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Industry in General-

Since the tragic events of September 11, 2001, the airline industry has struggled through unprecedented $billions in balance sheet losses. Four of the largest seven airlines in this country have restructured through the bankruptcy process.

Yields while making some recovery since 9-11, are still at the same levels as the early 1990's. Year-to-date yields are 13% less than year 2000.

In spite of recent increases, overall passenger airfares are currently less than 10 years ago.

Since year 2000, fuel prices for the industry have tripled from approximately 10% to 30% of operating costs and are now the single largest expense category for nearly all airlines. In large part, lower labor costs through higher productivity and reduced salaries and benefits have subsidized these fuel increases.

Even with $billions in additional fuel costs, recently most airlines have improved their balance sheets while increasing operating income.

While an industry financial recovery is underway, there can be no argument this ongoing improvement to balance sheets and net income is primarily derived from unprecedented and historically high load factors. These positive changes to both income and the balance sheet are occurring In spite of stagnated yields and overall reductions in domestic legacy mainline capacity.

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