

FAA AEROSPACE FORECASTS FISCAL YEARS 2006–2017

Developing forecasts of aviation demand and activity levels continues to be challenging as the uncertainties confronting the aviation industry have remained complex and difficult to quantify. Nevertheless, the FAA has developed a set of assumptions and forecasts consistent with the emerging trends and structural changes currently taking place within the aviation industry.

The main assumption in developing this year's forecasts continues to be that there will not be a successful terrorist incident against either U.S. or world aviation. Also, the forecasts do not assume further major contractions of the industry through bankruptcy, consolidation, or liquidation.

The commercial aviation forecasts and assumptions are developed from econometric models that try to explain and incorporate emerging trends for three carrier groupings—legacy network carriers, low-cost carriers, and regionals. Strategies and success levels have historically differed for each carrier grouping.

The commercial aviation forecast methodology is a blended methodology. It relies on published schedule information and current monthly trends to drive the short-term (one year out) forecasts and then bases the medium and long-term (2007-2017) forecasts on the results of econometric models. The starting point for developing the commercial aviation forecasts (air carriers and regionals) continues to be the future schedules published in the Official Airline Guide (OAG). Using monthly schedules allows FAA forecasters to develop monthly capacity and demand forecasts for both mainline and regional carriers for fiscal and calendar year 2006.

The general aviation forecasts rely heavily on the discussions with industry experts that occurred at the October 2005 FAA/Transportation Research Board (TRB) Workshop on General Aviation. The assumptions have been updated by FAA economists to reflect more recent data and developing trends, as well as further discussions with industry experts.

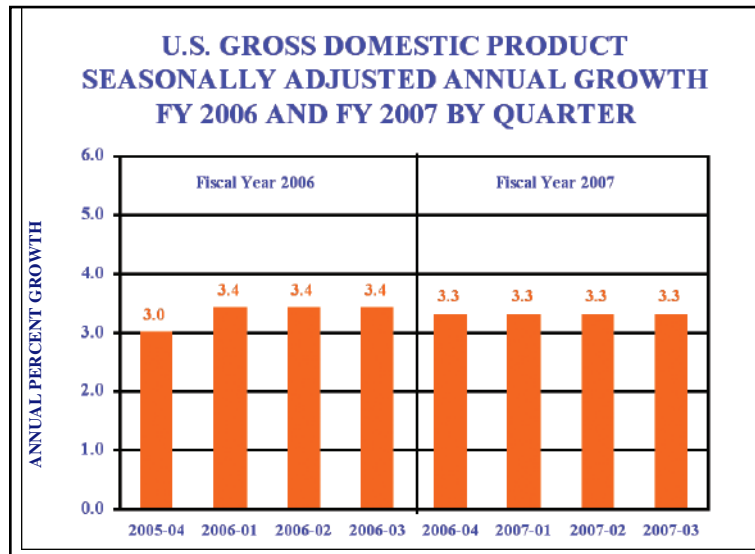
FAA also presents the forecasts and assumptions to industry staff and aviation associations, who are asked to comment on the reasonableness of the assumptions and forecasts. Their comments and/or suggestions have been incorporated into the forecasts.

ECONOMIC FORECASTS

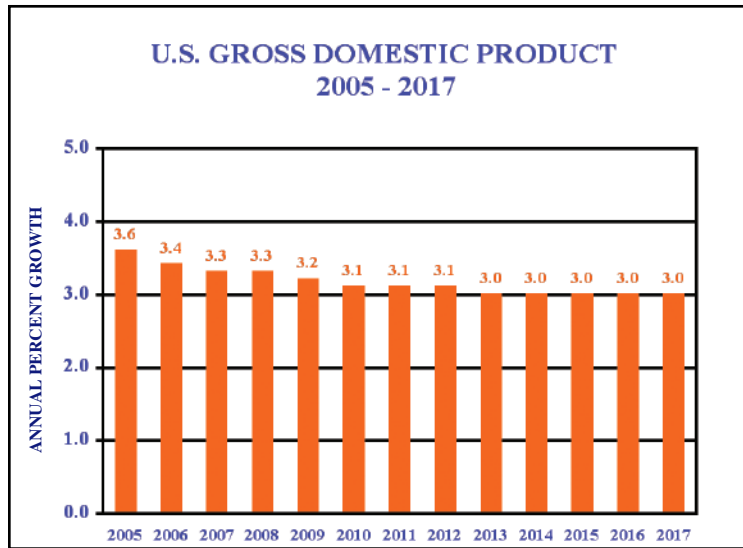
The FAA uses economic forecasts developed by the Executive Office of the President, Office of Management and Budget (OMB) to project domestic aviation demand. The FAA uses the world and individual country economic projections provided by Global Insight to forecast the demand for international aviation services. Annual historical data and economic forecasts are presented in tabular form in Tables 1 through 4.

United States Economy

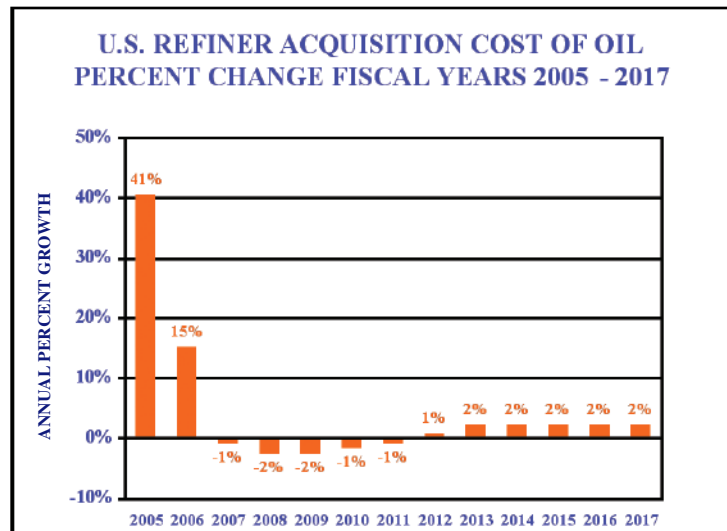
The OMB economic forecasts call for continued growth in the U.S. Gross Domestic Product (GDP). The quarter-by-quarter forecast for the next two years depicts economic growth rising slightly from 3.0 percent in the first quarter of fiscal year 2006 to 3.4 percent for the rest of 2006 and then at 3.3 percent for each quarter of 2007. This consistent and strong economic expansion bodes well for the U.S. commercial aviation industry.



Over the entire forecast period, the expansion is expected to remain strong with growth rates declining slightly from 3.6 percent in 2005 to 3.0 percent in 2013. According to Global Insight a continued boom in productivity will fuel the expansion. A major risk to U.S. continued economic growth is the upward pressures on commodity prices, including the price of oil, worldwide. These inflationary pressures, if unchecked, could force up inflation and bond yields and reduce domestic demand.



