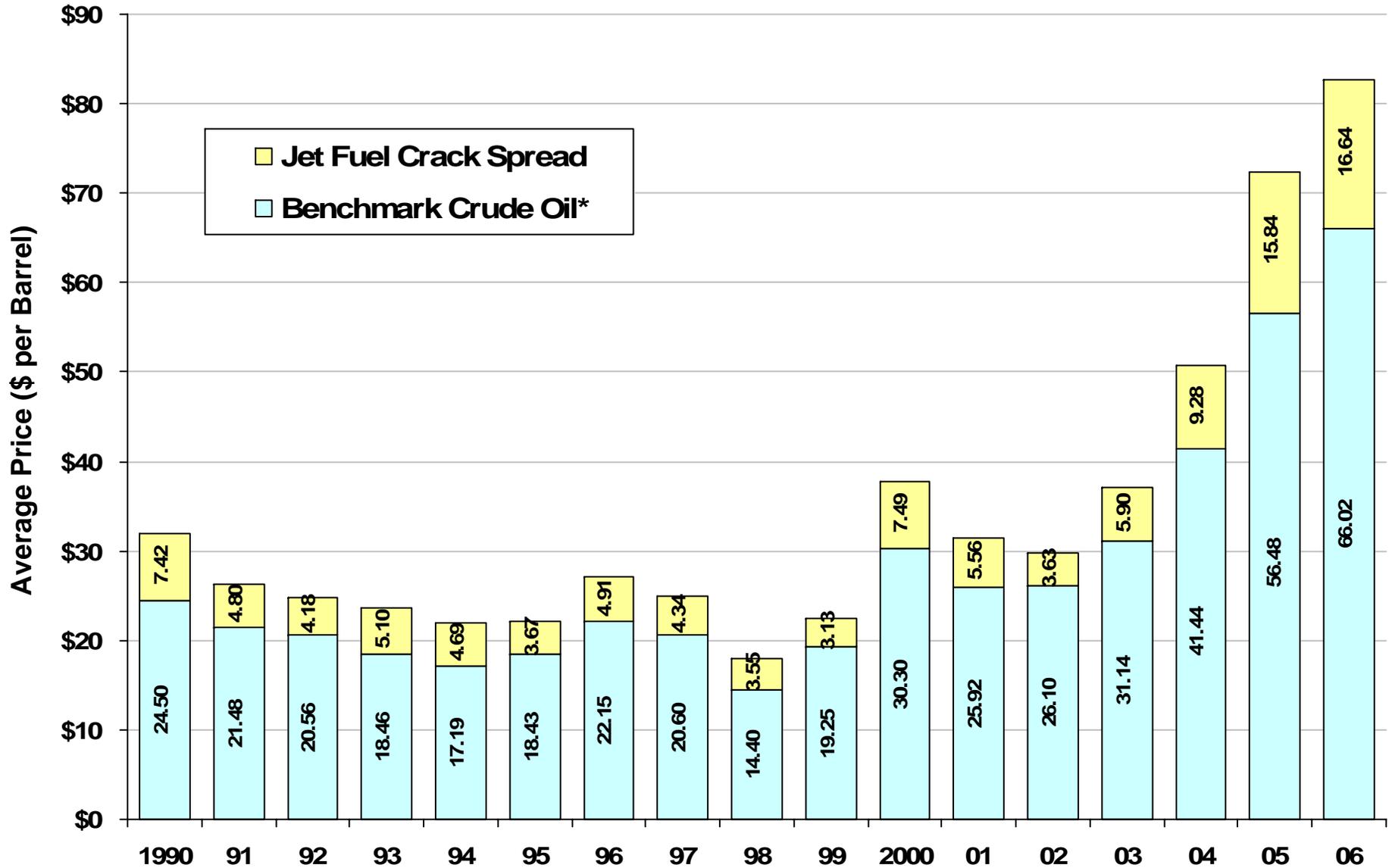
**ABX Air
ASTAR Air Cargo
Atlas Air / Polar Air Cargo
Evergreen Int'l Airlines
FedEx Corporation
UPS Airlines**

Associate Members (4)

**Aeromexico
Air Canada
Air Jamaica
Mexicana**

Jet Fuel Cost Hit Record High of \$82.66 in 2006

Crude Oil Averaged \$66 per Barrel (plus a \$17 Crack Spread)

