AIR TRANSPORT ASSOCIATION

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energy matters

April 23, 2009

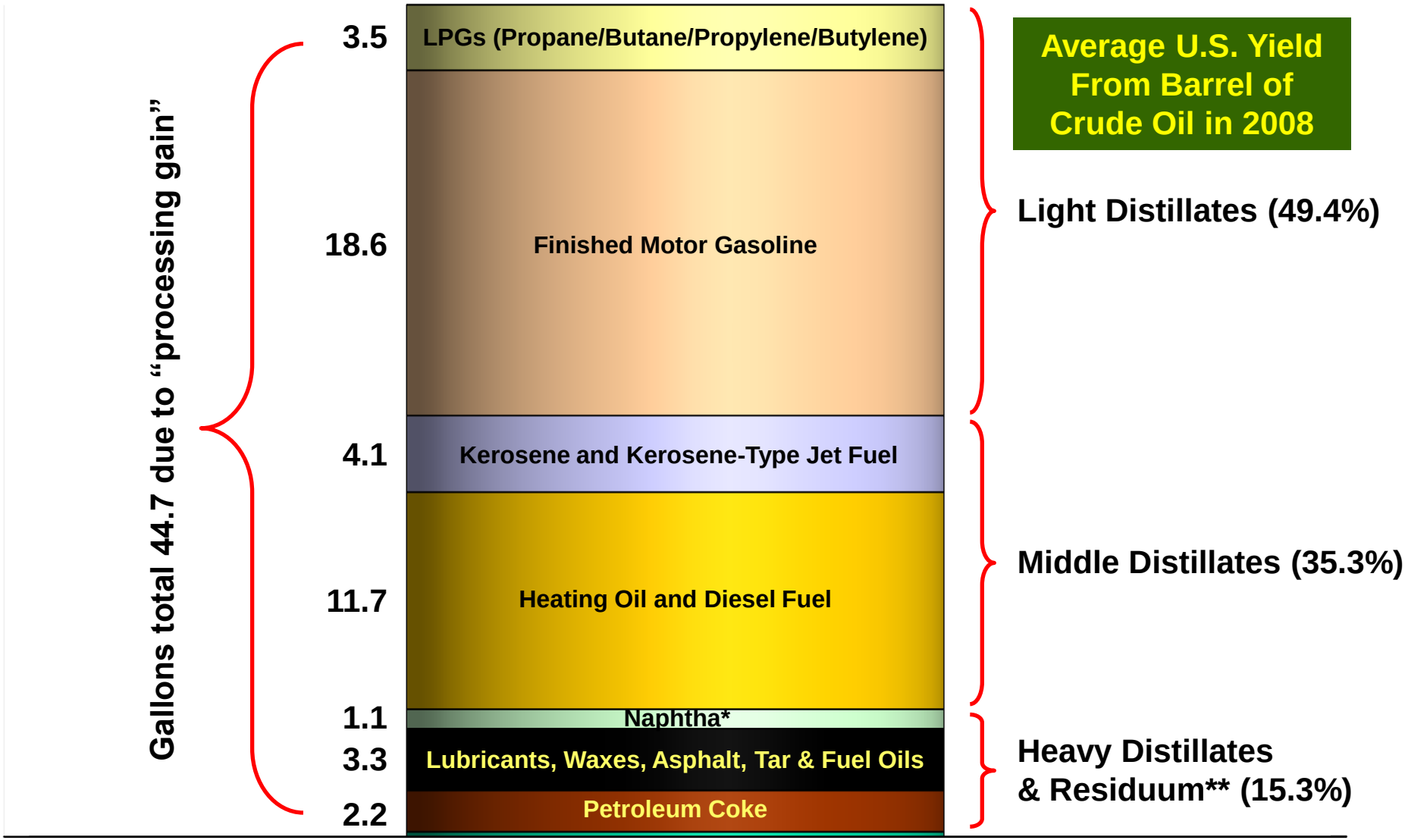
CEA
Consumer Energy Alliance

The Air Transport Association of America, Inc.

"Everyone is entitled to his own opinion, but not his own facts." (Daniel Patrick Moynihan)

Combination Services	*All-Cargo Services*	*Associate Members*
AirTran Airways	ABX Air	Air Canada
Alaska Airlines	ASTAR Air Cargo	Air Jamaica
American Airlines	Atlas Air Worldwide Holdings	Mexicana
Continental Airlines	Evergreen Int'l Airlines	
Delta Air Lines	FedEx Corporation	
Hawaiian Airlines	UPS Airlines	
JetBlue Airways		
Midwest Airlines		
Southwest Airlines		
United Airlines		
US Airways		

Jet Fuel Is a Drop in the Bucket, Subject to the Refinery Economics for All Petroleum Segments (incl. Gasoline)