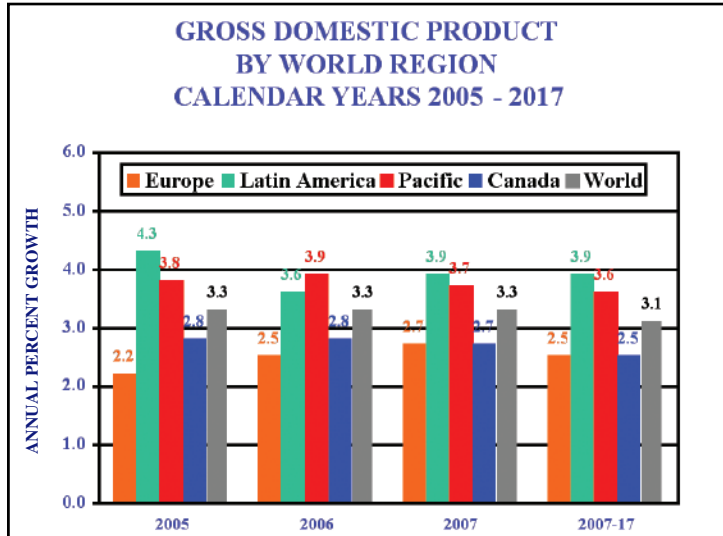
OMB forecasts the price of oil, as measured by Refiner’s Acquisition Cost, to increase by 15 percent in 2006 following the 40.5 percent increase in 2005. The cost of oil is expected to decline by between 0.6 to 2.5 percent annually between 2007 and 2012 and then rise by just over 2 percent for the balance of the forecast period.



The inflation rate (as measured by the CPI) is expected to rise to 3.3 percent in 2006, about the same as 2005. The higher rate of inflation in 2005/06 is mostly attributed to higher energy prices. Consumer price inflation is expected to drop off in 2007 and to remain in the 2.3 to 2.5 percent range for the rest of the forecast period, averaging 2.5 percent annually.

World Economy

Worldwide economic activity is predicted to expand 3.3 percent over each of the next two years, 2006 and 2007. Over the entire 12-year forecast period, worldwide economic growth is forecast to increase at an average annual rate of 3.1 percent.



Long-term economic growth is forecast to be greatest in the Latin American and Asia/Pacific regions, expanding at annual rates of 3.8 and 3.6 percent, respectively over the period. The Asia/Pacific region is still dominated by the relatively slow growing Japan (GDP up 1.6 percent annually over the forecast period). However, two of the most populous and economically dynamic countries in the world (China and India) are part of the region. China, with a population of 1.3 billion, is forecast to expand by 7.0 percent a year while India, with a population of 1.1 billion, is projected to grow 5.8 percent a year. Economic growth in Canada and Europe/Africa/Middle East countries is expected to grow an average of 2.6 and 2.7 percent a year, respectively, over the forecast period.

AVIATION TRAFFIC AND ACTIVITY FORECASTS

Total traffic and activity forecasts for commercial air carriers (the sum of mainline and regional carriers) are contained in Tables 5 through 9. These tables contain year-to-year historical data and forecasts.

Mainline air carrier traffic and activity forecasts and the forecast assumptions are contained in Tables 10 through 18, 20, and 22. These tables contain year-to-year historical data and forecasts.

Regional carrier forecasts and assumptions are found in Tables 23 through 26. These tables provide year-to-year historical and forecast data.

Table 19 provides year-to-year historical and forecast data for cargo activity. Table 21 provides year-to-year historical and forecast data for the cargo jet aircraft fleet.

General aviation forecasts are found in Tables 27 through 30. These tables provide year-to-year historical data and forecasts.

Tables 31 through 34 provide forecasts of aircraft activity at FAA and contract facilities.

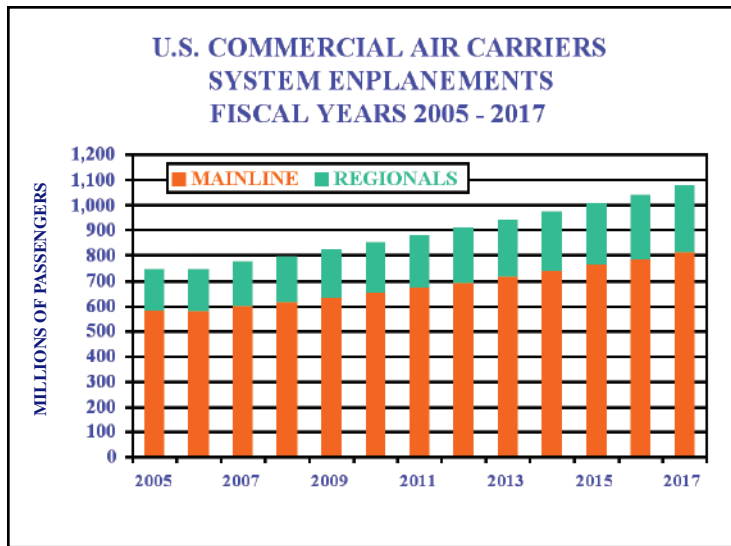
Commercial Aviation Forecasts

Continuing the turnaround that began in 2004, U.S. commercial air carriers in 2005 posted strong capacity and traffic results. In 2005, system (the sum of domestic plus international) capacity increased by 5.4 percent to just over one trillion ASMs. Passenger demand, buoyed by a strong economy, grew at a slightly faster pace, with enplanements up 7.1 percent to 738.6 million while RPMs increased 8.0 percent to 775.3 billion. Both mainline and regional carriers saw healthy demand in 2005 with the fastest growth at regional carriers. International markets grew almost twice as fast as domestic markets propelled by double-digit increases in both the Latin American and Pacific regions. The combined ASMs and enplanements of commercial air carriers returned to pre-9/11 levels in 2005. RPMs returned to pre-9/11 levels in 2004.

System load factor and trip length climbed in 2005, while seats per aircraft mile shrunk. Load factor increased 1.9 points to an all-time high of 77.1 percent, and trip length grew 9.4 miles to average of 1,049.7 miles. Continuing a 7-year downward trend, seats per aircraft mile decreased by 0.5 in 2005 to 135.1 seats per aircraft mile as carriers continued to shift more and more of their flying to regional jets.