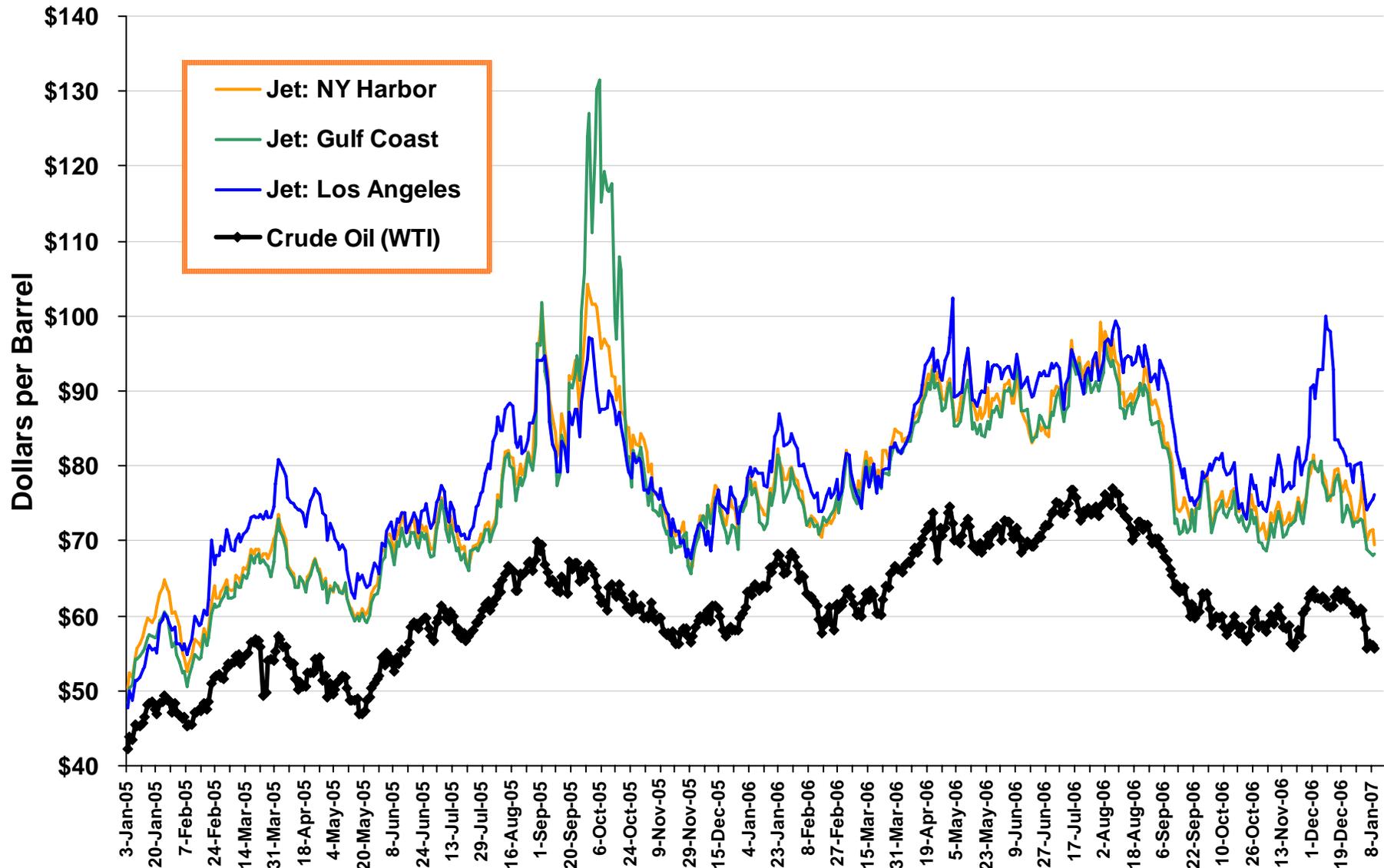


Source: ATA analysis of Energy Information Administration data

* West Texas Intermediate (WTI)

