CONTINENTAL AIRLINES INC /DE/
Form 10-K
February 19, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM __________ TO __________

Commission File Number 1-10323

CONTINENTAL AIRLINES, INC.
(Exact name of registrant as specified in its charter)

Delaware	74-2099724
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1600 Smith Street, Dept. HQSEO, Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 713-324-2950

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Class B Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No _____

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer X Accelerated filer ___ Non-accelerated filer ___ Smaller reporting company ___
(Do not check if a smaller
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No X

As of June 30, 2008, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $1.1 billion based on the closing sale price as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at February 13, 2009
Class B Common Stock, $.01 par value per share	123,531,252 shares

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for Annual Meeting of Stockholders to be held on June 10, 2009: PART III

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PART I

Item 1. Business.

Overview

Continental Airlines, Inc., a Delaware corporation incorporated in 1980, is a major U.S. air carrier engaged in the business of transporting passengers, cargo and mail. The terms "Continental," "we," "us," "our" and similar terms refer to Continental Airlines, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries.

We are the world's fifth largest airline as measured by the number of scheduled miles flown by revenue passengers in 2008. Including our wholly-owned subsidiary, Continental Micronesia, Inc. ("CMI"), and regional flights operated on our behalf under capacity purchase agreements with other carriers, we operate more than 2,800 daily departures. As of December 31, 2008, we flew to 120 domestic and 121 international destinations and offered additional connecting service through alliances with domestic and foreign carriers. We directly served ten Canadian cities, 25 European cities, seven South American cities and six Asian cities from the U.S. mainland as of December 31, 2008. In addition, we provide service to more destinations in Mexico and Central America than any other U.S. airline, serving 39 cities. Through our Guam hub, CMI provides extensive service in the western Pacific, including service to more Japanese cities than any other U.S. carrier.

General information about us, including our Corporate Governance Guidelines and the charters for the committees of our Board of Directors, can be found on our website, continental.com. Our Board has adopted the "Ethics and Compliance Guidelines," which apply to all directors, officers and employees of Continental and its subsidiaries and serve as our "Code of Ethics" under Item 406 of Regulation S-K and as our "Code of Business Conduct and Ethics" as required by Section 303A.10 of the New York Stock Exchange ("NYSE") Listed Company Manual. These Ethics and Compliance Guidelines also are available on our website, and future amendments to or waivers from compliance with these guidelines will be disclosed on our website in accordance with Item 5.05 of Form 8-K.

Copies of these charters and guidelines are available in print to any stockholder who requests them. Written requests for such copies may be directed to our Secretary at Continental Airlines, Inc., P.O. Box 4607, Houston, Texas 77210-4607. Electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the U.S. Securities and Exchange Commission ("SEC").

Information on our website is not incorporated into this Form 10-K or our other securities filings and is not a part of them.

Forward-Looking Statements

This Form 10-K contains forward-looking statements that are not limited to historical facts, but reflect our current beliefs, expectations or intentions regarding future events. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. For examples of those risks and uncertainties, see the cautionary statements contained in Item 1A. "Risk Factors." See Item 1A. "Risk Factors" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview" for a discussion of trends and factors affecting us and our industry. Also see Item 8. "Financial Statements and Supplementary Data, Note 18 - Segment Reporting" for financial information about each of our business segments. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report, except as required by applicable law.

Domestic Operations

We operate our domestic route system primarily through our hubs in the New York metropolitan area at Newark Liberty International Airport ("New York Liberty"), in Houston, Texas at George Bush Intercontinental Airport ("Houston Bush") and in Cleveland, Ohio at Hopkins International Airport ("Cleveland Hopkins"). Each of our domestic hubs is located in a large business and population center, contributing to a large amount of "origin and destination" traffic. Our hub system allows us to transport passengers between a large number of destinations with substantially more frequent service than if each route were served directly. The hub system also allows us to add service to a new destination from a large number of cities using only one or a limited number of aircraft. As of December 31, 2008, we operated 74% of the average daily departures from New York Liberty, 84% of the average daily departures from Houston Bush and 65% of the average daily departures from Cleveland Hopkins, in each case based on scheduled commercial passenger departures and including regional flights flown for us under capacity purchase agreements.