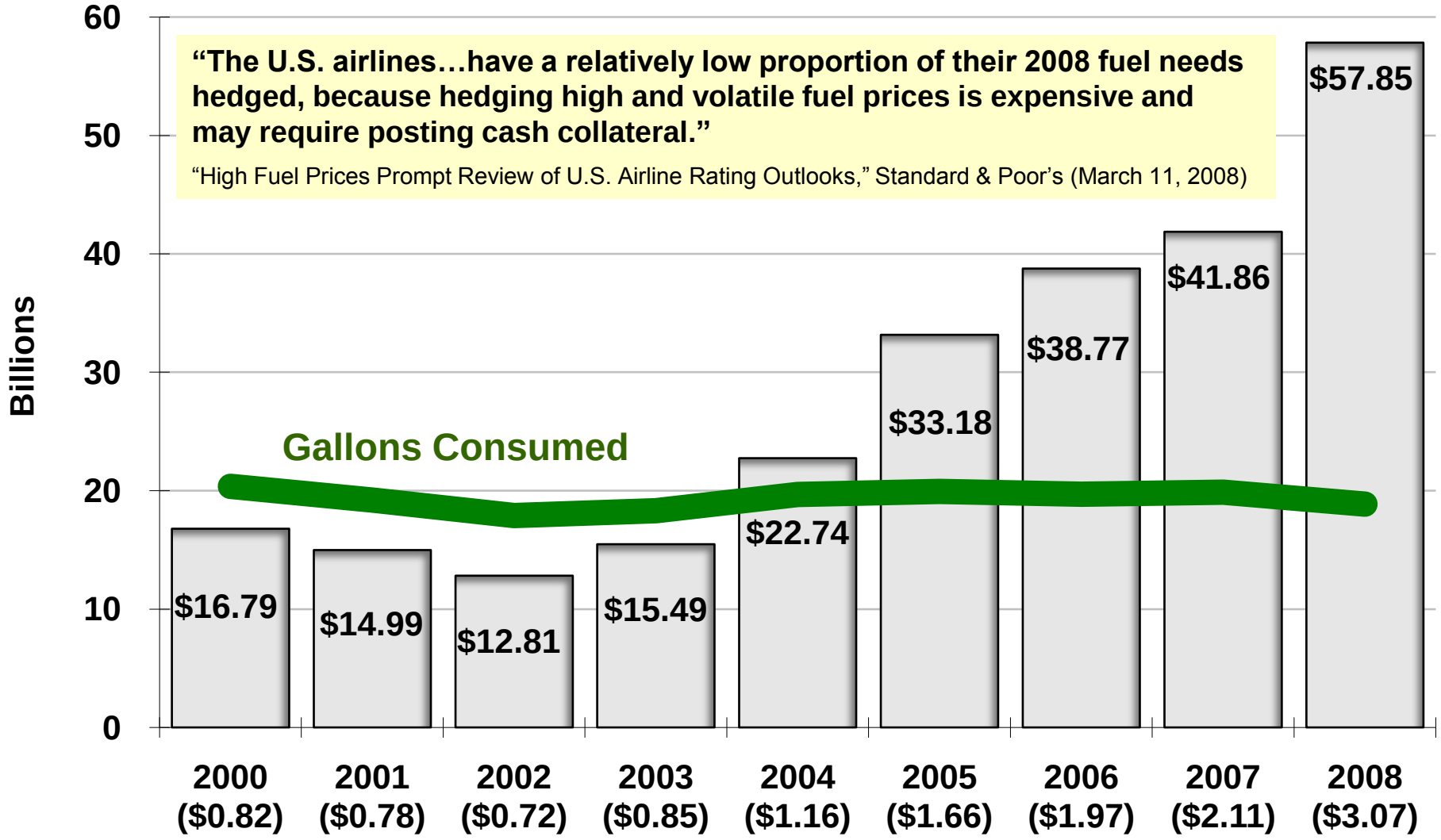


* Feedstock for high-octane gasoline, petrochemicals and solvents

** Includes heavy oils used in industry, marine transportation and electric-power generation

Sources: Energy Information Administration and American Petroleum Institute

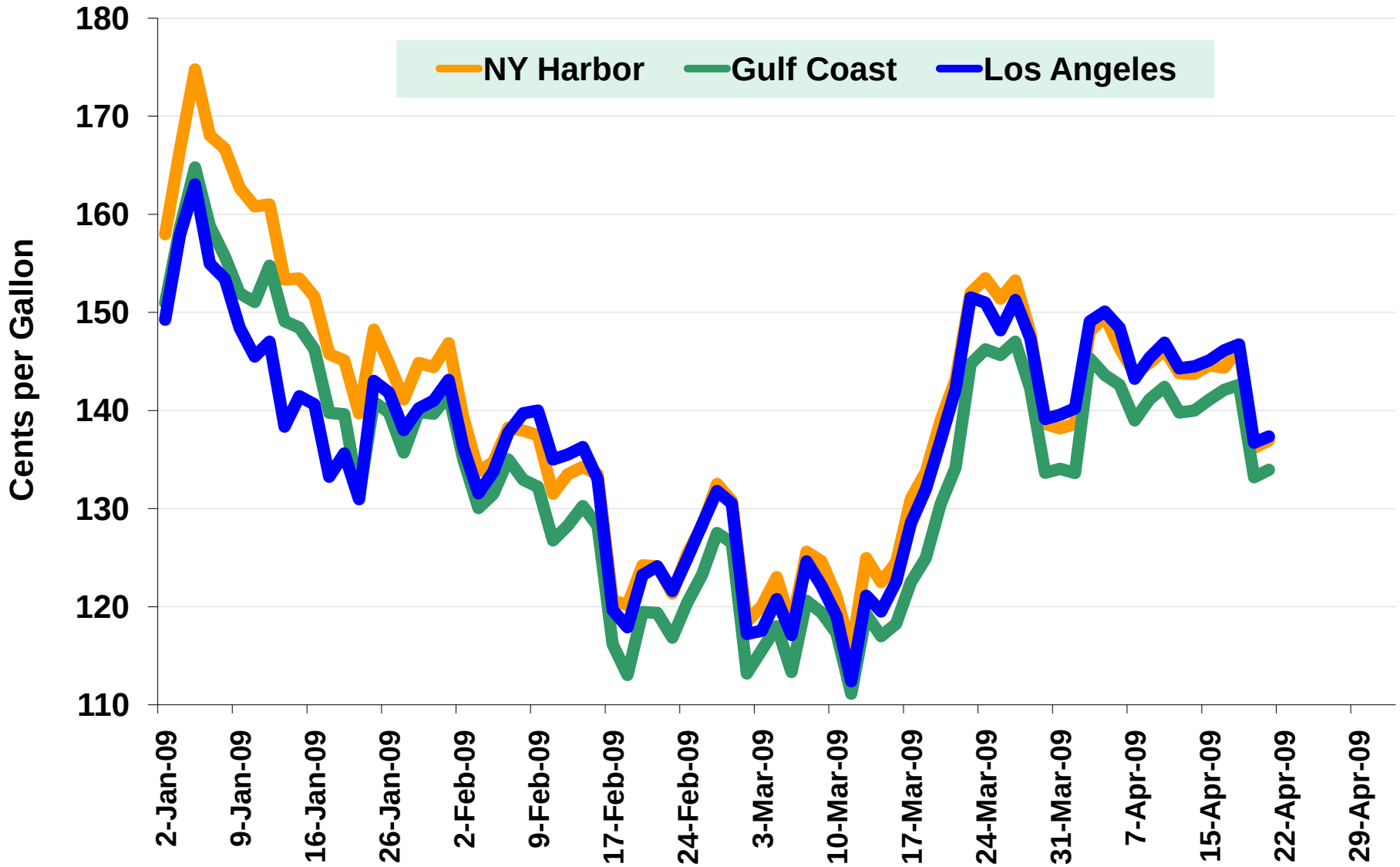
In 2008, U.S. Airlines Spent $16B More on Fuel Despite Consuming 5.2% Fewer Gallons