Jet Fuel Opening 2007 at > \$70 per Barrel on Oil < \$60

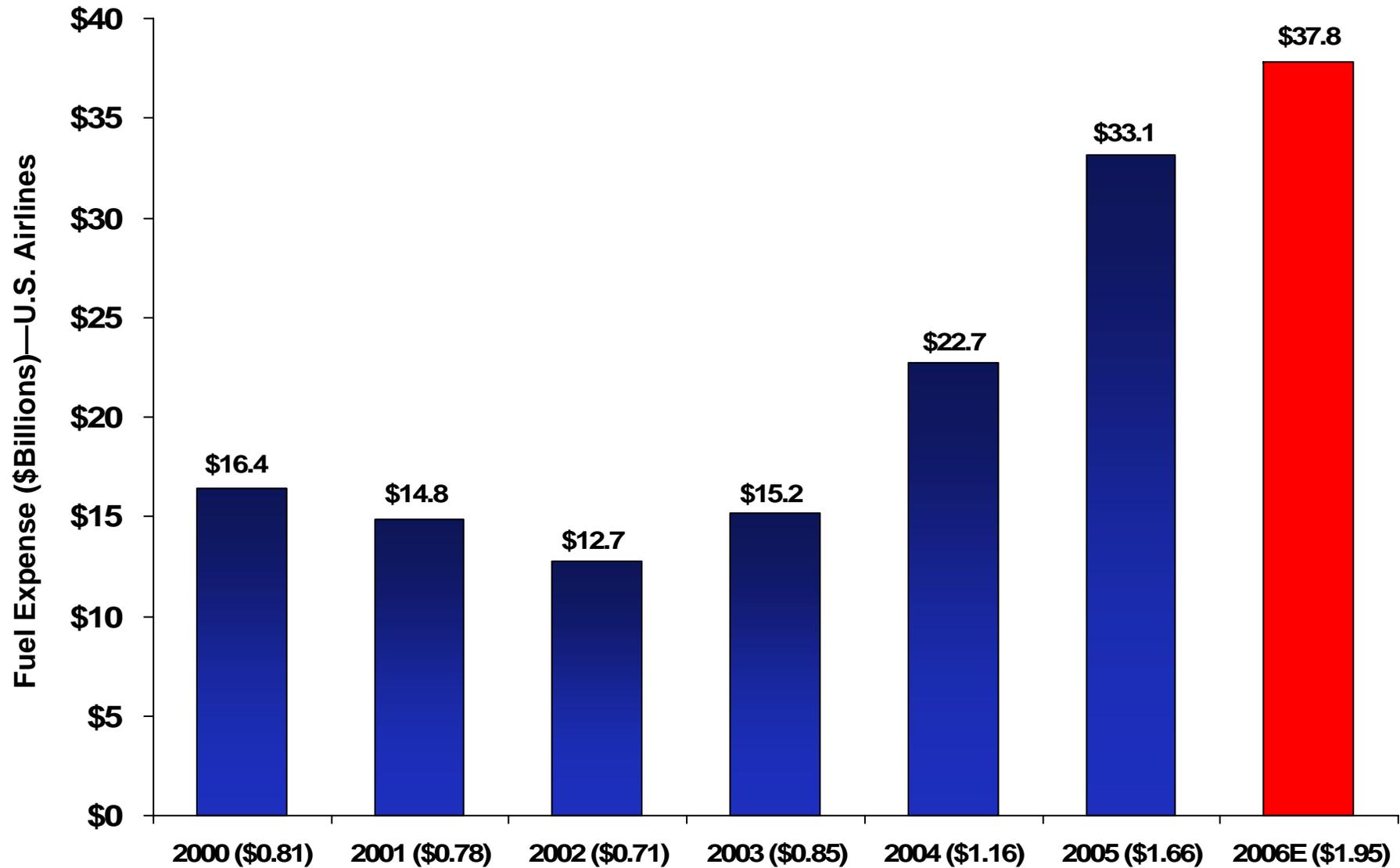
Crack Spread Averaging \$15/bbl; West Coast Jet Prices Have Moderated



Sources: U.S. Energy Information Administration and the Air Transport Association of America