International Operations

We directly serve destinations throughout Europe, Asia, Canada, Mexico, Central and South America and the Caribbean. We also provide service to numerous other destinations through codesharing arrangements with other carriers and have extensive operations in the western Pacific conducted by CMI. As measured by 2008 available seat miles, approximately 50% of our mainline operations is dedicated to international traffic.

The "open skies" agreement between the United States and the European Union, which became effective on March 30, 2008, is resulting in increased competition from European and U.S. airlines in these international markets, and may give rise to additional integration opportunities between or among European and U.S. carriers. In addition, the "open skies" agreement has enhanced our ability to compete with European and U.S. airlines that historically have provided service between London's Heathrow Airport and destinations in the United States. We have acquired slots at Heathrow, and during 2008 we moved all of our London flights from London Gatwick to London Heathrow.

New York Liberty is a significant international gateway for our operations. From New York Liberty, we served 25 cities in Europe, six cities in Asia, eight cities in Canada, five cities in Mexico, seven cities in Central America, three cities in South America and 16 Caribbean destinations at December 31, 2008. We expect to begin daily service between New York Liberty and Shanghai, China in March 2009.

Houston Bush is the focus of our flights to destinations in Mexico and Central and South America. As of December 31, 2008, we flew from Houston Bush to 29 cities in Mexico, all seven countries in Central America, seven cities in South America, six Caribbean destinations, three cities in Canada, three cities in Europe and Tokyo. We expect to begin daily service between Houston Bush and Frankfurt, Germany in late 2009.

At December 31, 2008, we flew from Cleveland Hopkins to two cities in Canada, San Juan, Puerto Rico and Cancun, Mexico. We also provide seasonal service between Cleveland Hopkins and London.

From its hub operations based on the island of Guam, as of December 31, 2008, CMI provided service to eight cities in Japan, more than any other U.S. carrier, as well as other Pacific rim destinations, including Manila in the Philippines and Cairns, Australia. CMI is the principal air carrier in the Micronesian Islands, where it pioneered scheduled air service in 1968. CMI's route system is linked to the U.S. market through Tokyo and Honolulu, each of which CMI serves non-stop from Guam.

See Item 8. "Financial Statements and Supplementary Data, Note 18 - Segment Reporting," for operating revenue by geographical area.

Alliances

We have alliance agreements, which are also referred to as codeshare agreements or cooperative marketing agreements, with other carriers. Alliances allow airlines to develop their route structures by enabling them to offer their passengers greater destination coverage, while providing those airlines with the potential for both increased revenue and cost savings. We seek in particular to develop international alliance relationships that complement our own route system and permit expanded service through our hubs to major international destinations. International alliances enable us to provide our passengers better connecting service from our international flights to other destinations beyond an alliance airline's hub and expand the product line that we may offer in a foreign destination.

These relationships may include (a) codesharing (one carrier placing its name and flight number, or "code," on flights operated by the other carrier), (b) reciprocal frequent flyer program participation, reciprocal airport lounge access and other joint activities (such as seamless check-in at airports) and/or (c) capacity purchase agreements.

We are currently a member of SkyTeam, a global alliance of airlines that includes Aeroflot, Aeromexico, Air France, Alitalia, China Southern, CSA Czech, Delta Air Lines, Inc. ("Delta"), KLM, Korean Air and Northwest Airlines, Inc. ("Northwest"), as well as associate members Copa Airlines of Panama ("Copa Airlines"), Kenya Airways and AirEuropa. As a member of SkyTeam, we have bilateral codeshare, frequent flyer program participation and airport lounge access agreements with each of the SkyTeam members.

