

Marketing 340
Dr. Richard C. Reizenstein
Team Strategy Project
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Senior Honors' Project



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Executive Summary

The purpose of the team strategy project is to conduct research and to gain experience in a team environment. In addition to gaining experience throughout this project, our team sought to understand more about the air transportation industry and more specifically, the market structure analysis of one of the main competitors in the air transportation industry, United.

On September 11, 2001, United was forced to redefine itself as a corporation and as a competitor in the air transportation industry. The social demands placed upon United and the company structure was required to change drastically. Following the events of 9/11, United had to file for Chapter 11 Bankruptcy and find a way to keep its business functions operational. Recently, United has been able to overcome having to declare Chapter 11 Bankruptcy and is projected to be able to regain profitability in the near future. Along with restructuring caused by their bankruptcy filing, United has done a lot to improve satisfaction with customer service and to improve and expand the services provided on flights and in its airports.

United's primary target market segment is the business travel class. The extensive efforts United has put into providing excellent customer service has helped them build a strong, loyal customer base. United has implemented new programs to fit customer needs and wants and to enhance customer air travel experience.

This investigative report discusses a macro-environmental and air transportation industry analysis, a financial and market history, the primary market segments and core positioning strategy, the SBU level strategies and tactics, and recommendations for United.

Economics of United

Due to the losses incurred with the events of 9/11, United had to raise the prices of their flights. At the time of the attack, United had a total of \$28,385,000,000¹ in assets. Gas prices have been increasing since 9/11. Fortunately, United was able to earn a revenue total of \$16,391,000,000 last year². United's revenue was second only American Airlines, who earned \$2,071,200,000 last year². United's total net income for last year came out to -\$1,721,000,000². This was one of the worst net incomes among airlines in the industry. Since declaring bankruptcy, United has been working diligently to raise their net income to a positive amount.

A law passed in October, 2005 affects the amount of time United has to keep certain leases or ditch them. This law was passed in order to give tighter restrictions and to reduce the time provided to airline companies to file a new reorganization plan necessary to get out of bankruptcy. Overcoming bankruptcy is going to be a challenge, but United seems to be on the right track to recovery.

United Employment

Before 9/11, United provided jobs to about 61,000 people worldwide. United offers 401k plans, health benefits, competitive pay, and travel benefits to their employees.³ After 9/11, United had trouble keeping all its employees. A couple years ago, United requested a loan for \$1.8 million to fund the efforts to keep all its employees, but the Air Transportation Stabilization Board (ATSB) rejected their request⁴. The ATSB told United to reduce their payroll by \$9 million for their request to be considered. This led to United having to file for protection from their creditors under Chapter 11. Eventually, United had to cut a large amount of employment although it was the second largest global carrier. Currently, United employs 57,000 people in every US state and in many countries around the world

United's fuel expense in 2004 was \$2.9 billion and had increased to \$4 billion by 2005, depleting its gross margin by 12%. The Return on Assets of United was -110 in 2005, which is not good when compared to the -2.6 average in the air transportation industry (See Appendix-8-9)²¹. The current ratio (assets/liabilities) was 0.63 and is considered to be low when compared to the industry's current ratio.

Market News

On December 11, 2002, United filed for protection under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of Illinois, Eastern Division in Chicago.²² The Chapter 11 process will facilitate United's restructuring, which is designed to restore its long-term financial health while operating in the normal course of business. United announced that it would maintain its ability to continue its global operations and its long-standing commitment to its customers: safety and reliability.

On August 26, 2003, United Airlines signed a new five-year agreement with Electronic Data Systems Corporation (EDS) for contract center services for its subsidiary, United Cargo. This agreement included EDS's CRM solution and will allow United to focus on its core business and continually improve customer service. With this agreement, EDS will utilize its Best Shore model to deliver contact center services across the U.S.

On February 1, 2006, 38 months after its bankruptcy approval, United finally came out of bankruptcy, with 30% fewer employees and \$3 billion less in annual labor costs.

Core Positioning

Overall positioning statement

The overall positioning statement of any company provides information on the product strategy, customer support services strategy, channel and logistics strategy, pricing strategy, and