Industry Fuel Expense Up Again in 2006

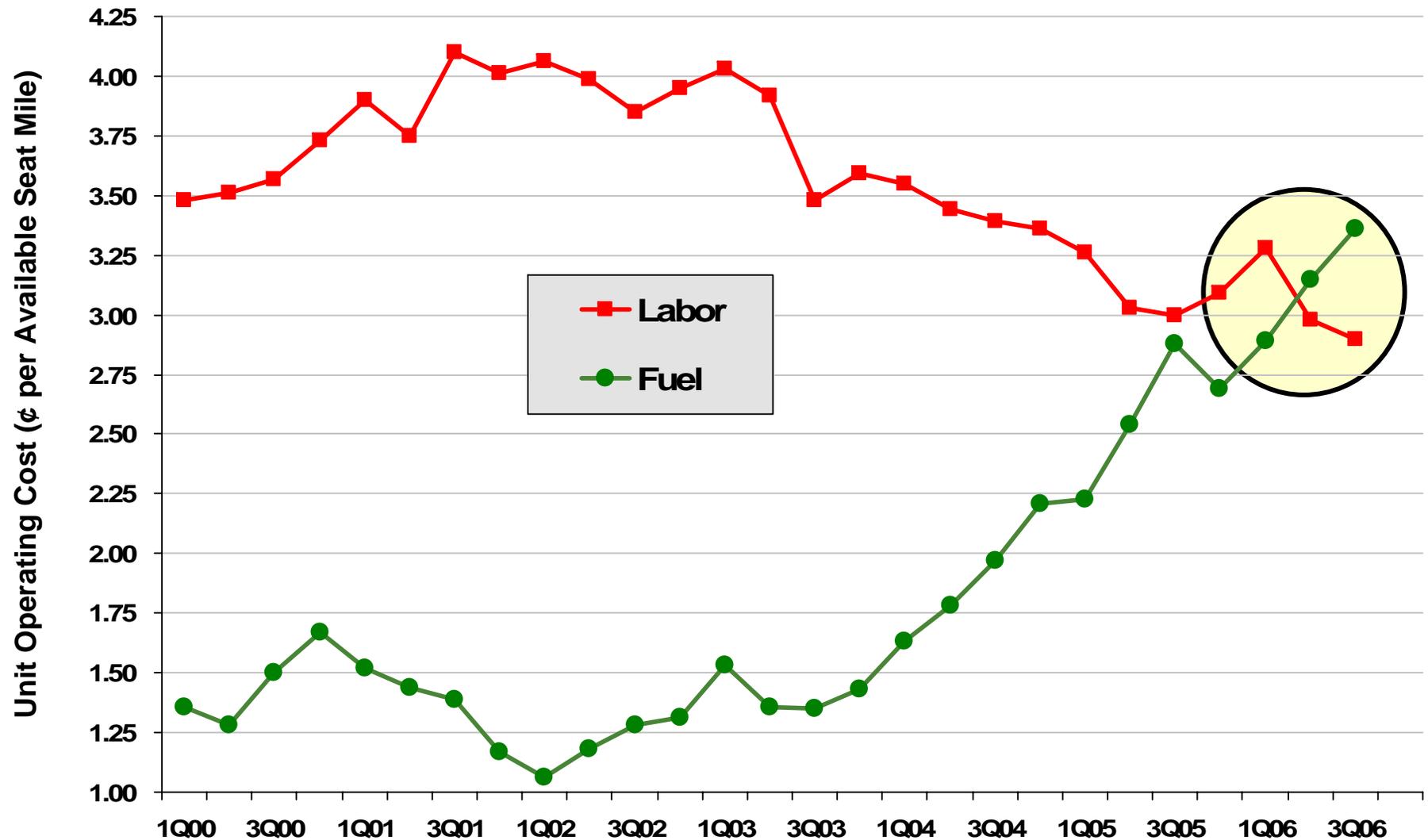
Greater Exposure to Increasing Market Price Offset Slightly Lower Consumption



Sources: Air Transport Association, Energy Information Administration, Department of Transportation

Surging Fuel Expense Offsetting Labor Restructuring

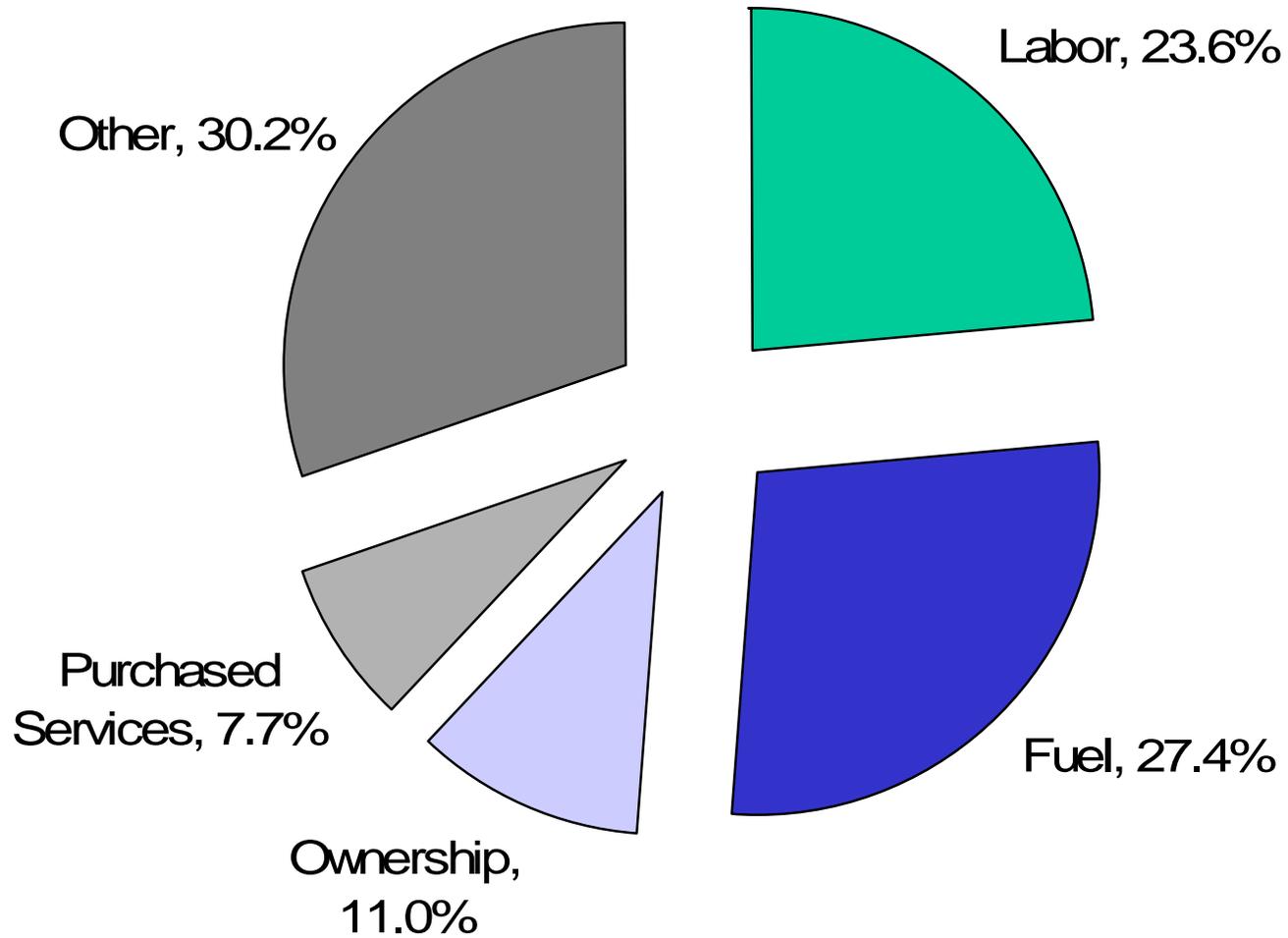
For Passenger Airlines, Fuel CASM Has Overtaken Labor CASM