Note: Value in parentheses below year is average price paid per gallon excluding taxes, into-plane fees, pipeline tariffs and hedging costs

Sources: ATA, Energy Information Administration, Department of Transportation

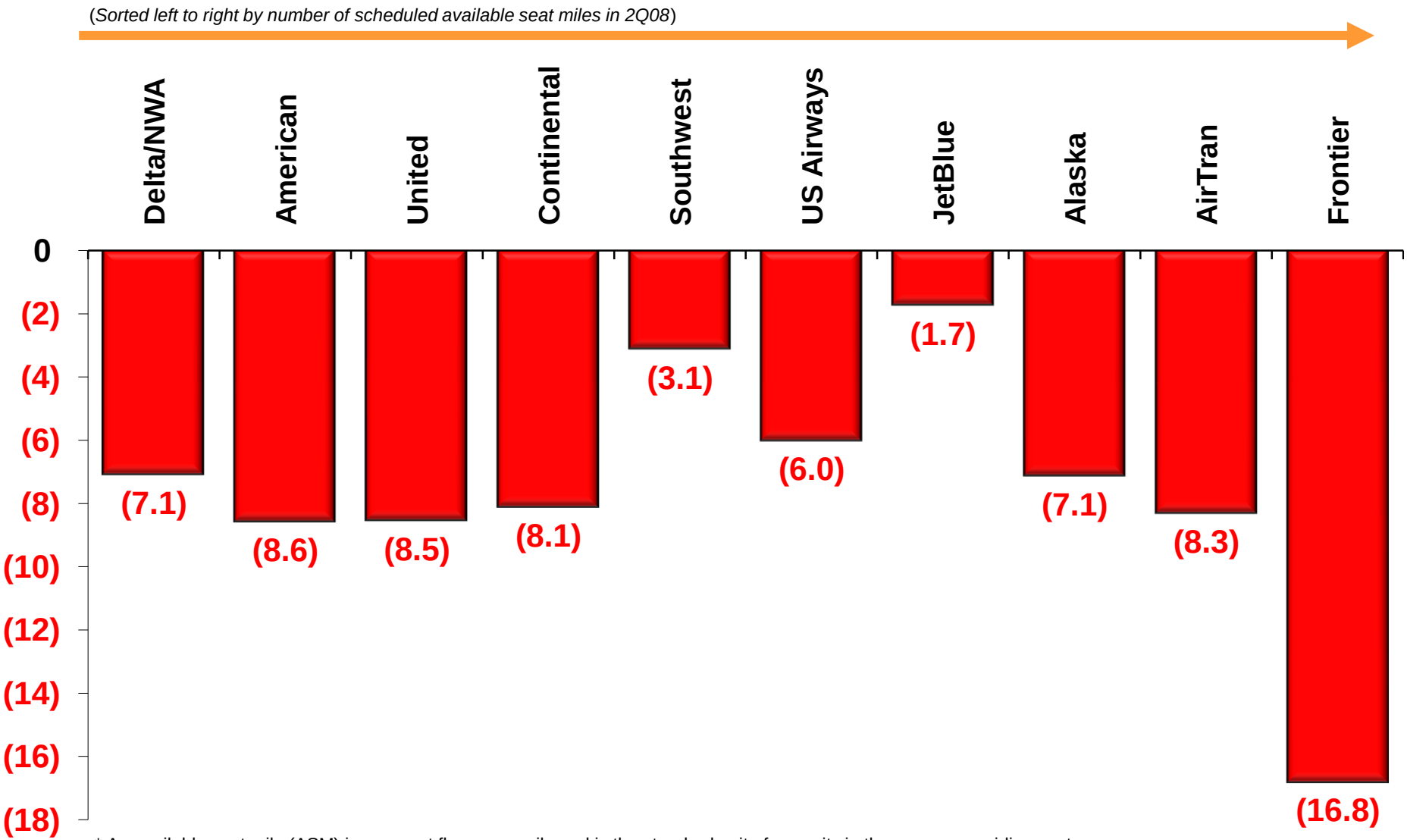
Jet Fuel Price Volatility Persisting Again in 2009



Sources: Energy Information Administration and ATA

10 Largest U.S. Carriers *All* Cutting Capacity *Again* in 2009

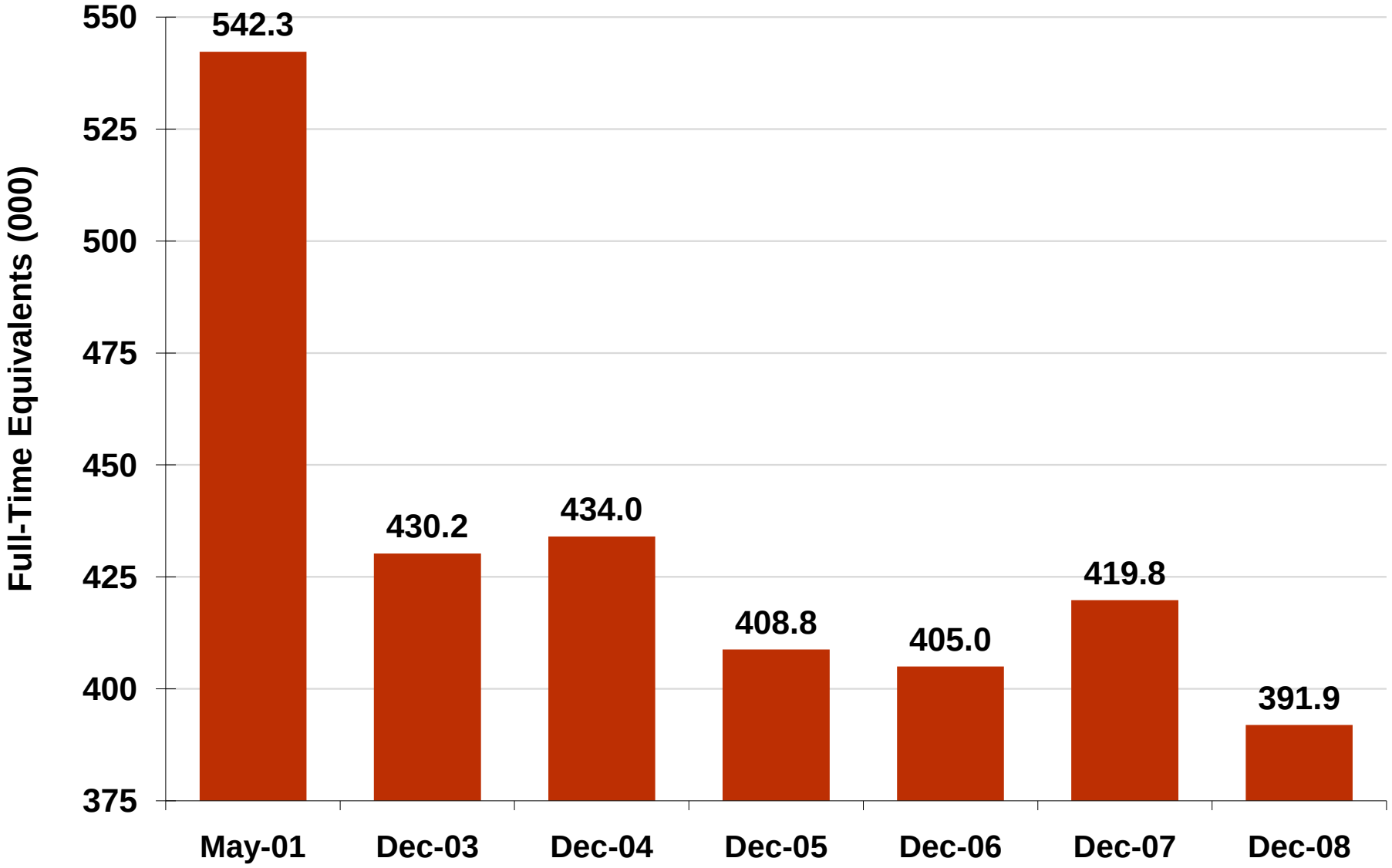
7.2% Drop in Scheduled SYSTEMWIDE ASMs*: 2Q09 vs. 2Q08