Customer Service Plan⁵

1. Offer the lowest fare available
 2. Notify customers of known delays, cancellations, and diversions
 3. Provide on-time baggage delivery
 4. Support an increase in the baggage liability limit
 5. Allow reservations to be held or cancelled
 6. Provide prompt ticket refunds
 7. Properly accommodate disabled and special-needs customers
 8. Meet customers' essential needs during long on-aircraft delays
 9. Handle bumped customers with fairness and consistency
 10. Disclose travel itinerary, cancellation policies, frequent flyer rules and aircraft configuration
 11. Ensure good customer service from code-share partners
 12. Be more responsive to customer complaints
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United has positioned itself as a customer-focused, low-cost provider of air transportation. The advertising campaigns United has utilized throughout the years and their commitment to customer service have supported this position. For example, in an article from Imediaconnection.com entitled, "A tale of an online and offline branding experience gone right," Cheryl Gidley, a United customer, tells about how United Airlines "gets it." She says, "...when United Airlines left me a voicemail, I wasn't only surprised to get it, I was surprised to appreciate it. And, when the follow-up email came, I was so impressed that I started telling everyone I knew about it." This kind of experience is what United strives to provide for their customers on a daily basis. She goes on to say, "It was an amazing experience....United earned my instant respect, cautious trust and thanks."⁷ A large portion of United.com is dedicated solely to providing customer service. For this reason, the website is user-friendly and easy to navigate. This is yet another service provided that shows that convenience and consideration are the two focuses that United strives to extend to its customers on a daily basis.

Recent CRM Strategies

To better support customers, United recently announced their intentions to partner with iAnywhere, a subsidiary of Sybase.¹² Through this partnership, United hopes to give their customers more wireless access through the AvantGo mobile Internet service. With this internet real-time access, United customers will be able to view city guide maps and weather reports for anywhere in the world. This wireless system was designed to be user friendly for people who have handheld devices such as the Blackberry. United customers who register for AvantGo can use their PDAs to track their flight status, itinerary information, and many other things.¹³ Customers who are not registered can sign up for AvantGo free online. This is a groundbreaking service sure to be greatly appreciated by the overstressed traveler.

Line Extension Strategies

The most recent line extension of United Airlines was announced by a press release in March of this year. According to the press release, United has hired B/E Aerospace, Inc. to design and manufacture new seats for the international first and business class passengers. The estimated value of the project is \$165 million. B/E Aerospace, Inc. is regarded as the leading manufacturer of aircraft interiors worldwide. This is yet another example of how United Airlines continues to provide its customers with the best services and comforts possible.¹⁴

Primary Tactics

United uses many different tactics in the marketing mix to support the brand's strategy. One of the most obvious tactics being used is the pricing for their spring flights across the country. The title of an ad campaign United is currently using is, "Spring is in the Air and Low Fares have Sprung at United." United is using many tactics to be competitive in the market, and some of their prices are exceptional for customers who want to travel in a business environment. United has

current standard award levels. Even with these changes, Mileage Plus award redemption levels remain among the lowest of international carriers with three classes of service. United Mileage Plus, which has nearly 48 million enrolled members, has been voted the best frequent flyer program by readers of *Business Traveler* for the past 10 years. It also received the 2005 Frost & Sullivan CEO Choice Award for Best Frequent Flyer Program. The Mileage Plus Program is one of United's best known tactics used to satisfy its customers.

Another one of United's tactics is the spring promotions currently running. They have reduced fares to several destinations, both domestically and internationally. These reduced fares have been positive for United. Along with the reduced fares, United has added more non-stop flights to some of its most popular destinations. United has many more tactics that can be used and applied to their strategies, but these were two of the most obvious and most useful tactics they use to their advantage.

Recommendations for the Future

United has implemented multiple strategies that have succeeded and some that have failed over the years. The way for United to regain a stronghold in the air transportation industry and to regain profitability is to continue to promote economic and psychological value to its customers. The Mileage Plus Program will lead to loyal customers and create customer value.

Retaining Customers and Employees

Keeping a customer costs less than trying to gain new customers. United should encourage its dissatisfied customers to complain when they are not happy with the services provided. Customer retention rates are higher when the company is able to hear complaints from customers. United should also establish incentives to encourage dissatisfied customers to complain. Some possible incentives could be extra miles added to the customer's Mileage Plus account or maybe a

is now more convenient than ever for customers to work while flying. This is a greatly valued asset to business travelers. By marketing these new services United can attract more loyal customers.

Gas Price Hedging

Gas prices are a big factor in the air transportation industry. Southwest Airlines was very savvy in gas price hedging, so they are saving lots of money that otherwise would have been used towards gas. Since gas prices are currently very high, it is too late for United to begin trying to hedge against high gas prices. However, once they return to their normal levels, United should establish a strategy to protect from any future increases in gas prices. No matter how much planning is involved, though, gas prices are uncertain. United should conduct research and determine the best time to put a cap on gas prices and make a deal with the oil companies like Southwest Airlines did.

