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Integrated Communications, Navigation and Surveillance  
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# The Air Transport Association of America, Inc.

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<i>Combination Services (13)</i>	<i>All-Cargo Services (6)</i>	<i>Associate Members (3)</i>
<p>AirTran Airways Alaska Airlines American Airlines Continental Airlines Delta Air Lines Hawaiian Airlines JetBlue Airways Midwest Airlines Northwest Airlines Southwest Airlines United Airlines US Airways</p>	<p>ABX Air ASTAR Air Cargo Atlas Air / Polar Air Cargo Evergreen Int'l Airlines FedEx Corporation UPS Airlines</p>	<p>Air Canada Air Jamaica Mexicana</p>

# User Challenges to Implementing NextGen

# NAS Transformation

- Present National Airspace System (NAS) no longer able to meet current and future performance demands.
- NAS transformation
  - Air Traffic Control to Air Traffic Management
  - Ground-Based Navigation and Surveillance to Satellite-Based systems
  - Voice to Digital data exchange
  - Disparate information systems to System Wide Information Systems
  - Weather inhibited NAS to IFR/VFR equivalency

## The Word on the Street

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**“Should current fuel prices persist, the impact on industry profitability is expected to rival – if not exceed – that of the 9/11 terrorist attacks.... While it may sound callous to frame fuel’s rapid ascent against the far greater tragedy of 9/11, the math is indisputable – at current fuel prices, a similar attack on the industry’s profitability appears underway....” (J.P. Morgan Corporate Research, Apr. 15, 2008)**

**“Frankly, we do not believe that the U.S. airline industry can withstand \$100+/bbl oil prices without major structural change and as long as the industry remains highly fragmented, sustainable profitability will remain an elusive goal.” (Merrill Lynch Airline Research, Mar. 7, 2008)**

## The Word on the Street (Cont'd)

“The rapid increase in jet fuel prices will add substantially to airline costs at a time when a weakening U.S. economy will make it more difficult to offset those costs with higher fares.”

“The U.S. airlines...have a relatively low proportion of their 2008 fuel needs hedged, because hedging high and volatile fuel prices is expensive and may require posting cash collateral.”

“U.S. airlines have built up their cash...liquidity over the past several years...as a cushion against adverse conditions. Unfortunately, most of them have at least part of their short-term investments in currently illiquid auction-rate securities... Thus, the airline liquidity outlook, while adequate in the near term, could come under pressure in a prolonged...deterioration in...airline industry conditions.”

(“High Fuel Prices Prompt Review of U.S. Airline Rating Outlooks,” Standard & Poor’s, Mar. 11, 2008)

## The Word on the Street (Cont'd)

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“Crude and product prices have been slipping as the US dollar climbs, but we believe oil market fundamentals remain tight. Continuing demand growth in the non-OECD countries combined with the oil supply slowdown in the OECD and former Soviet Union are placing OPEC in a powerful position..”

(Deutsche Bank Commodities Weekly, May 2, 2008)

“The increasing prevalence of futures contracts has transformed the nature of oil markets. It is no longer only about the value of oil as an energy commodity, but also... oil as a financial asset.”

(Goldman Sachs “Energy Roundup: Oil Bulls Take Charge,” Oct. 19, 2007)

## Recent U.S. Airline Shutdowns, Bankruptcies

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<u>U.S. Airline</u>	<u>Last Day</u>
MAXjet	25-Dec-07
Big Sky	7-Jan-08
Aloha	31-Mar-08
ATA	2-Apr-08
Skybus	5-Apr-08
Eos	27-Apr-08
Champion	31-May-08