* An available seat mile (ASM) is one seat flown one mile and is the standard unit of capacity in the passenger airline sector

Source: Innovata (April 16, 2009)

Passenger Airline Employment Has Plummeted



ATA Energy Priorities

A Portfolio of Solutions is Required

ATA supports a balanced, comprehensive U.S. energy policy that enhances U.S. energy security and results in predictable, stable and environmentally responsible supply and costs:

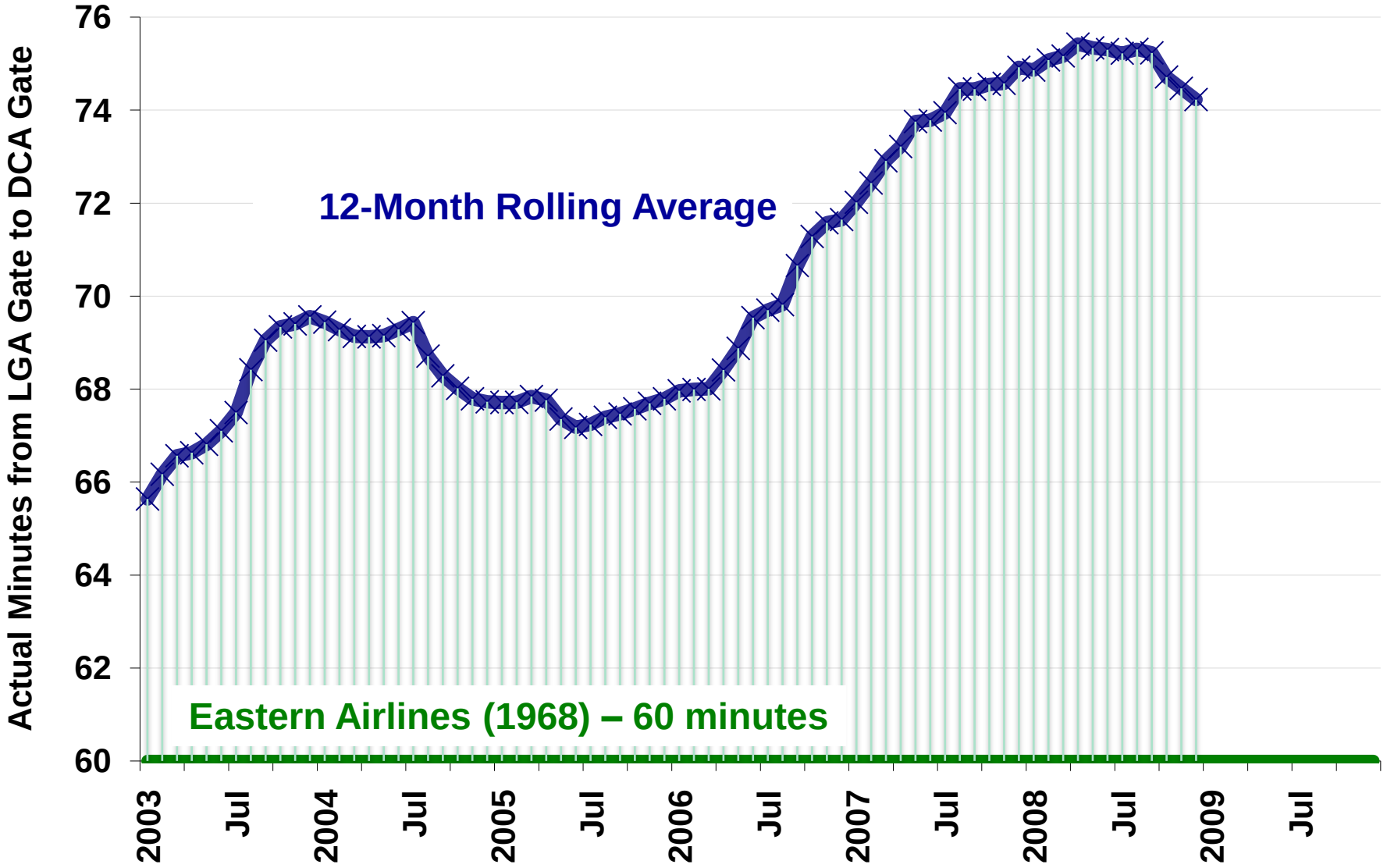
- ✓ **Expand access to domestic resources**
- ✓ **Reform energy commodities markets**
- ✓ **Accelerate development of alternative aviation fuels**
- ✓ **Promote conservation and efficiency**

Examples:

- Make strategic energy reserves more readily available to commercial markets; invest proceeds in future supply
- Change the rules regulating energy commodity futures markets to make trading fairer and more transparent
- Oppose selected foreign countries' subsidization of consumer fuel prices
- Expand refining and distribution (pipeline) capacity to meet growing global demand for middle distillates
- Responsibly develop U.S. energy resources, including petroleum, gas, coal, nuclear, solar, wind and others
- Develop new, environmentally responsible aviation fuels

Continental Drift Between New York and Washington?