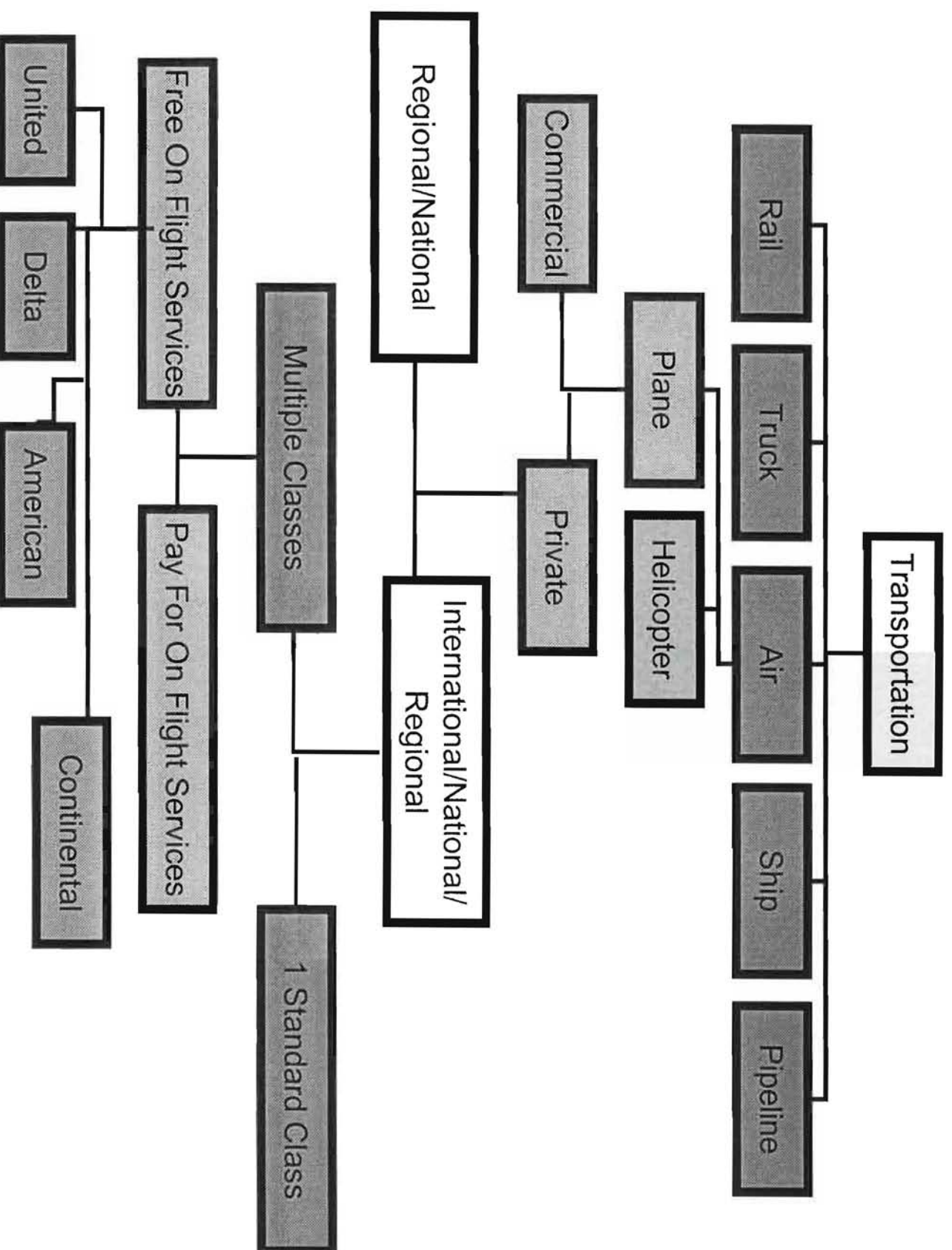
Merging with another Airline

Due to United's recent removal from Chapter 11, it should look into making a directive strategic decision and merging with another airline. American West Airlines and US Airways are merging for \$65 million and plan to compete together.¹⁹ Since lots of airlines are having financial problems and attempting to escape bankruptcy, United could possibly benefit from merging with a smaller airline. The cost of this venture would depend on what airline United decided to target. United obviously should not go after one of its key competitors, but should instead target a smaller, yet well known airline. United has good brand recognition and it needs to maintain that.

The merge would help financially because it would take one competitor away and enable United to service more customers.