Source: ATA Passenger Airline Cost Index

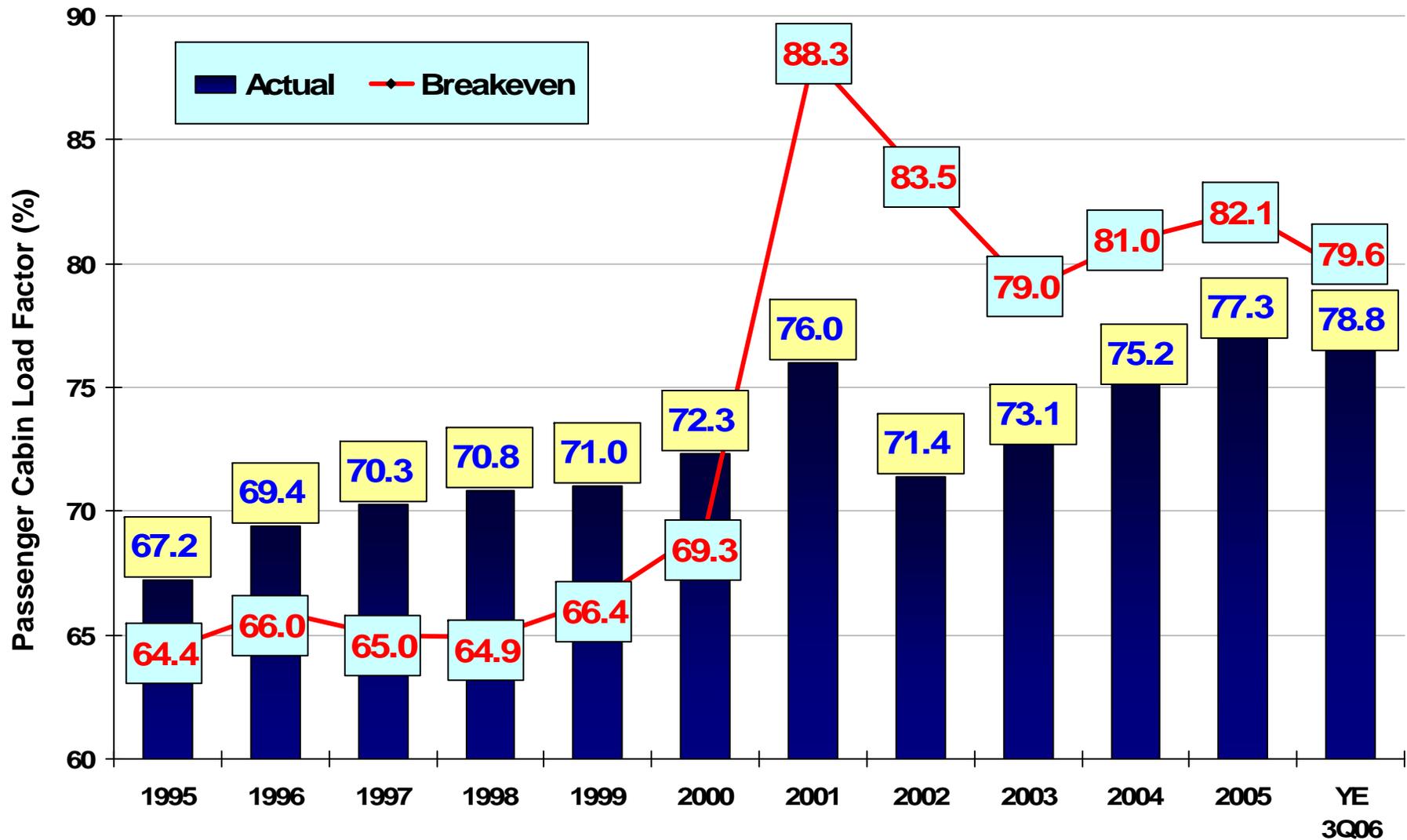
Fuel Represents More Than a Fourth of Airline Costs