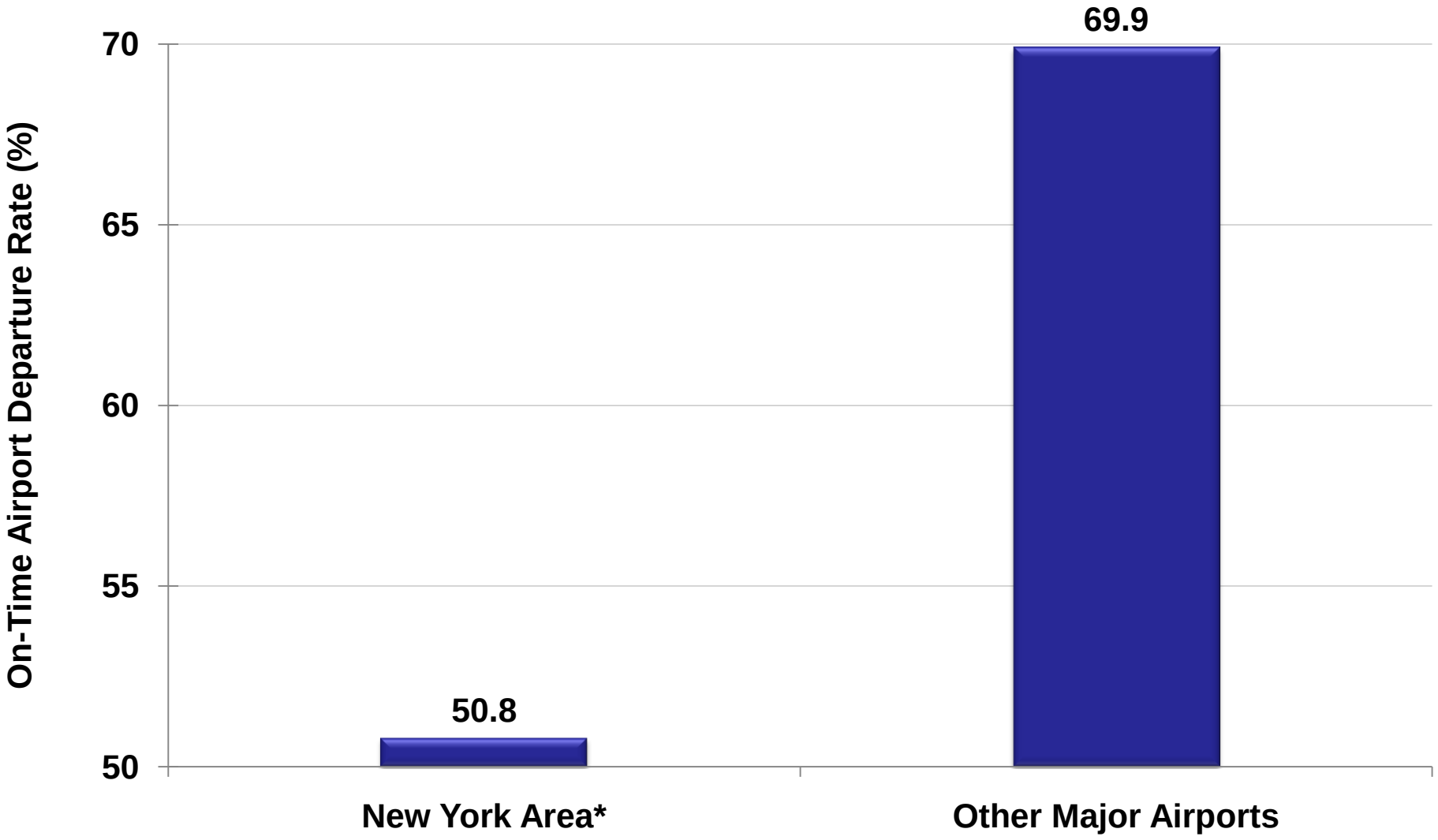
Variability in Block Time (Min to Max) Amounts to $600-$750 per Flight*