Following the announcement by Delta and Northwest of their definitive agreement to merge, we evaluated which of the three major global airline alliances would be the best fit for our business over the long term and decided that Star Alliance was the best alliance for us. During 2008, we entered into framework agreements with United Air Lines, Inc. ("United"), Deutsche Lufthansa AG ("Lufthansa") and Air Canada, each a member of Star Alliance, pursuant to which we plan to develop an extensive code-share relationship and reciprocity of frequent flier programs, elite customer recognition and airport lounge use with these other airlines. We plan to implement these relationships and join United, Lufthansa and Air Canada (and other member airlines) in Star Alliance as promptly as practicable following our exit from SkyTeam. We will exit SkyTeam effective with our last flight on October 24, 2009.

Star Alliance was established in 1997 as the first truly global airline alliance to offer customers worldwide reach and a smooth travel experience. Star Alliance received the Air Transport World Market Leadership Award in 2008 and was voted Best Airline Alliance by Business Traveller Magazine in 2003, 2006, 2007 and 2008 and by Skytrax in 2003, 2005 and 2007. The members are Air Canada, Air China, Air New Zealand, All Nippon Airways, Asiana Airlines, Austrian Airlines, British Midland Airways, EgyptAir, LOT Polish Airlines, Lufthansa, Scandinavian Airlines, Shanghai Airlines, Singapore Airlines, South African Airways, Spanair, Swiss International Air Lines, TAP Portugal, Thai Airways International, Turkish Airlines, United and US Airways. Regional member carriers Adria Airways (Slovenia), Blue1 (Finland) and Croatia Airlines enhance the global network. Air India, Brussels Airlines and TAM Airlines have also been accepted as future members. Overall, the Star Alliance network offers more than 16,500 daily flights to 912 destinations in 159 countries.

On July 23, 2008, we filed an application with the U.S. Department of Transportation ("DOT") to join United and a group of eight other carriers within Star Alliance that already hold antitrust immunity. Approval by the DOT of this application would enable us, United and these other immunized Star Alliance carriers to work closely together to deliver highly competitive international flight schedules, fares and service and would provide competitive balance to antitrust-immunized carriers in SkyTeam.

Additionally, we, United, Lufthansa and Air Canada have requested DOT approval to establish a trans-Atlantic joint venture to create a more efficient and comprehensive trans-Atlantic network for our respective customers, offering those customers more service, scheduling and pricing options and establishing a framework for similar joint ventures in other regions of the world. We are seeking a modification to our existing pilot collective bargaining agreement, which presently prohibits us from engaging in a revenue or profit sharing agreement with a domestic air carrier, to permit us to enter into such joint ventures.

Prior to joining Star Alliance, we must exit our existing bilateral alliance agreements with SkyTeam members and enter into new alliance agreements with our new alliance partners. The length of this transition period will depend upon a number of factors outside of our control and the timing of our withdrawal from our existing bilateral agreements with various SkyTeam members.

In the U.S. domestic market, where antitrust immunity would not apply, we and United plan to begin broad code-sharing, which facilitates the seamless creation of customer travel itineraries using both carriers, as well as frequent flier programs, elite customer recognition and airport lounge reciprocity. These cooperative activities are subject to DOT code-sharing regulation and to our exiting certain of our current alliance relationships.

Subject to these matters, we currently anticipate that we will join Star Alliance and begin broad code-sharing and other commercial cooperation with United, Lufthansa and Air Canada (and the other members of Star Alliance) in the fourth quarter of 2009.

In addition to our current participation in SkyTeam, we have domestic codesharing agreements with Hawaiian Airlines, Alaska Airlines and Horizon Airlines and international codesharing agreements with Emirates (the flag carrier of the United Arab Emirates), EVA Airways Corporation (an airline based in Taiwan), Virgin Atlantic Airways and French rail operator SNCF. Additionally, we have codeshare agreements with Gulfstream International Airlines, Hyannis Air Service, Inc. ("Cape Air"), Colgan Air, Inc. ("Colgan"), Hawaii Island Air, Inc. ("Island Air") and American Eagle Airlines, who provide us with commuter feed traffic. We also have a train-to-plane alliance with Amtrak and a codeshare agreement with US Helicopter Corporation, which provides eight-minute shuttle service between Manhattan and our New York Liberty hub.