U.S. Passenger Airlines, 3Q06



At Last, Breakeven Load Factor Returning to Earth

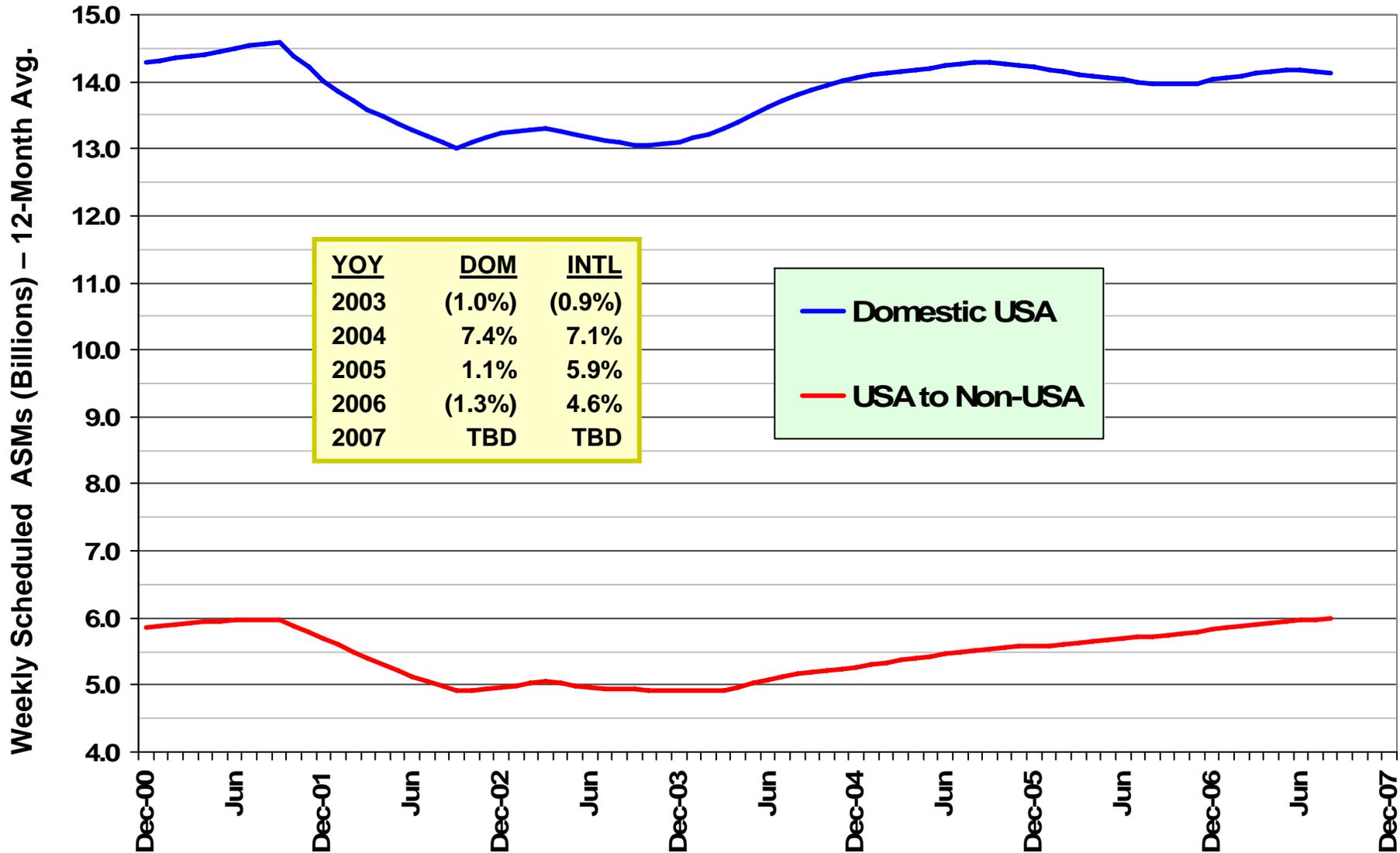
Airfares, Fuel Prices, Taxes – All Influence How Many Seats Must be Filled