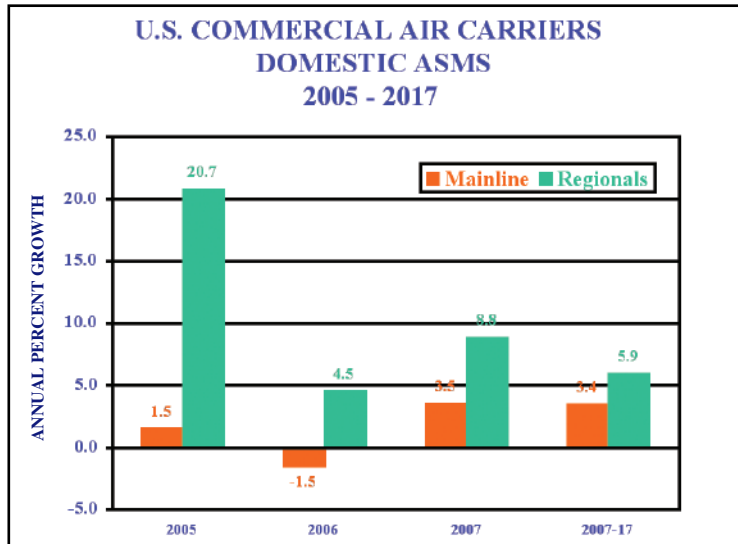
Capacity and demand growth are forecast in 2006 to slow down from 2005's levels. Capacity is projected to grow just 0.9 percent as the legacy carrier cuts in domestic markets offset increases in international markets. Mainline carrier system capacity is projected to increase 0.5 percent while regional carrier capacity rises 4.8 percent. Passenger demand growth also slows with RPMs forecast to increase 1.5 percent (up 0.9 percent and 7.4 percent for mainline and regional carriers, respectively) while passengers rise slightly (up 0.3 percent) with the domestic capacity cutbacks. A rebound in growth is projected for 2007 as capacity rises 4.6 percent while passenger demand increases slightly faster with RPMs and passengers increasing 4.8 and 3.9 percent, respectively. For the balance of the forecast, system capacity is projected to increase an average of 4.2 percent a year. Supported by solid economic growth and

falling real yields, system RPMs are projected to increase 4.3 percent a year, with regional carriers (6.4 percent a year) growing 2.3 percent a year faster than mainline carriers (4.1 percent a year). System passengers are projected to increase an average of 3.4 percent a year, with regional carriers growing faster than mainline carriers (4.3 vs. 3.1 percent a year). By 2017, U.S. commercial air carriers are projected to fly 1.6 trillion ASMs and transport 1.07 billion enplaned passengers a total of 1.256 trillion passenger miles. Planes will become fuller, as load factor is projected to increase every year in the forecast to 78.4 percent by 2017. Passenger trip length is also forecast to increase by more than 120 miles over the forecast to 1,171.9 miles (up 10.2 miles annually). The growth in passenger trip length reflects the faster growth in the relatively longer international trips and longer domestic trips resulting from increased point-to-point service.

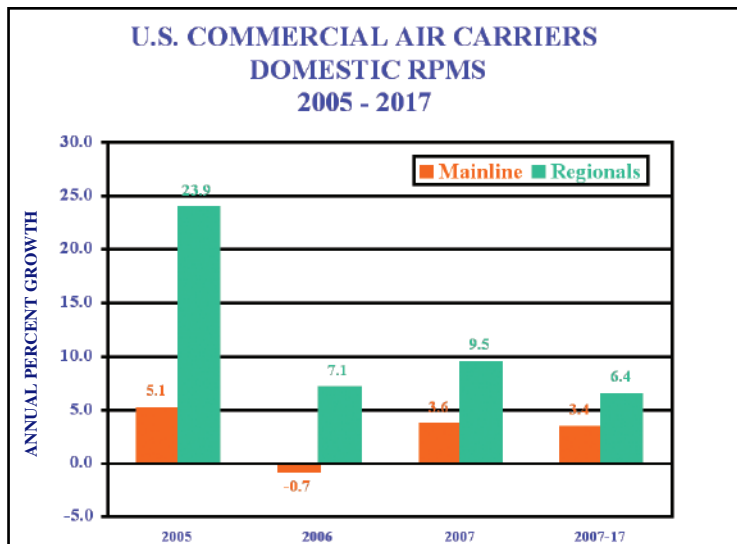


Domestic Markets

In domestic markets, commercial capacity grew 3.5 percent in 2005 propelled by large increases at low-cost and regional carriers. During 2006, domestic capacity is slated to shrink 0.7 percent from 2005's level. Capacity cuts by legacy carriers due to fleet reductions and a shift to more flying in international markets, more than offset growth by low-cost and regional carriers driven by increases in their fleet size. In an environment of high oil prices, and unrelenting low-cost carrier competition, legacy carriers continue to fine-tune their business models. In the post-9/11 environment legacy carriers released a windfall of capacity to their regional partners. However, in the current environment, Chapter 11 legacy carriers are carrying out schedule cuts that not only reduce mainline capacity, but also capacity flown by their regional partners. These schedule cuts will dampen capacity growth by the regional carriers during 2006. After posting annual increases in the 20 percent range between 2003 and 2005, regional carrier capacity is forecast to grow moderately in 2006 at 4.5 percent. In 2007, capacity growth for all carriers is forecast to rebound from the low rates of 2006, up 4.2 percent. For the balance of the forecast, domestic capacity is projected to increase at an average annual rate of 3.8 percent, with most of the growth concentrated in the low-cost and regional carrier segments.



After two years of rapid growth, RPMs are forecast to increase just 0.2 percent in 2006 reflecting the impact of capacity cutbacks. RPM growth returns in 2007 (up 4.3 percent) as industry capacity and demand move more into balance and for the rest of the forecast, continued growth in the economy and falling real yields result in RPMs growing an average of 3.9 percent a year. Following a pattern similar to RPMs, enplanements are forecast to shrink 0.2 percent in 2006, and then bounce back in 2007 with growth of 3.7 percent. Enplanements for the rest of the forecast period will grow at an average annual rate of 3.2 percent. Mainline carrier RPM and enplanement growth over the forecast period is projected to be 3.1 and 2.5 percent a year, respectively, significantly lower than for regional carriers (6.7 and 4.2 percent a year, respectively). Mainline carrier RPM and enplanement growth is concentrated in the low-cost segment. Although domestic carrier enplanements exceeded pre-9/11 levels in 2005, mainline carrier domestic enplanements do not return to pre-9/11 levels until 2009.



Nominal mainline carrier domestic passenger yield, which declined 1.7 percent in 2005 (down 4.8 percent in real terms), is forecast to increase 3.7 percent (0.4 percent in real terms) in 2006 and 1.4 percent in 2007. For the balance of the forecast, nominal yield will grow at a rate of 1.5 percent

a year. In real terms, mainline carrier domestic yield is projected to decline an average of 0.8 percent a year over the 12-year forecast period. The decline in real yields over the forecast period is based on the assumption that increased competition from low-cost carriers will continue. The competition will exert pressure on the legacy carriers to match the lower fares on competitive routes, and they will do so. Competition in domestic markets will come from established low-fare carriers such as Southwest, as well as smaller low-cost carriers such as AirTran, Frontier, and JetBlue. In addition, the newly formed US Airways (the result of the merger between America West and US Airways) may be a catalyst for a broader application of simpler fare structures in domestic markets.