<u>U.S. Airline</u>	<u>Ch. 11 Filing</u>
Frontier	11-Apr-08

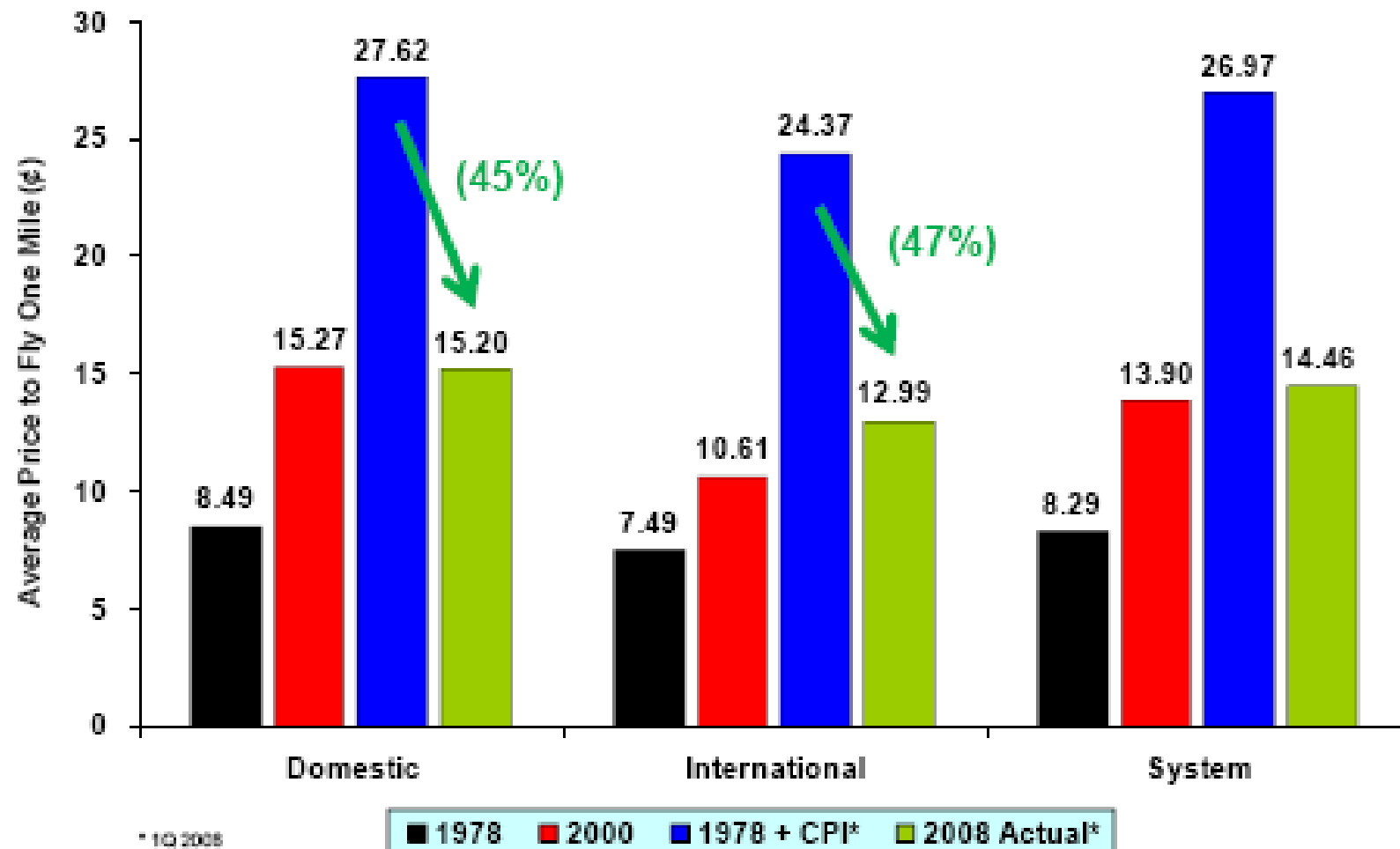
Source: <http://www.airlines.org/economics/specialtopic/USAirlineBankruptcies.htm>

# Affording NextGen

- Airline fuel expenses have historically ranged between 10-15% of operating costs.
- Fuel expenses currently running between 30-50% of operating costs
- Every dollar increase per barrel in jet fuel costs US passenger/cargo airline industry \$465m
- Between 2002 and first half of 2007, price of jet fuel more than doubled and US Consumer Price Index rose 19.5%. Price to fly fell 10% in that time.