Source: ATA Passenger Airline Cost Index

Domestic Seating Capacity Stabilizing; Int'l on the Rise

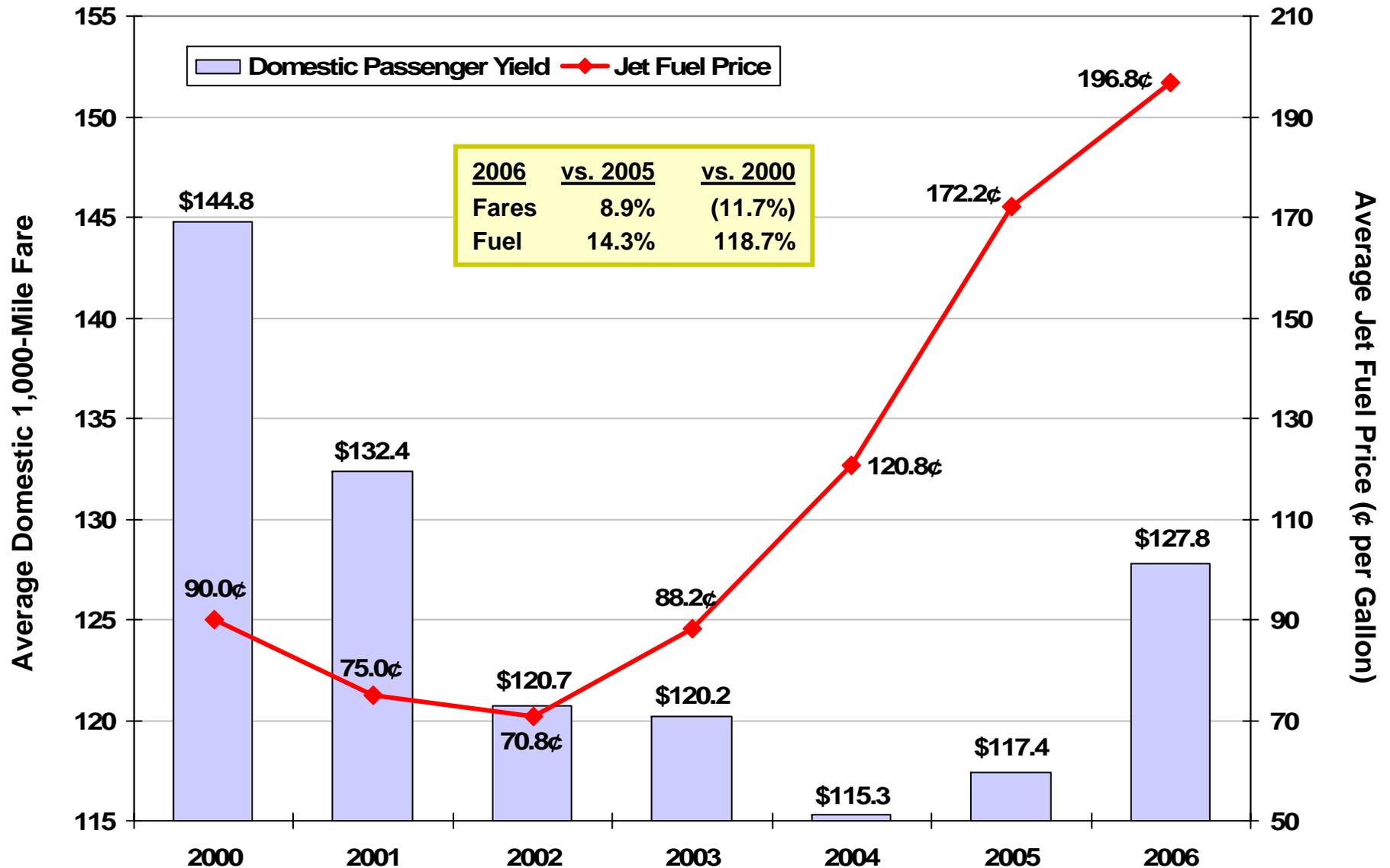
12-Month Rolling Average of Weekly Available Seat Miles (ASMs)



Source: ATA analysis of schedule data via APGDat (1/22/07)