* Assumes $65 per minute in direct (aircraft) operating costs

Source: ATA analysis of DOT T-100 segment database

Operational Performance – 2008

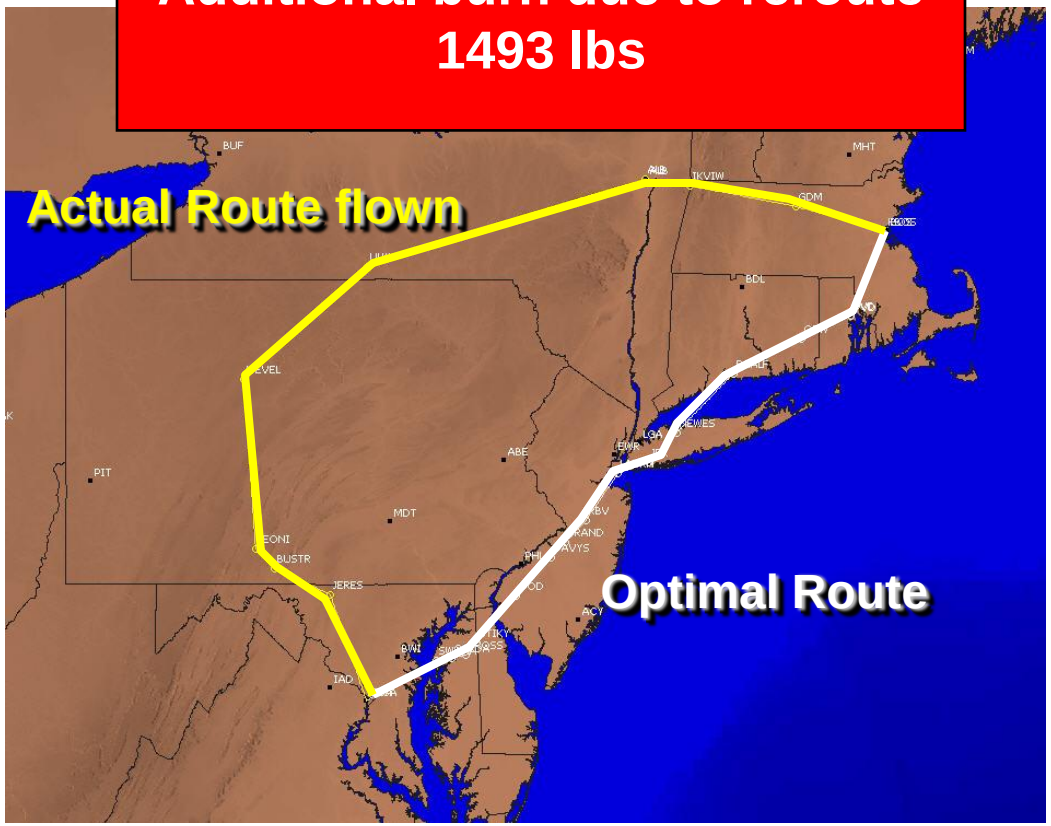


Source: FAA ASPM database for 35 major U.S. airports

* EWR/JFK/LGA/PHL

Today's ATC System is Highly Inefficient

Additional burn due to reroute 1493 lbs



			FUEL	TIME	FL	DIST	WIND
BURN.....	DCA	BOS	005883	0056	330	0367	P024
ALTN*....	BDL			0017	160	0082	M009
ALTN.....	NONE		◆				
HOLD.....			002722	0040 ◆			
RSV.....							
CTNGCY...							
MEL/CD							
T.O. M							
TAXI..							
TANKEP							
EXTRA.							
GATE REL.			015195 ◆				

Optimal Route Burn 5883 lbs.

			FUEL	TIME	FL	DIST	WIND
BURN.....	DCA	BOS	007376	0115	390	0537	P011
ALTN*....	BDL		002156	0017	160	0082	M009
ALTN.....	NONE		◆				
HOLD.....			002722	0040 ◆			
RSV.....			003405	0045 ◆			
CTNGCY...			000000 ◆				
MEL/CD							
T.O. M							
TAXI..							
TANKER							
EXTRA.							
GATE R							

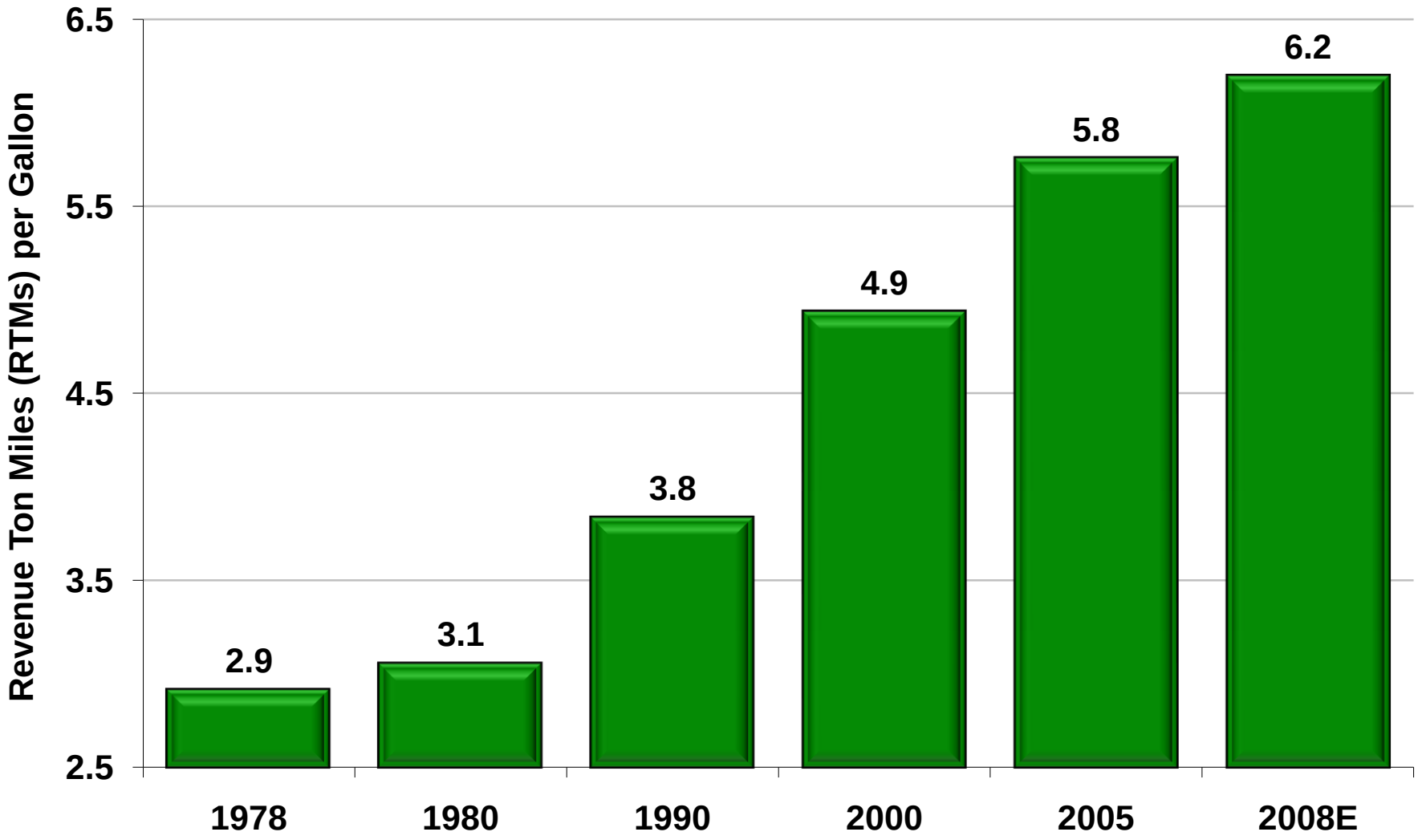
Actual Route Burn 7376 lbs.