The slower growth in commercial carrier activity at FAA air traffic facilities compared to expected passenger traffic growth (2.4 versus 2.9 percent growth in domestic enplanements) reflects increased efficiencies in three operational measures--aircraft size, load factor, and trip length.

Domestic aircraft size¹⁰ declined in 2005 by 1.3 seats to 120.4. Aircraft size is forecast to shrink in 2006 and 2007, dropping by 1.4 and 0.6 seats, respectively. After 2007, aircraft size is projected to decline until bottoming out in 2011 at 117.7. After 2011, seats per aircraft mile climb gradually, reaching 119.2 in 2017. The short-term decline in aircraft size is attributed to the decrease in the legacy carrier fleet of larger aircraft as well as an increase in smaller aircraft flying longer distances. Legacy carriers have been replacing their wide-body and larger narrow-body aircraft in their route networks with smaller narrow-body aircraft. In addition, some carriers, such as JetBlue, are turning to smaller aircraft, like the 100-seat Embraer 190, to supplement their network structure. The use of smaller narrow-body aircraft allows mainline carriers to serve their customers better by boosting frequency and improve profitability by more closely matching supply (the number of seats) with demand (the number of passengers). While mainline carriers have been reducing the size of aircraft flown domestically, regional carriers have been increasing the size of their aircraft. The most visible example of this trend is the wave of 70-90 seat regional jet aircraft that are entering the fleet with the continuing relaxation of scope clauses. Regional carriers are better able to support operations of their mainline partners when they can provide capacity that complements market demand. The greater number of the larger 70 and 90 seat regional jets increases the average seating capacity of the regional fleet—from 49.4 seats in 2005 to 55.1 seats in 2017. The changing aircraft fleet mix is narrowing the gap between the size and aircraft types operated by the mainline and regional carriers.

Commercial carrier domestic load factor increased 2.4 points in 2005 to 76.4 percent. The increase in load factor was heavily weighted by the results of the legacy carriers whose load factor soared 3.2 points in 2005 to 78.4 percent. In 2006, load factor for all carriers is expected to increase 0.7 points, and then grow 0.1 points in 2007. For the balance of the forecast, load factor increases an average of 0.1 points a year, reaching 78.1 percent in 2017. Passenger trip length is also increasing. In 2005 domestic passenger trip length increased by 2.4 miles to 862.0 miles with gains recorded by both mainline and regional carriers. Passenger trip length is forecast to increase 2.9 miles in 2006, and then grow 5.2 miles in 2007. For the remaining forecast years, trip length is projected to increase an average of 5.8 miles a year, reflecting gains in both mainline carrier and regional carrier trip length. Mainline carrier trip lengths are increasing mainly because shorter length routes are continuing to be transferred to regional partner carriers and because of increased point-to-point service. Regional carrier trip lengths increase because the introduction and use of the larger 70 and 90 seat regional jets allow these carriers to service longer haul markets.

¹⁰ Defined as seats per mile flown and computed by dividing ASMs by miles flown.

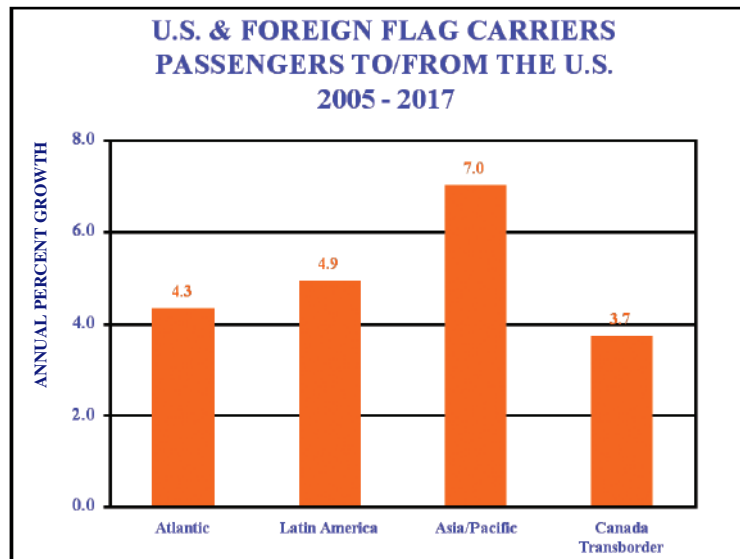
International Markets

U.S. and Foreign Flag Carriers

FAA provides forecasts of total international passenger demand (the sum of U.S. and foreign flag carriers) for travel between the United States and three world travel areas—Atlantic, Latin America (including Mexico and the Caribbean), and Asia/Pacific—as well as for U.S./Canadian transborder traffic. These forecasts are based on historical passenger statistics from the United States Immigration and Naturalization Services (INS) and Transport Canada, and on regional world historical data and economic projections from Global Insight.

Total passenger traffic between the United States and the rest of the world is estimated to total 138.7 million in calendar year 2005, 3.9 percent higher than in 2004, but 1.4 percent below its peak in 2000. Strong economic growth in both the U.S. and the rest of the world drives passengers up 5.8 and 6.5 percent, respectively, in 2006 and 2007. For the balance of the forecast, U.S. and world economic growth over 3 percent a year leads to passengers growing an average of 4.7 percent a year, with total passengers reaching 247.9 million in 2017. It is expected that total passenger traffic between the U.S. and the rest of the world will return to pre-9/11 levels in 2006.

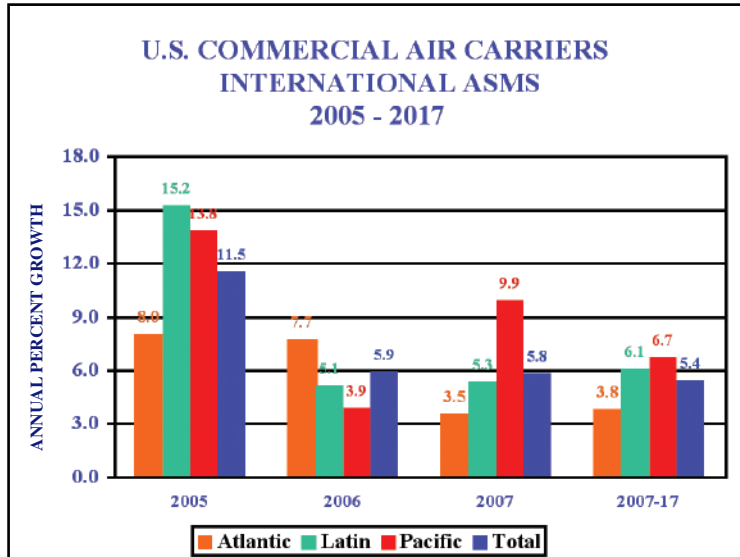
Over the entire forecast period, high economic growth in the Asia/Pacific and Latin American regions fuels the fastest passenger growth in these markets, up 7.0 and 4.9 percent a year, respectively. Passenger traffic is projected to grow an average of 4.3 percent a year in Atlantic markets and 3.7 percent a year in Canadian transborder markets.