# Flying a U.S. Airline Remains a Bargain

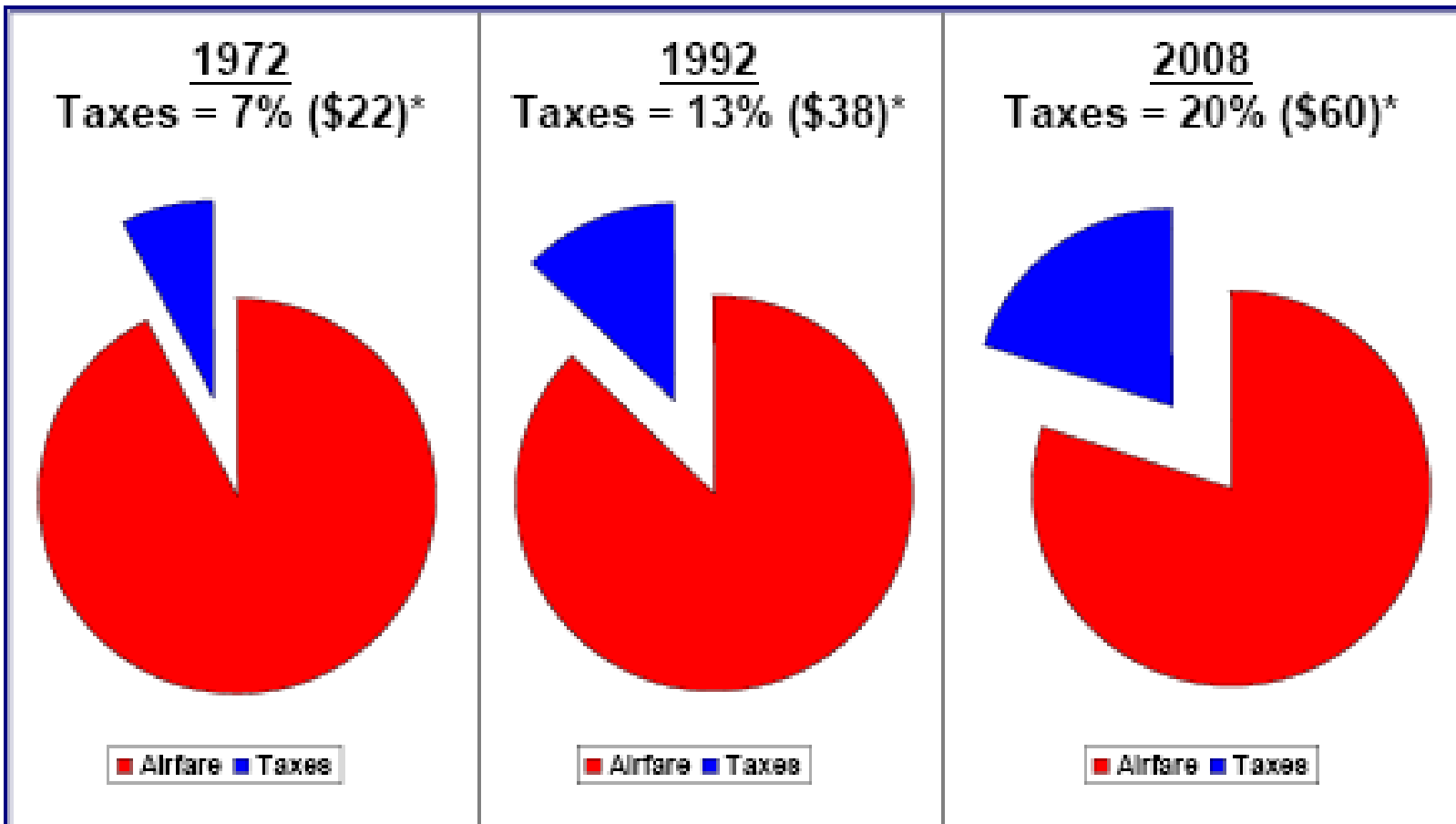
The Price to Fly a Mile in 2008 is 46% Below Levels Dictated by U.S. Inflation