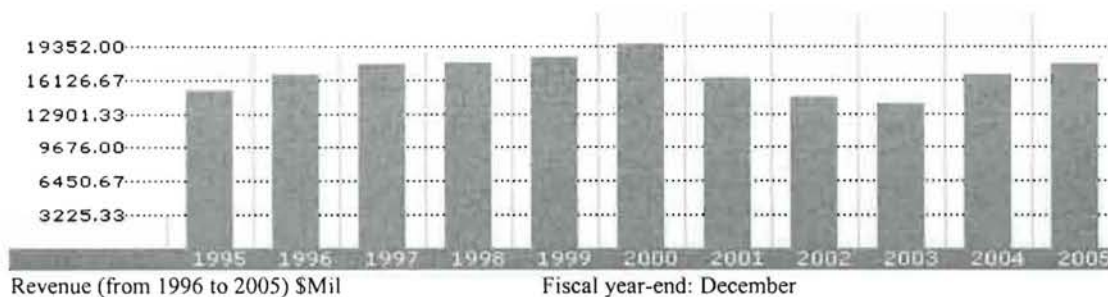
	TIME OF FILING	EMERGENCY	CHANGE
Revenue per seat*	8.2 cents per mile	9.3 cents per mile	+13.4%
Cost per seat*	11.3 cents per mile	10.8 cents per mile	-6.2%
Cost per seat, excl. fuel*	8.4 cents per mile	7.5 cents per mile	-10.2%
Jet fuel price/gallon**	87 cents	\$2.00	+140.2%
Number of employees	77,000	56,592	-26.5%
Number of aircraft	587	468	-18.9%
Annual passengers	68.8 million (2002)	68.8 million (2005)	-2.8%
# of departures (full year)	549,826 (2002)	549,781 (2005)	-15.4%
Load factor (full year)	72.8% (2002)	81.4 % (2005)	N/A
Domestic destinations	283	170	-16.3%
Int'l destinations	35	40	+14.3%
% capacity domestic	63%	80%	N/A
% capacity int'l	37%	48%	N/A

Source: United
*Average for full year 2002 and 2005. ** Average for 4Q 2002 and 4Q 2005



Appendix 2

Revenues



Competitors	Revenues (\$)
AMR Corp. (DE)	20712000000
UAL Corp	16391000000
Delta Air Lines, Inc. (DE)	16191000000
Northwest Airlines Corp.	12286000000
Continental Airlines Inc (United States)	11208000000
Southwest Airlines Co	7584000000
Alaska Air Group, Inc.	2975300000
JetBlue Airways Corp (United States)	1701000000
Airtran Holdings, Inc.	1450544000
Pinnacle Airlines Corp	841605000
Frontier Airlines Holdings Inc	833639441
Republic Airways Holdings Inc	540736000
Midwest Air Group Inc	522989000
Hawaiian Holdings Inc (United States)	504323000

Appendix 3

Income Statement

Item	12/31/2005	12/31/2004	12/31/2003	%	Compound Annual Growth Rate	
	USD	USD	USD		3 Year	5 Year
Revenues	17,379,000	16,391,000	13,724,000	19.43	0.05	-0.03
Cost of Revenue	11,490,000	10,088,000	7,553,000	33.56	0.11	0.03
Depreciation and Amortization	856,000	874,000	968,000	-9.71	-0.03	-0.04
Interest Expense	485,000	448,000	524,000	-14.5	-0.07	0.07
Income Tax Expense	-	-	-	-	-	-
Net Income	-21,176,000	-1,721,000	-2,808,000	38.71	-0.19	-
EPS - Con't Oprs	-	-	-	-	-	-
EPS - Net Income	-182.29	-15.25	-27.36	44.26	-0.34	-
EPS From Con't Oprs- Diluted	-	-	-	-	-	-
EPS - Net Income- Diluted	-182.29	-15.25	-27.36	44.26	-0.34	-