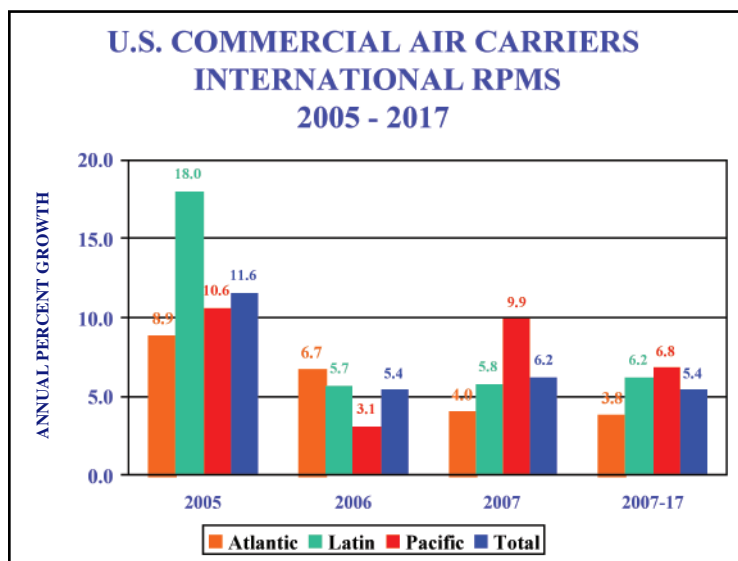
U.S. Flag Air Carriers

In 2005, U.S. commercial air carrier international capacity grew 11.5 percent, exceeding pre-9/11 levels for the first time since the terror attacks. Capacity is forecast to increase 5.9 percent in 2006, with the fastest growth in the Atlantic markets. Capacity growth remains robust at 5.8 percent in 2007, and

averages 5.4 percent a year for the balance of the forecast. Strong growth throughout the forecast reflects favorable U.S. and world economic activity as well as the realization by U.S. mainline carriers that international markets represent their best, if not only, source of profitable operations.



U.S. commercial air carrier international RPMs increased 11.6 percent in 2005 and enplanements increased 12.1 percent. RPM growth is projected to slow in 2006 to 5.4 percent reflecting slowdowns in Latin and Pacific growth. A rebound in Pacific market growth as supply and demand move into balance, results in total U.S. carrier international RPMs growing 6.2 percent in 2007. For the balance of the forecast, RPM growth is forecast to average 5.4 percent a year with the fastest growth in the Pacific region. A similar pattern is forecast for enplanement growth. International enplanement growth is projected to slow in 2006, to 4.5 percent, then bounce back up to 5.4 percent in 2007. Over the balance of the forecast period, enplanements are forecast to increase an average of 5.0 percent a year with the fastest growth in Pacific markets.



The similar growth in U.S. carrier international passenger traffic compared with total international traffic (which includes foreign flag carrier traffic) over the forecast period (5.0 percent a year) reflects stabilization in market share for U.S. airlines. Forecasts of international demand assume U.S. carriers will benefit from the favorable economic activity in both the United States and world markets. Stronger growth in international travel relative to domestic markets is driven by growth in the Asia/Pacific and Latin America markets.

International load factor for U.S. commercial carriers was 79.3 percent in 2005. Load factor is expected to drop slightly in 2006 to 78.9 percent as capacity increases, especially in Atlantic markets, outpace the growth in traffic. International load factor is then projected to increase to 79.2 percent in 2007 as traffic grows slightly faster than capacity. For the balance of the forecast period load factor increases very slowly to 79.4 percent by 2017.

International passenger yields were up 4.4 percent in 2005, largely because of increases in Asia/Pacific (6.3 percent), and Atlantic markets (up 6.0 percent), reflecting strong demand in these regions. Latin America yield was down 0.9 percent in 2005 as capacity increased 15.2 percent. International yields are expected to increase by 4.3 percent in 2006 and increase an average 1.4 percent a year over the balance of the forecast. In real terms, international yields are forecast to decline at an annual rate of 0.8 percent over the forecast. The decline in real yields is based on the assumption that competitive pressures will continue to exert pressure on carriers to hold the line on fare increases. In international markets, this takes the form of expanded open sky agreements and new and existing global alliances.

Air Cargo

Historically, air cargo activity has moved in synch with GDP. Additional factors that have affected the growth in air cargo traffic include declining real yields, improved productivity, and globalization. Significant structural changes have occurred in the air cargo industry. Among these changes are the following: air cargo security regulations by FAA and TSA; market maturation of the domestic express market; modal shift from air to other modes (especially truck); increases in air fuel surcharges; growth in international trade from open skies agreements; expanded use of all-cargo carriers (e.g., FedEx) by the U.S. Postal Service to transport mail; and increased use of mail substitutes (e.g., e-mail).

The forecasts of Revenue Ton Miles (RTMs) are based on several assumptions specific to the cargo industry. First, security restrictions concerning air cargo transportation will remain in place. Second, most of the shift from air to ground transportation has occurred. Finally, long-term cargo activity will be tied to economic growth.

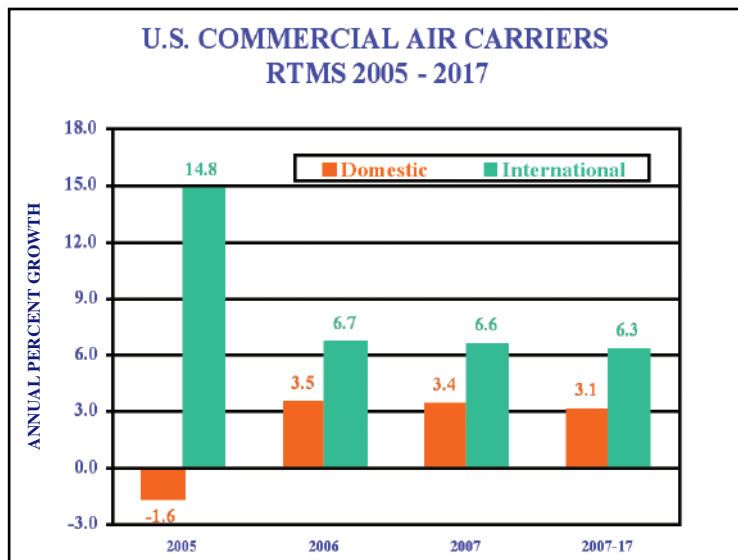
The forecasts of RTMs were based mainly on models that relate cargo activity to GDP. Forecasts of domestic cargo RTMs were developed with real U.S. GDP as the primary driver. Projections of international cargo RTMs were based on growth in world GDP, adjusted for inflation. The distribution of RTMs between passenger carriers and all-cargo carriers was forecast based on an analysis of historic trends in shares; changes in industry structure and market assumptions; and discussions with industry representatives.