Sources: ATA analysis of data from seven airlines, the Department of Transportation and the Bureau of Labor Statistics

# Govt. Taxes/Fees on a \$300 Ticket\* Have Nearly Tripled

Uncle Sam's Bite Up Sharply Over Three Decades



\*Sample itinerary assumes one-stop domestic round trip with maximum passenger facility charge (PFC) per airport; \$300 total price includes taxes and fees.

# NowGen

- Strategic implementation of key capabilities in constrained regions
- NextGen is a moving target of ever changing technology, budget pressures, and technical issues
- NowGen/ NextGen must continue to be managed nationally, and harmonized globally, to ensure continued integration and alignment with future programs

# NowGen Initiatives

- FAA has briefed ATA and Industry on accelerating NextGen through ATO Operations Planning Services (ATO-P)
- Industry support for near term initiatives tempered by need for positive cost benefit ratio.
- ATA supports ADS-B as a cornerstone of the NextGen NAS, but is asking for a two-phased approach that would accelerate the benefits of the technology, advance the development of ADS-B applications and reduce the risk of future equipage.

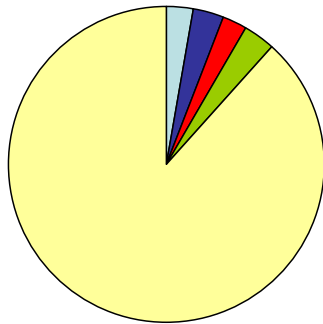
# NowGen – NY style

- Industry fully engaged in “fixing” NY
- Industry has identified 70+ initiatives to increase capacity and reduce delays in the NY metro region.
- Support technology initiatives in the NY region including GBAS demonstration project at EWR, surface management with ASDE-X, Traffic Management Advisor (TMA), predictive weather tools, and expanded use of RNAV/RNP procedures.
- Political challenges in implementing technologies in NY significant.

# EWR/JFK/LGA/PHL Drive Disproportionate % of Delays

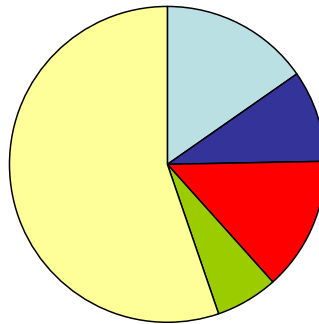
Share of OEP-35 Airport Operational Results, Calendar Year 2007

**% of Operations\***  
NYC/PHL = 12%



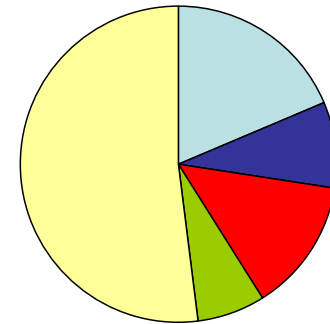
■ EWR ■ JFK ■ LGA ■ PHL ■ Other

**% of Delays\***  
NYC/PHL = 45%



■ EWR ■ JFK ■ LGA ■ PHL ■ Other

**% of Delay Minutes\***  
NYC/PHL = 48%



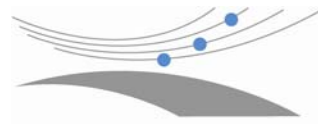
■ EWR ■ JFK ■ LGA ■ PHL ■ Other

\* Share of OEP 35 total

Source: ATA analysis of FAA OPSNET

# Summary

- Economics will drive the transformation to NextGen
- Industry NowGen Initiatives critical to creating a path to NextGen
- Focus on high density airports (NY) where delays and near-term benefits are greatest



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