UAL Corp

As Reported Annual Income Statement

	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Currency	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar
Auditor Status	Not Qualified	Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	Yes	Yes	Yes	Yes	Yes
Scale	Thousands	Thousands	Thousands	Thousands	Thousands
Passenger-United Airlines	12,914,000	12,483,000	11,134,000	11,872,000	13,788,000
Passenger-regional affiliates	2,429,000	1,927,000	508,000	-	-
Cargo	729,000	704,000	630,000	673,000	704,000
Other operating revenues	1,307,000	1,277,000	1,452,000	1,741,000	1,646,000
Total operating revenues	17,379,000	16,391,000	13,724,000	14,286,000	16,138,000
Aircraft fuel	4,032,000	2,943,000	2,072,000	1,921,000	2,476,000
Salaries & related costs	4,027,000	5,006,000	5,264,000	7,029,000	7,080,000
Regional affiliates	2,746,000	2,425,000	634,000	-	-
Curtailement charges	-	-	152,000	-	-
Purchased services	1,524,000	1,462,000	1,301,000	1,411,000	1,650,000
Landing fees & other rent	915,000	964,000	930,000	1,021,000	1,009,000
Aircraft maintenance	881,000	747,000	572,000	560,000	701,000
Depreciation & amortization	856,000	874,000	968,000	960,000	1,026,000
Cost of sales	685,000	709,000	1,003,000	1,240,000	1,280,000
Aircraft rent	402,000	533,000	612,000	851,000	827,000
Commissions	305,000	305,000	277,000	416,000	710,000
Other operating expenses	1,207,000	1,277,000	1,273,000	1,565,000	1,722,000
Special charges	18,000	-	26,000	149,000	1,428,000
Total operating expenses	17,598,000	17,245,000	15,084,000	17,123,000	19,909,000
Earnings (loss) from operations	-219,000	-854,000	-1,360,000	-2,837,000	-3,771,000
Interest expense	482,000	449,000	527,000	590,000	525,000
Interest capitalized	-3,000	1,000	3,000	25,000	79,000
Interest income	38,000	25,000	55,000	60,000	105,000
Equity in earnings (losses) of affiliates	-	-	-4,000	-7,000	-23,000
Gain on sale of investments	-	158,000	135,000	46,000	261,000
Gain on sale of affiliate's stock	-	-	23,000	-	-
Non-operating special charges	-	5,000	-251,000	-	-49,000
Government compensation	-	-	300,000	130,000	652,000
Reorganization items, net	-20,601,000	-611,000	-1,173,000	-10,000	-
Miscellaneous, net	87,000	-1,000	-9,000	-22,000	-86,000
Total other income (expenses)	-20,961,000	-872,000	-1,448,000	-368,000	414,000
Earnings (loss) before income taxes & equity	-21,180,000	-1,726,000	-2,808,000	-3,205,000	-3,357,000
Current provision (benefit) for federal income	-	-	-	-669,000	-
Current provision (benefit) for state income	-	-	-	4,000	-
Total current provision (benefit) income tax	-	-	-	-665,000	-
Deferred provision (benefit) for federal income	-	-	-	755,000	-
Deferred provision (benefit) for state income	-	-	-	-90,000	-
Total deferred provision (benefit) for income	-	-	-	665,000	-
Provision (credit) for income taxes	-	-	-	-	-1,226,000
Income (loss) before equity earnings (losses)	-21,180,000	-1,726,000	-	-	-
Equity in earnings (losses) of affiliates	4,000	5,000	-	-	-
Earnings (loss) before extraordinary items	-	-1,721,000	-2,808,000	-3,205,000	-2,131,000
Distributions on preferred securities, net	-	-	-	-7,000	-6,000
Earnings (loss) before extraordinary item & c	-	-	-	-3,212,000	-2,137,000
Earnings (loss) before cumulative effect of a	-	-	-2,808,000	-	-
Cumulative effect of accounting change, net	-	-	-	-	-8,000
Net earnings (loss)	-21,176,000	-1,721,000	-2,808,000	-3,212,000	-2,145,000
Preferred dividends	-	-	-	10,000	-
Net earnings (loss) allocation to certificate	-	-	-	-3,222,000	-
Weighted average shares outstanding-basic	116,200	113,500	103,000	60,200	53,800
Weighted average shares outstanding-diluted	116,200	113,500	103,000	60,200	53,800
Year end shares outstanding	116,220.96	116,220.96	110,415.18	82,367.96	54,984
Earnings (loss) per share-continuing operatio	-	-	-27.36	-53.55	-39.9
Earnings (loss) per share-accounting change-b	-	-	-	-	-0.14
Net earnings (loss) per share-basic	-182.29	-15.25	-27.36	-53.55	-40.04
Earnings (loss) per share-continuing operatio	-	-	-27.36	-53.55	-39.9
Earnings (loss) per share-accounting change-d	-	-	-	-	-0.14
Net earnings (loss) per share-diluted	-182.29	-15.25	-27.36	-53.55	-40.04
Dividends per preferred B share	-	-	-	1.08	-
Total number of employees	57,000	61,000	63,000	72,000	84,000
Number of common stockholders	1,326	66,566	45,296	19,665	26,047
Depreciation & amortization	-	-	-	-	1,866,000

Appendix 5

Retained Earnings

UAL Corp

As Reported	Annual Retained Earnings	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Currency		US Dollar	US Dollar	US Dollar	US Dollar	US Dollar
Auditor Status		Not Qualified	Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated		Yes	Yes	Yes	Yes	Yes
Scale		Thousands	Thousands	Thousands	Thousands	Thousands
Previous retained earnings (accumulated deficit)		-7,946,000	-6,225,000	-3,417,000	-199,000	1,998,000
Preferred stock dividends		-	-	-	-	10,000
Cash dividends on series B preferred stock		-	-	-	6,000	-
Common dividends on common		-	-	-	-	42,000
Retained earnings (accumulated deficit)		-29,122,000	-7,946,000	-6,225,000	-3,417,000	-199,000

