



Airline Industry Analysis - Press Release

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Over 15 Million Travelers Enjoyed Award Travel on U.S. Airlines During 2003

Comparison of U.S. based carriers also reveals nearly 8% of passengers on an average flight traveled using frequent flyer awards.

March 29, 2004, Shorewood, WI. The IdeaWorks Company has compiled frequent flyer award travel activity reported by eleven U.S. based airlines in publicly-filed annual reports for the 2003 fiscal year. The airlines included in the survey are: AirTran Airways, Alaska Airlines, America West Airlines, American Airlines, Continental Airlines, Delta Air Lines, Midwest Airlines, Northwest Airlines, Southwest Airlines, United Airlines and US Airways. As a group, these airlines represent nearly 90% of the revenue passenger miles flown by U.S. based airlines.

Information compiled in this comparison includes **Frequent Travel Award Usage for 2003** and the **Percentage of Passengers Using Travel Awards**. Disclosure by each airline included in the survey was not always made in their annual reports. As indicated, estimates were calculated in some categories based upon averages computed for the disclosing airlines.

Frequent Travel Award Usage for 2003

IdeaWorks estimated over 15.2 million passengers traveled during 2003 using frequent flyer travel awards on the eleven U.S. airlines included in the survey; a quantity of travelers equivalent to the combined urban population of New York City, Chicago, Houston, Philadelphia and San Francisco. The following airlines, unless otherwise noted, provided frequent flyer program data in the Form 10-K reports filed with the U.S. Securities and Exchange Commission:

Table 1	Passengers
Reporting Airlines	Using Award Travel during 2003
AirTran Airways	43,000
Alaska Airlines	780,000
America West Airlines (a)	177,000
American Airlines	2,500,000
Continental Airlines (a)	1,742,427
Delta Air Lines	2,800,000
Midwest Airlines	64,000
Northwest Airlines	1,408,000
Southwest Airlines	2,500,000
United Airlines	2,000,000
US Airways	1,200,000

Please refer to remark (a) in the source notes of this analysis for information regarding the data submitted by Air Tran Airways, America West Airlines and Continental Airlines. Other carriers operating frequent flyer programs, such as ATA Airlines, Frontier Airlines and jetBlue Airways, did not disclose the number of award passengers carried during 2003 in their Form 10-K filings.

Percentage of Passengers Using Travel Awards

Ten of the eleven airlines in the survey disclosed the impact of award travel in their Form 10-K filings as a percentage of total revenue passenger miles. RPMs, as they are commonly called in the airline industry, are defined as the number of miles flown by the total number of ticketed passengers.

Table 2	% of RPMs Representing Award Travel
Reporting Airlines	
Alaska Airlines	8.7%
America West Airlines	2.6%
American Airlines	7.8%
Continental Airlines	7.6%
Delta Air Lines	9.0%
Midwest Airlines	5.0%
Northwest Airlines	7.5%
Southwest Airlines	7.5%
United Airlines	9.0%
US Airways	7.0%

IdeaWorks estimated 7.9% of RPMs for the group of eleven airlines were used for frequent flyer award travel during 2003. As a broader measure, RPMs also reflect overall passenger activity. In effect, 7.9% of passengers flying on an average flight were traveling on frequent flyer award tickets. IdeaWorks estimated the total number of award travel RPMs, among the eleven airlines in the survey, to be in excess of 48 billion revenue passenger miles for 2003.

“Frequent flyer programs have become a significant factor in the economics of the U.S. airline industry,” said IdeaWorks president Jay Sorensen. “The large quantity of award travel provided argues against the consumer complaint that award seats are never available. Among the eleven airlines, Delta reported the highest overall award activity in the group, which may suggest aggressive deployment of SkyMiles as a marketing tool to encourage customer loyalty. These statistics may represent another method for consumers to measure the relative attractiveness of frequent flyer programs.”

Other carriers operating frequent flyer programs, such as ATA Airlines, Frontier Airlines and jetBlue did not disclose the percent of revenue passenger miles represented by free award travel during 2003 in their Form 10-K filings.

About IdeaWorks: IdeaWorks was founded in 1996 as a consulting organization building brands through innovation in product, partnership and marketing and, building profits through financial improvement and restructuring. Its international client list includes the hotel, airline, marine, railroad, consumer products and health care sectors. IdeaWorks specializes in brand development, customer service improvement, customer research, competitive analysis, creating partner marketing strategies, cost reduction programs and business restructuring. IdeaWorks brings value as a consultant by researching the expectations of the customer, learning from the wisdom of the client organization and applying innovative ideas to create solutions for clients and consumers.

Sources for the Frequent Flyer Program Analysis: Unless indicated otherwise, all data is from the most recent Form 10-K filed with the SEC by each airline. U.S. airline industry RPM estimate is from the Air Transport Association web site. U.S. population data for the cities named is from the City and Town Population Estimates Report (dated July 1, 2002) on the U.S. Census Bureau web site. Remark (a): Frequent Travel Award Usage for 2003 for America West Airlines and Continental Airlines was calculated using carrier-reported RPM data combined with average passenger trip length obtained for each airline. AirTran Airways provided data to IdeaWorks.

Disclosure: IdeaWorks makes every effort to ensure the quality of the information available in this report. Before relying on the information, readers should obtain any appropriate professional advice relevant to their particular circumstances. IdeaWorks can not guarantee, and assumes no legal liability or responsibility for the accuracy, currency or completeness of the information.