Except for the regional capacity purchase agreements listed below, all of our codeshare relationships are currently free-sell codeshares, where the marketing carrier sells seats on the operating carrier's flights from the operating carrier's inventory, but takes no inventory risk. In contrast, in capacity purchase agreements, the marketing carrier purchases all seats on covered flights and is responsible for all scheduling, pricing and seat inventories. Some of our alliance relationships include other cooperative undertakings such as joint purchasing, joint corporate sales contracts, airport handling, facilities sharing or joint technology development.

Our regional capacity purchase agreements are with ExpressJet Airlines, Inc. ("ExpressJet"), a wholly-owned subsidiary of ExpressJet Holdings, Inc. ("Holdings"), Chautauqua Airlines, Inc., ("Chautauqua"), a wholly-owned subsidiary of Republic Airways Holdings, Inc., Champlain Enterprises, Inc. ("CommutAir") and Pinnacle Airlines Corp.'s subsidiary, Colgan. See Item 8. "Financial Statements and Supplementary Data, Note 16 - Regional Capacity Purchase Agreements" for further discussion of our capacity purchase agreements.

Regional Operations

Our regional operations are conducted by other operators on our behalf, primarily under capacity purchase agreements. We schedule and market the regional flights provided for us by other operators under capacity purchase agreements. Our regional operations using regional jet aircraft are conducted under the name "Continental Express" by ExpressJet and Chautauqua and those using turboprop aircraft are conducted under the name "Continental Connection" by CommutAir and Colgan. As of December 31, 2008, our regional operators served 103 destinations in the United States, 26 cities in Mexico, eight cities in Canada and one Caribbean destination on our behalf. We believe this regional service complements our operations by carrying traffic that connects onto our mainline jets and by allowing more frequent flights to smaller cities than could be provided economically with larger jet aircraft. Additional commuter feed traffic currently is provided to us by other alliance airlines, as discussed above.

In June 2008, we entered into the Second Amended and Restated Capacity Purchase Agreement with ExpressJet and certain of its affiliates (the "Amended ExpressJet CPA"), which amended and restated the previous capacity purchase agreement effective July 1, 2008. Under the Amended ExpressJet CPA, we will continue to purchase all of the capacity from the ExpressJet flights covered by the agreement. In exchange for ExpressJet's operation of the flights and performance of other obligations under the Amended ExpressJet CPA, we have agreed to pay ExpressJet a pre-determined rate, subject to annual escalations (capped at 3.5%), for each block hour flown (the hours from gate departure to gate arrival) and to reimburse ExpressJet for various pass-through expenses (with no margin or mark-up) related to the flights, including insurance, property taxes, international navigation fees, depreciation (primarily aircraft-related), landing fees and certain maintenance expenses. Under the Amended ExpressJet CPA, we are responsible for the cost of providing fuel for all flights and for paying aircraft rent for all aircraft covered by the Amended ExpressJet CPA. The Amended ExpressJet CPA contains incentive bonus and rebate provisions based upon ExpressJet's operational performance, but no longer includes any payment adjustments in respect of ExpressJet's operating margin. The pre-determined rate under the Amended ExpressJet CPA is lower than the rate under the previous capacity purchase agreement and more competitive with rates offered by other regional service providers.

The Amended ExpressJet CPA covers a minimum of 205 regional jets in the first year and ExpressJet currently operates 214 regional jets under that contract. After the first year, the minimum number of covered aircraft adjusts to 190 regional jets, or fewer as leases on covered aircraft expire. The Amended ExpressJet CPA will expire after a term of seven years and has no renewal or extension options. ExpressJet also leases 30 Embraer 50-seat regional jets from us outside the Amended ExpressJet CPA.