Appendix 6

Financial Ratios

UAL Corp

Profitability Ratios	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Return on Equity (%)	82.85	22.41	47.46	129.08	-70.26
Return on Assets (%)	-109.48	-8.31	-12.78	-13.55	-8.46
Return on Investment	-1,476.87	-421.52	-1,392.68	-377.6	-34.15
Gross Margin	0.029	0.033	0.038	0.041	0.04
EBITDA of Revenue (%)	3.3	-0.45	-3.8	-13.52	-11.8
Operating Margin (%)	-1.26	-5.21	-9.91	-19.86	-23.37
Pre-Tax Margin	-121.87	-10.53	-20.46	-22.43	-20.8
Net Profit Margin (%)	-121.85	-10.5	-20.46	-22.48	-13.29
Effective Tax Rate (%)	-	-	-	-	36.52

UAL Corp

Liquidity Indicators	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Quick Ratio	0.63	0.5	0.55	0.71	0.51
Current Ratio	0.81	0.61	0.66	0.85	0.63
Working Capital/Total Assets	-0.05	-0.12	-0.09	-0.03	-0.12

UAL Corp

Debt Management	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Current Liabilities/Equity	-0.2	-0.84	-1.03	-1.61	2.66
Total Debt to Equity	-0.06	-0.16	-0.15	-0.32	3
Long Term Debt to Assets	0.07	0.01	0.01	0.03	0.34

UAL Corp

Asset Management	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Revenues/Total Assets	0.9	0.79	0.62	0.6	0.64
Revenues/Working Capital	-17.82	-6.44	-6.57	-23.34	-5.42
Interest Coverage	-42.67	-2.85	-4.36	-4.67	-6.53

Appendix 7

Ratio Analysis

Item	12/31/2005	12/31/2004	%	Compound	
	USD	USD		Annual 3 Year	5 Year
ROE %	82.85	22.41	269.7	0.2	-
ROA %	-109.48	-8.31	-1,217.45	1.05	0.67
Gross Margin %	0	0	-	-	-
EBITA % of Revenue	3.3	-0.45	833.33	-	-
Pre-Tax Margin %	-121.87	-10.53	-1,057.36	0.81	0.42
Net Profit Margin %	-121.85	-10.5	-1,060.48	0.81	0.56
Quick Ratio	0.63	0.5	26	0.05	0.04
Current Ratio	0.81	0.61	32.79	0.07	0.05
Long Term Debt to Equity	-0.05	-0.04	-25	0.19	-
Total Debt To Equity	-0.06	-0.16	62.5	-0.26	-
Interest Coverage	-42.67	-2.85	-1,397.19	1.14	0.46
Working Cap/Total Assets	-0.05	-0.12	58.33	-0.18	-0.16