Large Air Carrier: DCA to BOS, December 2008

A Vision for Air Traffic Management: “NextGen”

- ✓ Transformation of the National Airspace System to meet safety, capacity and environmental needs, while existing system remains in service – akin to changing a flat tire on your car while going 60 MPH
- ✓ Estimated that traffic optimization, direct and efficient routings, and reduced delays could cut aviation fuel consumption by at least 6% annually, which would equate to 1 billion gallons per year
- ✓ ATA is pursuing a transformation from today’s dated ground-based air traffic system to an advanced satellite-based system
- ✓ Move from disconnected incompatible system to a scalable nework-centric system, boosting economy while reducing GHGs by up to 12% by 2025
- ✓ ATA has identified key elements of our Next Generation air traffic system; these technologies (ADS-B, RNAV/RNP, EFB, GBAS) will serve as a platform to accommodate future demand as efficiently as possible
- ✓ We will move to a scalable, networked, and fully digital system

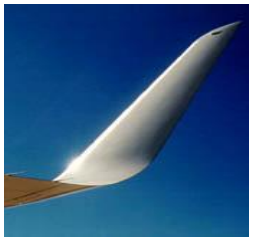
U.S. Airlines* Greener Than Ever



* U.S. passenger and cargo airlines operating worldwide – passenger and cargo revenue ton miles (RTMs) in all services
Source: ATA analysis of DOT Form 41 traffic data (T2-Z240) and gallons (T2-Z921)

Four Means of Addressing Aviation GHGs

- Technology
  - Enhance existing fleet (e.g., winglets)
  - Invest in newer aircraft
  - Support R&D for breakthroughs in engines & airframes
  - **Invest in alternative fuels**
- Operations
  - Weight reduction
  - Maintenance (like engine wash)
  - Operational procedures within existing ATM
- Infrastructure
  - Invest in equipage for NextGen/Single European Sky
  - We need “NowGen!”
- Economic Measures

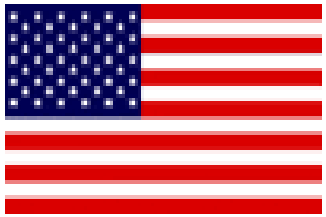


- Already Motivated to Get as Much as Can out of First Three
  - Record to back that up

Positive Financial Incentives Can Help

- Stimulate R&D and Technology Deployment . . .

- But Harmful, Punitive Economic Measures Are Proliferating …
  - International
    - EU Emissions Trading Scheme (ETS)
    - Emissions Taxes
    - Domestic Emissions Trading in Australia, New Zealand
  - US
    - Waxman-Markey “Triple Whammy” for Aviation

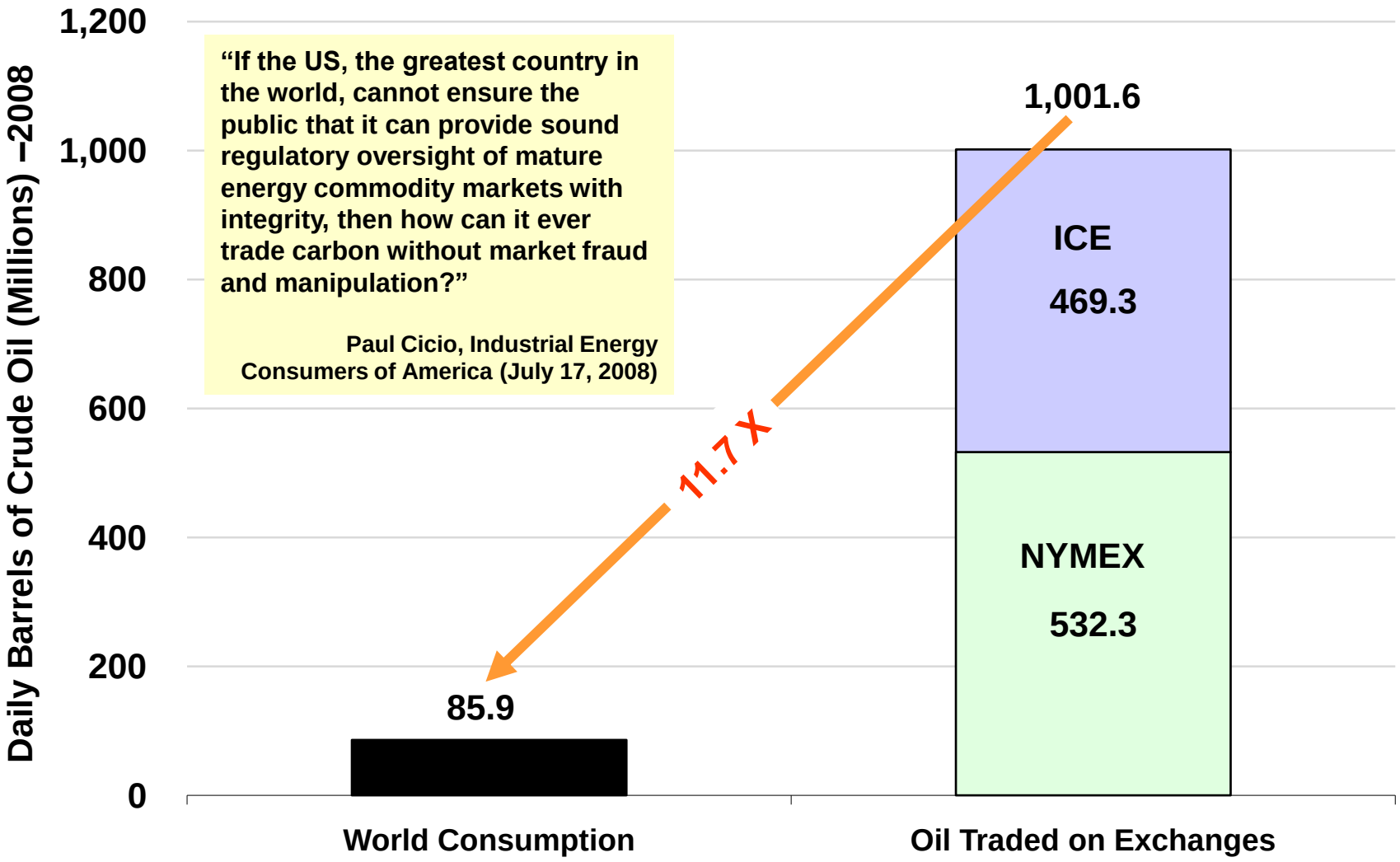


The ATA Position

- Pro Technology, Ops & Infrastructure!
- Should Not Have Punitive Measures …
- If Economic Measures Are Chosen, Must Be Calibrated
  - e.g., taxes and emissions trading “less bad” if
    - Accompany with needed government engagement on NextGen, R&D, etc.
    - Free allowances
    - Money reinvested into aviation
    - Single, harmonized coverage (international coordination and preempt state/local)
    - Carbon market controls (“safety valve”)
    - Do in context of comprehensive energy policy