Total RTMs are forecast to increase 5.4 percent in 2006 and 5.3 percent in 2007. For the balance of the forecast period, total RTMs are forecast to increase at an average annual rate of 5.1 percent, based mainly on economic growth. The forecast of 71.7 billion RTMs in 2017 represents an average annual increase of 5.2 percent over the entire forecast period.

Domestic cargo RTMs are forecast to increase 3.5 percent in 2006 and 3.4 percent in 2007 based on strong economic activity. Between 2007 and 2017, domestic cargo RTMs are forecast to increase at an average annual rate of 3.1 percent, based on projected U.S. economic growth. The forecast of 23.4 billion RTMs in 2017 represents an average annual increase of 3.2 percent over the entire forecast period.

The freight/express component of domestic air cargo is highly correlated with capital spending. Consequently, the growth of this component in the future will be tied to growth in the economy. The mail component of domestic air cargo will be affected by overall mail volume.

The all-cargo carriers have increased their share of domestic cargo RTMs flown from 64.6 percent in 1996 to 80.8 percent in 2005. This is because of significant growth in express service by FedEx and United Parcel Service coupled with a lack of growth of domestic freight/express business for passenger carriers. There are a number of recent factors that account for the relative growth of the all-cargo sector. One was the October 2001 FAA security directive that strengthened security standards for transporting cargo on passenger flights. A second factor was the decision of the U.S. Postal Service to use all-cargo carriers as a means to improve control over mail delivery. A final factor was the inclusion of Airborne Express into the cargo data reported beginning in 2003. The all-cargo share is forecast to increase to 84.0 percent by 2017 based on increases in widebody capacity for all-cargo carriers and security considerations.



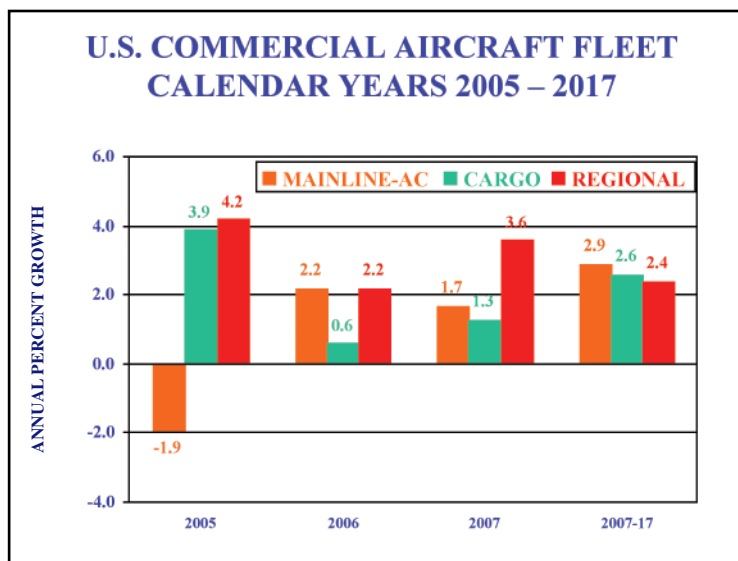
International cargo RTMs are forecast to increase 6.7 percent in 2006 and 6.6 percent in 2007 with growth of the world economy and expansion in trade with open skies agreements. For the balance of the forecast period, international cargo RTMs are forecast to increase an average of 6.3 percent a year based on projected growth in world GDP. The forecast 48.4 billion RTMs in 2017 represents an average annual increase of 6.3 percent over the entire forecast period.

Both the freight/express and mail components of international cargo will be affected by economic growth. The mail component will also be affected by some residual fear of terrorism as well as improvements in mail delivery services.

All-cargo carriers increased their share of international cargo RTMs flown from 52.0 percent in 1996 to 63.8 percent in 2005. This increase has resulted from the demand for expedited service, increased activity from the war in Iraq, and the change in reporting of contract services. The all-cargo share is forecast to increase to 68.0 percent by 2017 based on increased capacity.

Commercial Aircraft Fleet

The number of commercial aircraft is forecast to grow from 7,836 in 2005 to 10,677 in 2017, an average annual growth rate of 2.6 percent or 237 aircraft annually. The commercial fleet grows by 154 aircraft in 2006 and 188 aircraft in 2007; however, most of this growth occurs among regional and low-cost carriers.



The number of large passenger jets (over 90 seats) fell by 78 aircraft in 2005 but is expected to increase by 85 aircraft in 2006 and 70 aircraft in 2007. Over the remaining 10 years of the forecast period, the mainline air carrier passenger fleet increases by an average of 137 aircraft a year, reaching a total of 5,481 aircraft in 2017. The narrow-body fleet (including JetBlue’s E-190’s) is projected to grow by 98 aircraft annually over the 12-year forecast period; the wide-body fleet grows by 29 aircraft a year as the Boeing 787 and Airbus A350’s enter into the fleet.

The regional carrier passenger fleet is forecast to increase by 273 aircraft over the next 3 years—63 in 2006, 105 in 2007 and 2008. After that, the regional carrier fleet is expected to increase by an average of 80 aircraft (2.3 percent) over the remaining 9 years of the forecast period, reaching 3,851 aircraft in 2017. The number of regional jets (90 seats or fewer) at regional carriers is projected to grow from 1,758 in 2005 to 2,819 in 2017, an average annual increase of 4.0 percent. Almost all of the growth in regional jets over the forecast period occurs in the larger 70 and 90 seat aircraft (1,019 compared to 42

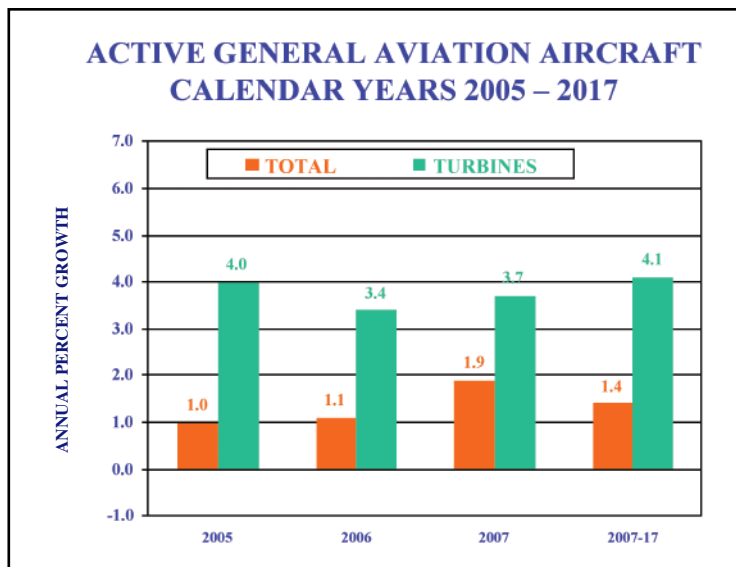
aircraft with 50 or less seats), reflecting the relaxation of scope clauses. The turboprop/piston fleet is expected to decline from 1,104 in 2005 to 1,032 in 2017. Turboprop/piston aircraft are expected to account for just under 27 percent of the regional fleet in 2017, down from a 38.6 percent share in 2005.