During 2007, Chautauqua began providing and operating forty-four 50-seat regional jets as a Continental Express carrier under a capacity purchase agreement (the "Chautauqua CPA"). As of December 31, 2008, 37 aircraft were being flown by Chautauqua for us. The Chautauqua CPA requires us to pay Chautauqua a fixed fee, subject to annual escalations (capped at 3.5%), for each block hour flown for its operation of the aircraft. Chautauqua supplies the aircraft that it operates under the agreement. Aircraft are scheduled to be removed from service under the Chautauqua CPA each year through 2012, provided that we have the unilateral right to extend the Chautauqua CPA on the same terms on an aircraft-by-aircraft basis for a period of up to five years in the aggregate for 20 aircraft and for up to three years in the aggregate for seven aircraft, subject to the renewal terms of the related aircraft lease.

Our capacity purchase agreement with CommutAir (the "CommutAir CPA") provides for CommutAir to operate sixteen 37-seat Bombardier Q200 twin-turboprop aircraft as a Continental Connection carrier on short distance routes from Cleveland Hopkins and New York Liberty. The CommutAir CPA became effective in 2006 and has a term of approximately six years. CommutAir supplies all of the aircraft that it operates under the agreement.

In 2008, Colgan began operating fifteen 74-seat Bombardier Q400 twin-turboprop aircraft on short and medium-distance routes from New York Liberty on our behalf. Colgan operates the flights as a Continental Connection carrier under a capacity purchase agreement with us. In January 2009, we amended the capacity purchase agreement to increase by 15 the number of Q400 aircraft operated by Colgan on our behalf. We expect that Colgan will begin operating these 15 additional aircraft as they are delivered, beginning in the third quarter of 2010 through the second quarter of 2011. Each aircraft is scheduled to be covered by the agreement for approximately ten years following the date such aircraft is delivered into service thereunder. Colgan supplies all aircraft that it operates under the agreement. One of Colgan's Q400 aircraft was involved in an accident on February 12, 2009, reducing the number of aircraft currently being flown for us to 14.

Marketing

As with other major domestic hub-and-spoke carriers, a majority of our revenue comes from tickets sold by travel agents. Although we generally do not pay base commissions, we often negotiate compensation to travel agents based on their performance in selling our tickets. A significant portion of our revenue, including a significant portion of our higher yield traffic, is derived from bookings made through third party global distribution systems ("GDSs") used by many travel agents and travel purchasers.

We use the internet to provide travel-related services for our customers and to reduce our overall distribution costs. We have marketing agreements with internet travel service companies such as Orbitz, Hotwire, Travelocity and Expedia. Although customers' use of the internet has helped to reduce our distribution costs, it also has lowered our yields because it has enhanced the visibility of competing fares offered by low-cost carriers.

Our website, continental.com, is our lowest cost distribution channel and recorded approximately $3.9 billion in ticket sales in 2008, an 11% increase over 2007. The site offers customers the ability to purchase and change tickets on-line, to check-in on-line and to have direct access to information such as schedules, reservations, flight status, frequent flyer account information (including the ability to redeem and change reward travel) and Continental travel specials. Tickets purchased through our website accounted for 26% of our passenger revenue during 2008, compared with 25% in 2007 and 22% in 2006.

Substantially all of our sales involve our electronic ticketing, or e-ticket, product. Our e-ticket product enables us to process customer and revenue information more efficiently. E-ticketed passengers have the ability to check-in at continental.com for all domestic and international travel. On-line check-in allows customers to obtain a boarding pass from their home, office or hotel up to 24 hours prior to departure and to proceed directly to security at the airport, bypassing the ticket counter and saving time. Passengers with baggage who check-in on-line may use special kiosks at our hub airports to check their bags rapidly. E-ticket passengers also can use self-service kiosks to check-in. Our customers have access to approximately 1,400 Continental self-service kiosks at 171 airports throughout our system, including all domestic airports we serve. During 2008, 76% of all check-ins were done on-line or at self-service kiosks.