Appendix 8

Balance Sheet

UAL Corp

As Reported Annual Balance Sheet

	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Currency	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar
Auditor Status	Not Qualified	Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	Yes	Yes	Yes	Yes	Yes
Scale	Thousands	Thousands	Thousands	Thousands	Thousands
Cash & cash equivalents	1,761,000	1,223,000	1,640,000	886,000	1,688,000
Restricted cash	643,000	877,000	679,000	462,000	-
Short-term investments	77,000	78,000	78,000	388,000	940,000
Receivables, gross	862,000	975,000	955,000	817,000	-
Less allowance for doubtful accounts	23,000	24,000	26,000	29,000	-
Receivables, net	839,000	951,000	929,000	788,000	1,047,000
Prepaid fuel	258,000	-	-	-	-
Aircraft fuel, spare parts & supplies, net	193,000	234,000	264,000	310,000	329,000
Income tax receivables	-	-	-	326,000	174,000
Deferred income taxes	-	96,000	22,000	-	272,000
Prepaid expenses & other current assets	488,000	455,000	412,000	219,000	636,000
Total current assets	4,259,000	3,914,000	4,024,000	3,379,000	5,086,000
Owned-flight equipment	13,443,000	13,702,000	14,014,000	15,533,000	14,745,000
Owned-advances on flight equipment	128,000	173,000	173,000	173,000	566,000
Owned-other property & equipment	3,837,000	3,870,000	3,818,000	3,882,000	3,919,000
Gross operating owned property & equipment	17,408,000	17,745,000	18,005,000	19,588,000	19,230,000
Less Accumulated depreciation & amortization	6,106,000	5,626,000	5,132,000	5,306,000	4,716,000
Total operating property & equipment owned	11,302,000	12,119,000	12,873,000	14,282,000	14,514,000
Capital leases-flight equipment	2,581,000	2,624,000	2,636,000	2,489,000	2,667,000
Capital leases-other property & equipment	84,000	84,000	84,000	84,000	99,000
Gross capital leases	2,665,000	2,708,000	2,720,000	2,573,000	2,766,000
Less Accumulated amortization	739,000	653,000	555,000	494,000	472,000
Total capital leases	1,926,000	2,055,000	2,165,000	2,079,000	2,294,000
Total operating property & equipment	13,228,000	14,174,000	15,038,000	16,361,000	16,808,000
Restricted cash	314,000	-	-	116,000	-
Investments	20,000	24,000	53,000	124,000	278,000
Intangibles, gross	606,000	616,000	761,000	-	-
Less Accumulated amortization-intangibles	218,000	217,000	355,000	-	-
Intangibles, net	388,000	399,000	406,000	412,000	984,000
Deferred income taxes	-	-	-	-	97,000
Pension assets	4,000	665,000	904,000	1,162,000	-
Aircraft lease deposits	477,000	540,000	679,000	776,000	667,000
Prepaid rent	67,000	158,000	158,000	408,000	374,000
Other assets	585,000	831,000	717,000	918,000	903,000
Total other assets	1,855,000	2,617,000	2,917,000	3,916,000	3,303,000
Total assets	19,342,000	20,705,000	21,979,000	23,656,000	25,197,000
Notes payable	-	-	-	-	133,000
Long-term debt maturing within one year	13,000	875,000	663,000	-	1,217,000
Current obligations under capital leases	20,000	28,000	26,000	-	237,000
Advance ticket sales	1,575,000	1,361,000	1,330,000	1,021,000	1,183,000
Accounts payable	596,000	601,000	501,000	284,000	1,268,000
Accrued salaries, wages & benefits	844,000	2,100,000	2,299,000	1,496,000	1,227,000
Fuel purchase commitments	258,000	-	-	-	-
Accrued aircraft rent	-	-	-	-	903,000
Other accrued liabilities	1,928,000	1,496,000	1,293,000	1,190,000	1,898,000
Total current liabilities	5,234,000	6,461,000	6,112,000	3,991,000	8,068,000
DIP facility	-	-	-	700,000	-
Total before unamortized discount on debt	-	-	-	700,000	-
Long-term debt	-	-	-	700,000	-
Long-term debt	1,298,000	154,000	-	-	6,622,000
Long-term obligations under capital leases	102,000	147,000	163,000	-	1,943,000
Deferred pension liability	95,000	2,333,000	4,747,000	4,661,000	1,241,000
Postretirement benefit liability	1,932,000	1,920,000	1,924,000	1,809,000	1,690,000
Deferred gains	-	-	-	-	827,000
Accrued aircraft rent	-	-	-	-	551,000
Deferred income taxes	428,000	389,000	285,000	249,000	-
Other liabilities	797,000	946,000	700,000	894,000	1,049,000
Total other liabilities & deferred credits	3,252,000	5,588,000	7,656,000	7,613,000	5,358,000
Liabilities subject to compromise	35,016,000	16,035,000	13,964,000	13,833,000	-
Co-obligation mandatory redeemable preferred	-	-	-	-	98,000
Preferred stock committed to supplemental empl	-	-	-	2,000	77,000
Common stock	1,000	1,000	1,000	1,000	1,000
Additional capital invested	5,064,000	5,064,000	5,066,000	5,070,000	4,995,000
Retained earnings (accumulated deficit)	-29,122,000	-7,946,000	-6,225,000	-3,417,000	-199,000
Preferred stock held in treasury	305,000	305,000	305,000	305,000	305,000
Common stock held in treasury	1,162,000	1,162,000	1,164,000	1,167,000	1,180,000
Unrealized (losses) on derivatives	-	-20,000	-	-	-
Minimum pension liability	-	-3,311,000	-	-	-
Other accumulated comprehensive loss	-	-1,000	-	-	-
Accumulated other comprehensive income (loss)	-36,000	-3,332,000	-3,288,000	-2,663,000	-275,000
Other stockholders' equity	-	-	-1,000	-2,000	-4,000
Total stockholders' equity (deficit)	-25,560,000	-7,680,000	-5,916,000	-2,483,000	3,033,000

Appendix 9

Key Business Ratio

SIC: 4512
 Line of Business: AIR TRANS, SCHEDULED
 Asset Range: All Asset Ranges within SIC Group