Financial Players Exceptionally Active in Crude Oil in 2008

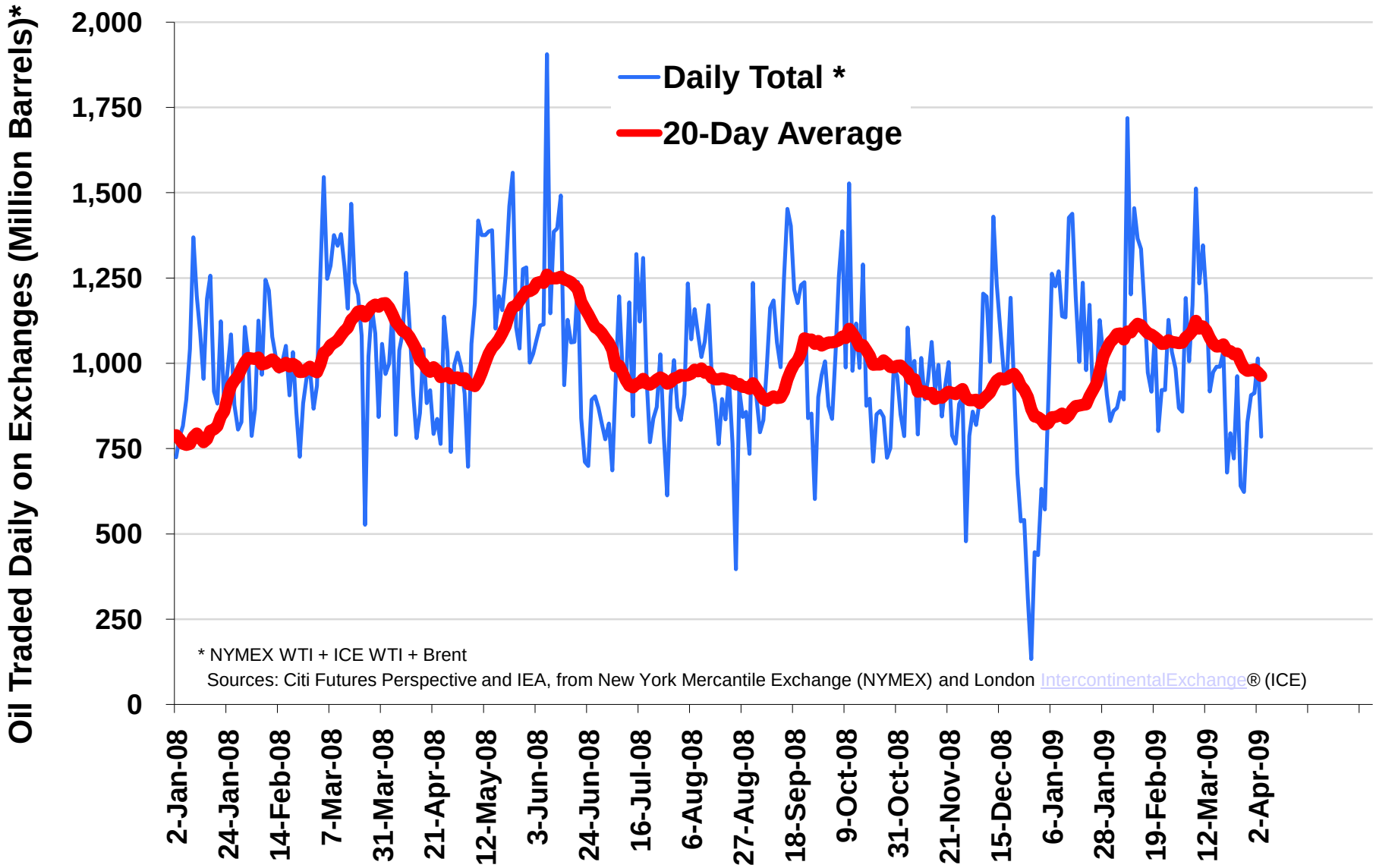
In 2008, Paper Market Was Almost 12 Times the Size of the Physical Market



Sources: Citi Futures Perspective, International Energy Agency, New York Mercantile Exchange (NYMEX) and London IntercontinentalExchange® (ICE)

In 2008, Investors Added to Volatility of Crude Oil Markets

Composite Crude Oil Volume* Set New Record of 1,906,016 Contracts on June 6



* NYMEX WTI + ICE WTI + Brent

Sources: Citi Futures Perspective and IEA, from New York Mercantile Exchange (NYMEX) and London IntercontinentalExchange® (ICE)

Commodity Market Reform: ATA Priorities

- Increased Recordkeeping, Reporting and Disclosure Requirements for Traders and Speculators
- Tighter Position Limits and More Stringent Requirements for the Granting of Hedge Exemptions
- Requirement that All Trades, Whether on a Regulated Exchange or Over-the-Counter, be Cleared Through a Centralized Clearing House
- Requirement that All Traders be Subject to Position Limits on their Aggregate Positions, Regardless if Trading on a Regulated Exchange or Over-the-Counter
- Increased Funding for CFTC Staffing , Analysis and Enforcement

Commodity Market Reform: Legislation

- ATA is generally supportive of H.R. 977, the Derivatives Markets Transparency and Accountability Act of 2009 (Rep. Peterson)
  - Passed House Agriculture Committee on February 12
  - Strengthens regulation of traditional commodities as well as financial derivatives
  - Does not mandate aggregate position limits across markets
  - Concurrently referred to House Financial Services Committee
- Senator Harkin has Introduced S. 272, the Derivatives Trading Integrity Act of 2009

Lower Prices Do *Not* Alleviate Need for U.S. Energy Policy

- ✓ Budgets and Balance of Trade
- ✓ Economic Growth: Jobs
- ✓ Energy Security
- ✓ Environmental Protection
- ✓ Price Volatility
- ✓ Productivity

The transformation of our air traffic control system from radar-based to satellite-based navigation, along with the development of alternative jet fuels, offers aviation a golden opportunity to enhance U.S. energy efficiency and competitiveness while yielding tangible environmental benefits and creating tens of thousands of jobs.

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