Jet Fuel Prices Outpacing Domestic Fares

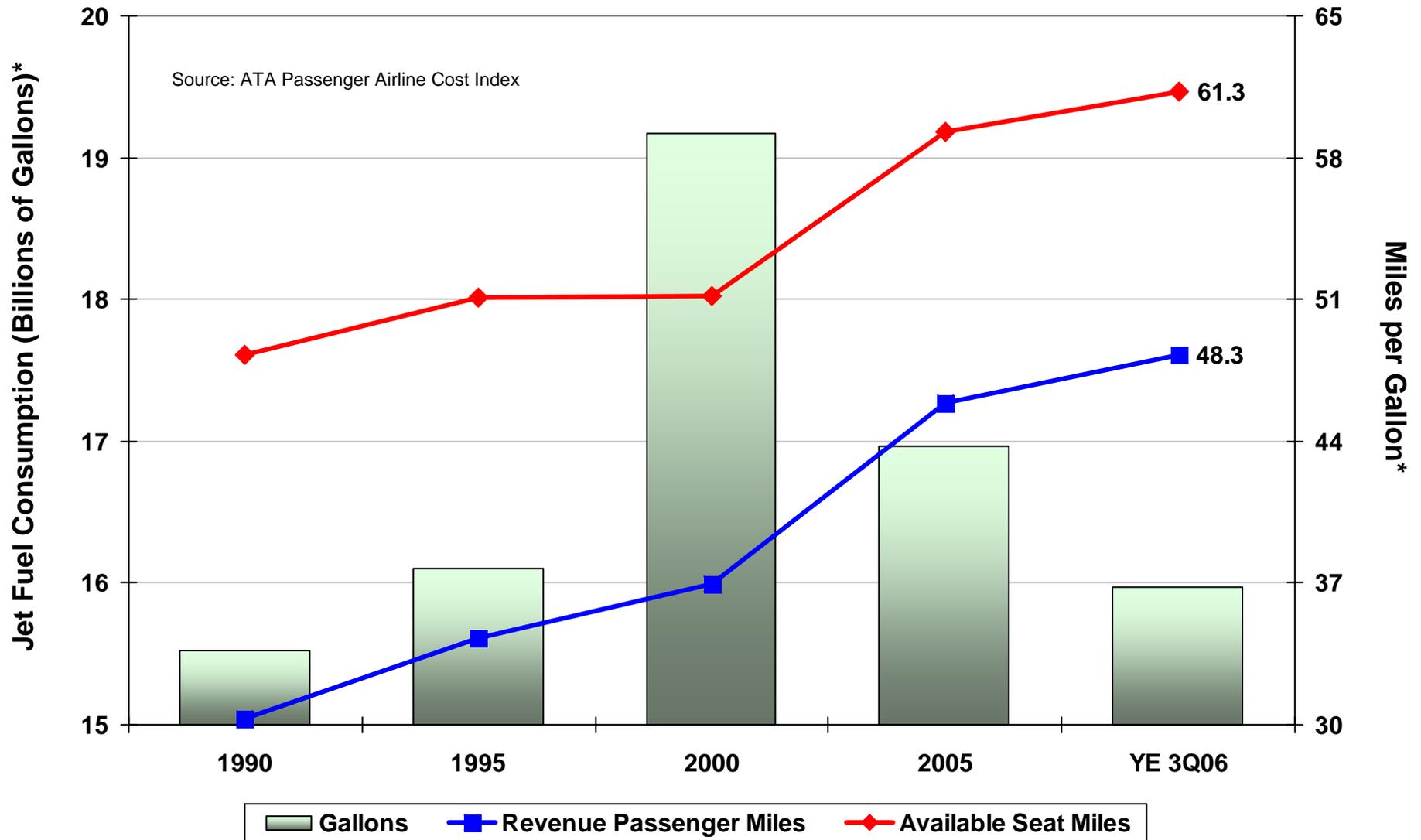
Domestic Passenger Yield Up Year-Over-Year, But Down From Peak



Source: ATA and U.S. Energy Information Administration

U.S. Airline Fuel Efficiency Continues to Rise*

Conservation Accelerated Post-9/11, Keeping Consumption Below 2000 Peak



*U.S. passenger airlines operating worldwide

Securing America's Future Energy ("SAFE")

Relevant Recommendations of the Energy Security Leadership Council (Dec-06)

“Require the FAA to implement improvements to commercial air traffic routing in order to increase safety and decrease fuel consumption.”

- ✓ “Ultimately, the nation will require a Next Generation Air Transportation System (NGATS). This new infrastructure will utilize digital, satellite-based technologies to provide the capacity and efficiency necessary to keep pace with growing demand in air traffic services. Incidentally but by no means inconsequentially, NGATS might yield oil savings of as much as 0.4 [million barrels per day] by 2030. The Council supports these improvements in air traffic routing.”

“Support federal investment in research, development, and commercialization of carbon sequestration technologies that can limit the adverse emissions impacts of oil shale, oil sands, and coal-to-liquids (CTL) production.”

- ✓ “With approximately 250 years of coal reserves, the U.S. could displace substantial amounts of conventional petroleum with liquid fuel derived from coal. To avoid stranding valuable capital, government funds should currently be devoted to researching developing, and, by 2015, commercializing carbon sequestration technologies that are likely to be necessary components of sustainable unconventional oil production. The results of this effort should be shared with other developed nations as well as with India and China.”

www.airlines.org



www.smartskies.org