Industry Quartiles	2004			2003			2002		
	Statement Sampling: 32			Statement Sampling: 28			Statement Sampling: 31		
Solvency	Upper	Median	Lower	Upper	Median	Lower	Upper	Median	Lower
Quick Ratio (times)	0.9	0.5	0.3	1.1	0.6	0.4	1.5	0.7	0.4
Current Ratio (times)	1.9	1.1	0.7	1.6	1.1	0.7	3.2	1.3	0.7
Current Liabilities / Net Worth (%)	34.3	62.1	138.1	36.7	123.4	605.9	13.7	73.5	739.7
Current Liabilities / Inventory (%)	732.7	999.9	999.9	943.2	999.9	999.9	167.8	999.9	999.9
Total Liabilities / Net Worth (%)	106	171.1	327.1	122.7	196.6	999.9	27.7	143.7	999.9
Fixed Assets / Net Worth (%)	114.9	155.5	229.6	119.4	194.4	999.9	18.1	89	292
Efficiency	Upper	Median	Lower	Upper	Median	Lower	Upper	Median	Lower
Collection Period (days)	7.7	14.8	35.1	11.7	17.4	63.2	16.1	28.8	61.7
Sales / Inventory (times)	52	41	32	46.4	29.3	0.1	32.7	17.2	3.8
Assets / Sales (%)	45	120.4	167.1	52.2	128.6	194.8	37.2	89.3	160.7
Sales / Net Working Capital (times)	31.4	11.3	3.9	35.9	18.1	10.1	21.6	6.7	3.6
Accounts Payable / Sales (%)	3	5	6.9	5.3	6.8	9.5	4.1	6.9	13.9
Profitability	Upper	Median	Lower	Upper	Median	Lower	Upper	Median	Lower
Return on Sales (%)	4.8	-0.3	-8.6	7.6	2	-4.1	2.9	-1.2	-15.7
Return on Assets (%)	5.1	-0.1	-6.6	9.4	2.1	0	4.3	0	-6
Return on Net Worth (%)	28.4	6.3	-11.4	33.3	10.7	-1.6	32.7	11.8	0.1
Median Variance	2004			2003			2002		
Solvency	Median	2003	2002	Median	2004	2002	Median	2004	2003
Quick Ratio (times)	0.5	-16.7	-28.6	0.6	16.7	-14.3	0.7	28.6	14.3
Current Ratio (times)	1.1	0	-15.4	1.1	0	-15.4	1.3	15.4	15.4
Current Liabilities / Net Worth (%)	62.1	-61.3	-11.4	123.4	61.3	49.9	73.5	11.4	-49.9
Current Liabilities / Inventory (%)	999.9	0	0	999.9	0	0	999.9	0	0
Total Liabilities / Net Worth (%)	171.1	-25.5	27.4	196.6	25.5	52.9	143.7	-27.4	-52.9
Fixed Assets / Net Worth (%)	155.5	-38.9	66.5	194.4	38.9	105.4	89	-66.5	-105.4
Efficiency	Median	2003	2002	Median	2004	2002	Median	2004	2003
Collection Period (days)	14.8	14.9	48.6	17.4	-14.9	39.6	28.8	-48.6	-39.6
Sales / Inventory (times)	41	39.9	138.4	29.3	-39.9	70.3	17.2	-138.4	-70.3
Assets / Sales (%)	120.4	-8.2	31.1	128.6	8.2	39.3	89.3	-31.1	-39.3
Sales / Net Working Capital (times)	11.3	-37.6	68.7	18.1	37.6	170.1	6.7	-68.7	-170.1
Accounts Payable / Sales (%)	5	-1.8	-1.9	6.8	1.8	-0.1	6.9	1.9	0.1
Profitability	Median	2003	2002	Median	2004	2002	Median	2004	2003
Return on Sales (%)	-0.3	-2.3	0.9	2	2.3	3.2	-1.2	-0.9	-3.2
Return on Assets (%)	-0.1	-2.2	-0.1	2.1	2.2	2.1	0	0.1	-2.1
Return on Net Worth (%)	6.3	-4.4	-5.5	10.7	4.4	-1.1	11.8	5.5	1.1

This is where all of Gibson's graphs and sheets go. He had them arranged in excel and all I have to do is press print.

9. United SnackBox Collection

<http://www.flyted.com/meetted/snackbox.html>

Accessed: April 23, 2006

10. Starbucks extends ties with United.

(Brief Article) Restaurant Business/ 103.14

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Accessed: April 22, 2006

11. Ted Mixes Ads With One-on-One Marketing.(new low-fare carrier by United Airlines, ads by Fallon)

(Brief Article).

Author: Mike Beirne.

ADWEEK Midwest Edition: page:NA

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12. United Airlines Enhances Customers' Wireless Access to Real-Time Travel Information, Improves Travel Experience

<http://www.united.com/press/detail/0,6862,53827,00.html>

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14. United Airlines Announces Investment in Premium Cabin International Travel Experience

<http://www.united.com/press/detail/0,6862,53803-1,00.html>

Written: March 14, 2006

Accessed: April 18, 2006

16. Racing to Improve---United Airlines Employees Go to School for Pit Crews to Boost Teamwork, Speed

By: Susan Carey

The Wall Street Journal (B1)

Written: March 24, 2006

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17. The Middle Seat: Which Airline to Fly During a Snow Storm

By: Scott McCartney