Cargo large jet aircraft are forecast to increase by 36 aircraft over the next 3 years (from 1,021 to 1,057 aircraft in 2008), and total 1,345 aircraft in 2017. The narrow-body jet fleet is projected to decline by more than 7 aircraft a year over the 12-year forecast period. The wide-body jet fleet, including the Airbus A-380 jumbo jet, is projected to increase by more than 34 aircraft yearly.

General Aviation

Despite a slowdown in the demand for business jets over the past several years, the current forecast assumes that business use of general aviation aircraft will expand at a more rapid pace than that for personal/sport use. The business/corporate side of general aviation should continue to benefit from a growing market for new microjets. In addition, corporate safety/security concerns for corporate staff, combined with increased processing times at some U.S. airports have made fractional, corporate, and on-demand charter flights practical alternatives to travel on commercial flights.

The active general aviation fleet is projected to increase at an average annual rate of 1.4 percent over the 12-year forecast period, growing from an estimated 214,591 in 2005 to 252,775 aircraft in 2017. The more expensive and sophisticated turbine-powered fleet (including rotorcraft) is projected to grow at an average of 4.0 percent a year over the 12-year forecast period with the turbine jet fleet doubling in size.

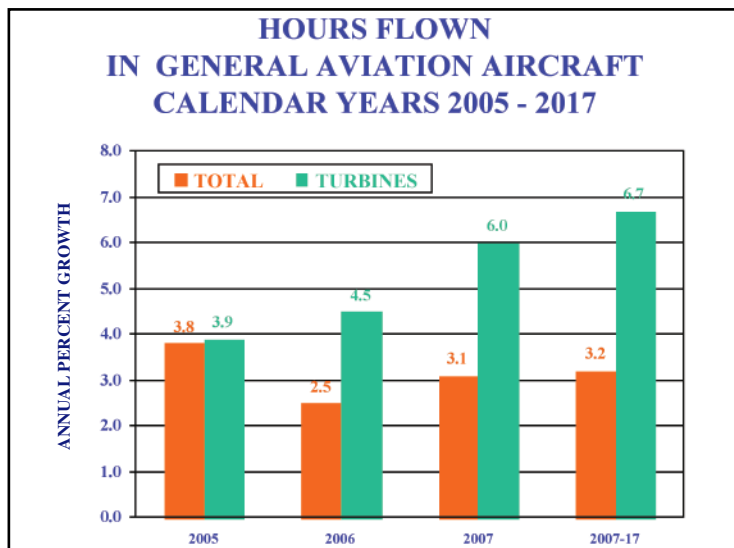


At the October 2005 TRB/FAA workshop, industry experts suggested the market for new microjets could add 500 aircraft a year to the active fleet by 2010. The relatively inexpensive twin-engine microjets (priced between \$1 and \$2 million) are believed by many to have the potential to redefine the business jet segment by expanding business jet flying and offering performance that could support a true on-demand air-taxi business service. This year's forecast assumes that microjets will begin to enter the active fleet in 2006 (100 aircraft) and grow by 400 to 500 aircraft a year after that, reaching 4,950 aircraft by 2017.

The number of piston-powered aircraft (including rotorcraft) is projected to increase from 193,098 in 2005 to 218,415 in 2017, an average increase of 1.0 percent yearly. The slow growth among single-engine and multi-engine piston aircraft (0.3 and 0.1 percent respectively) is offset by a projected 6.7 percent average annual growth in piston rotorcraft. In addition, it is assumed that relatively inexpensive microjets and new light sport aircraft could dilute or weaken the replacement market for piston aircraft.

Starting in 2005, a new category of aircraft (not currently included in the FAA’s aircraft registry counts) was created: “light sport” aircraft. The forecast assumes registration of 10,000 aircraft over a 6-year period beginning in 2005. This new aircraft category is projected to total roughly 14,000 in 2017.

The number of general aviation hours flown is projected to increase by 3.2 percent yearly over the 12-year forecast period. Much of the increase reflects increased flying by business and corporate aircraft as well as increased utilization rates for piston aircraft. Hours flown by turbine aircraft (including rotorcraft) are forecast to increase 6.4 percent yearly over the forecast period, compared with 1.8 percent for piston-powered aircraft. Jet aircraft are forecast to account for most of the increase, expanding at an average annual rate of 10.2 percent over the 12 years. The large increases in jet hours result from the introduction of microjets, as well as increases in the fractional ownership fleet and its activity levels. Fractional ownership aircraft fly about 1,200 hours annually compared to only roughly 350 hours for all business jets in all applications. There is still a good deal of uncertainty about the utilization rates of the new microjets. Some analysts believe the microjets used for on-demand air taxi services could achieve utilization rates as high as 2,000 hours a year. However, FAA believes that microjet utilization rates will not be that high, but instead will be closer to the utilization rates achieved by fractional operators. Nevertheless, the high utilization rates are the primary driver behind the forecast increase in total hours flown.



The number of active general aviation pilots (excluding air transport pilots) is projected to be about 535,000 in 2017, an increase of more than 67,300 (up 1.1 percent yearly) over the forecast period. Commercial pilots are projected to increase from 120,614 in 2005 to 154,000 in 2017, an average annual increase of 2.1 percent as expected demand for corporate flying and on-demand air taxi stimulates hiring. The number of student pilots increase from 87,213 in 2005 to about 106,000 in 2017, an average annual rate of 1.7 percent. In addition, FAA is projecting roughly 13,600 new sport pilots will be certified during the forecast period. The number of private pilots is projected to total about 224,000 (down 0.2 percent yearly) in 2017.

FAA WORKLOAD FORECASTS

There were 500 towered airports at the end of September 2005—266 FAA towers and 234 contract towers. While the number of FAA towers is expected to remain constant at 266 in 2006, the number of FAA contract towered airports is forecast to increase by 7 to 241. In 2005, aircraft activity at these 7 airports totaled roughly 750,000 operations, with general aviation accounting for 95.3 percent of the total activity.

FAA and Contract Towers

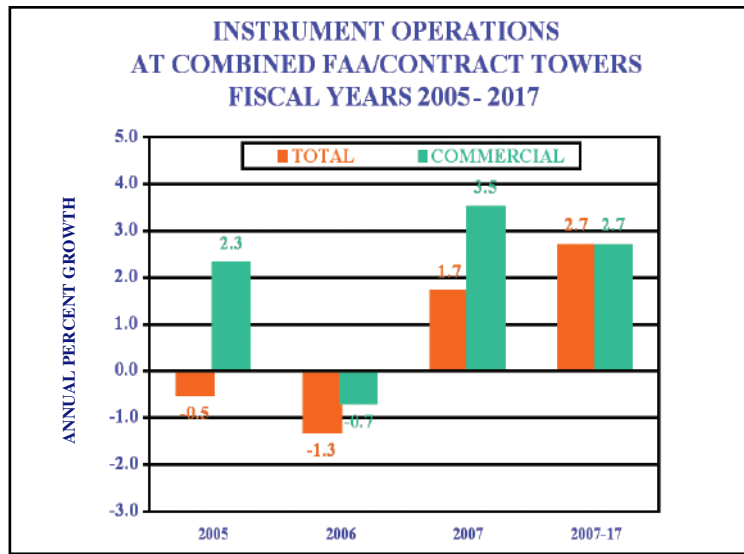
Activity at the combined FAA and contract towers totaled 63.1 million operations in 2005, virtually unchanged (down 0.1 percent) from 2004. Activity is projected to decrease 0.4 percent in 2006, reflecting lower commercial activity, rise 2.7 percent in 2007, and increase 2.2 percent a year over the remaining 10 years of the forecast period, reaching 80.3 million operations in 2017. Total activity at combined FAA/contract towers is not expected to return to pre-9/11 levels until 2011.

Most of the growth over the 12-year forecast period results from increased commercial aircraft activity (up 2.4 percent annually). Air carrier activity is projected to decrease 1.0 percent in 2006 reflecting capacity cuts, then rise 3 percent in 2007 as capacity increases, and increase an average of 2.7 percent a year over the remaining 10 years of the forecast period. Commuter/air taxi operations are forecast to fall 0.9 percent in 2006, then increase 2.7 percent in 2007, and grow an average of 2.7 percent a year over the rest of the forecast period.

General aviation activity (down 2.5 percent in 2005) is forecast to decline slightly (down 0.1 percent) in 2006 before rising 2.8 percent in 2007. For the balance of the forecast, general aviation activity at towered airports is projected to increase an average of 2.0 percent a year, to 42.7 million operations in 2017. Much of the growth in 2007 results from the extra activity at the 7 new contract towers that was not in the previous database. General aviation activity at combined FAA/contract towers is not expected to return to pre-9/11 levels until 2014.

Military activity, which declined 4.2 percent in 2005, is forecast to rise just 0.3 percent in 2006 and 0.7 percent in 2007. Activity levels are then held constant at the 2007 activity level (2.9 million) through the forecast period. The increase in 2006 and 2007 is because of activity at the 7 new contract towers.

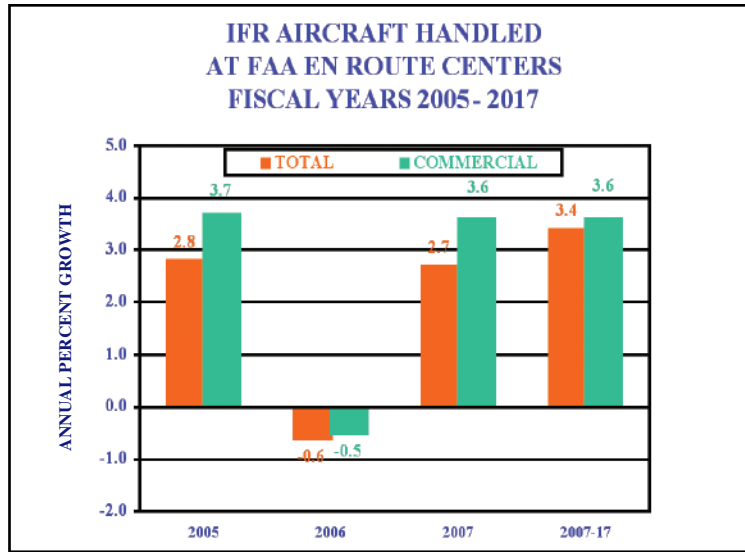
Combined instrument operations at FAA and contract towered airports (49.0 million) fell 0.5 percent in 2005. Instrument activity is projected to decrease 1.3 percent in 2006, reflecting a slowdown in air carrier activity, before rising 1.7 percent in 2007. For the balance of the forecast period, instrument operations grow an average of 2.7 percent a year, totaling 64.4 million in 2017. Instrument activity at combined FAA/contract towers is forecast to exceed pre-9/11 levels by 2011.



Over the 12-year forecast period, commercial aircraft instrument operations are forecast to increase at the same rate as general aviation instrument operations (2.4 percent a year). However, after 2007, general aviation instrument operations are projected to grow 3.3 percent a year versus a 2.7 percent annual rate for commercial instrument operations, reflecting the expected impact of the introduction of microjets to the general aviation fleet. Military activity is expected to remain constant at its 2005 level (2.9 million) of activity throughout the forecast period.

En Route Centers

The number of IFR aircraft handled at FAA en route traffic control centers increased 2.8 percent to 47.5 million in 2005. All user groups had positive growth in 2005, but air carrier activity, at 4.8 percent, increased the most. Other user categories — commuter/air taxi (up 0.9 percent), general aviation (up 0.2 percent) and military (up 0.6 percent) grew less than 1 percent. Activity at en route centers is forecast to decrease by 0.6 percent in 2006, reflecting lower air carrier and general aviation activity, then rise 2.7 percent in 2007 as commercial activity rebounds. En route activity then increases by 3.4 percent annually over the balance of the forecast period, reaching 67.7 million aircraft handled in 2017. Between 2007 and 2017, commercial activity is projected to increase at an average annual rate of 3.6 percent, reflecting the continuing increases in aircraft stage lengths and the use of regional jets. During the same period, general aviation activity is projected to grow faster, 4.0 percent a year, reflecting the expected impact of microjets and fractional activity. Military activity is held constant at the 2005 activity level throughout the forecast period.



Activity at FAA en route centers is growing faster than at FAA towered airports because more of the activity in en route centers is from the faster growing commercial sector, and high-end general aviation flying. Much of general aviation activity at FAA towered airports, which is growing more slowly, is local in nature and does not impact the centers.

An additional measure of activity that is important for workload planning at FAA en route centers is the total number of IFR Flight Hours. After increasing by 6.9 percent in 2004, growth in IFR Flight Hours slowed to 2.3 percent in 2005. Despite the slow growth in activity in 2006, hours are projected to increase by 2.8 percent. For the balance of the forecast, hours are projected to increase an average of 2.7 percent a year, as growth in international activity outpaces growth in domestic activity.