We were one of the first U.S. airlines to implement interline e-ticketing, allowing customers to use electronic tickets when their itineraries include travel on multiple carriers. At December 31, 2008, we had interline e-ticketing arrangements with 119 air carriers.

During 2008, we began implementation of our joint project with the Transportation Security Administration ("TSA") to be the first U.S. carrier to launch a paperless boarding pass pilot program that allows passengers to receive boarding passes electronically on their cell phones or PDAs, and use those devices to pass through security and board the aircraft. The new technology heightens the ability to detect fraudulent boarding passes while improving customer service and reducing paper use. This service is currently available at each of our hubs and other select airports.

We offer a carbon offsetting program developed in partnership with non-profit Sustainable Travel International. This program allows customers to view the carbon footprint of their booked itinerary and choose among a number of options to reduce the impact of carbon dioxide emissions of their flights. For customers who elect to participate in this program, their contributions are made directly to Sustainable Travel International to fund the purchase of offsets, which are generated from sustainable development projects including reforestation, renewable energy and energy conservation. We receive no revenue related to this program.

Competition

The U.S. airline industry is characterized by substantial competition with respect to fares, routes and services, especially in domestic markets. Carriers use discount fares to stimulate traffic during periods of slack demand, or when they begin service to new cities or have excess capacity, to generate cash flow and to establish, increase or preserve market share. Some of our competitors have greater financial resources and/or lower cost structures than we do, some of which is the result of bankruptcies and/or mergers. In recent years, the domestic market share held by low-cost carriers has increased significantly and is expected to continue to increase. The increased market presence of low-cost carriers, which engage in substantial price discounting, has diminished the ability of the network carriers to maintain sufficient fare levels in domestic markets to achieve sustained profitability. We cannot predict whether or for how long these trends will continue.

In addition to price competition, airlines also compete for market share by increasing the size of their route system and the number of markets they serve. Several of our domestic competitors are continuing to increase their international capacity, including service to some destinations that we currently serve. Additionally, the "open skies" agreement between the United States and the European Union, which became effective on March 30, 2008, is resulting in increased competition from European and U.S. airlines in these international markets, and may give rise to additional consolidation or better integration opportunities among European carriers. The increased competition in these international markets, particularly to the extent our competitors engage in price discounting, may have a material adverse effect on our results of operations, financial condition or liquidity.

We also compete with U.S. and foreign carriers, including major network carriers, low-cost carriers and regional carriers, throughout our global network on the basis of scheduling, availability of non-stop flights, on-time performance, type of equipment, cabin configuration, amenities provided to passengers, frequent flyer programs, on-board products, markets served and other services.

We are also facing stronger competition from carriers that have participated in industry consolidation or expanded airline alliances and joint ventures. See Item 1A. "Risk Factors - Risk Factors Relating to the Airline Industry - The airline is highly competitive and susceptible to price discounting" below for a discussion of the competitive advantages enjoyed by carriers participating in industry consolidation and/or airline alliances and joint ventures.

Frequent Flyer Program and EliteAccess

We maintain our "OnePass" frequent flyer program to encourage repeat travel. OnePass allows passengers to earn mileage credits by flying us and certain other alliance carriers. We also sell mileage credits to credit/debit card companies, hotels, car rental agencies, utilities and various shopping and gift merchants participating in OnePass. Mileage credits can be redeemed for free, discounted or upgraded travel on Continental, Continental Express, Continental Connection, CMI or alliance airlines. Most travel awards are subject to capacity limitations.

During 2008, OnePass participants claimed approximately 1.6 million awards. Frequent flyer awards accounted for an estimated 8.5% of our consolidated revenue passenger miles. We believe displacement of revenue passengers by passengers who redeem rewards earned by flying on us is minimal given our ability to manage frequent flyer inventory and the low ratio of OnePass award usage to revenue passenger miles. At December 31, 2008, we had an outstanding liability associated with approximately 2.4 million free travel awards that were expected to be redeemed for free travel on Continental, Continental Express, Continental Connection, CMI or alliance airlines. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates - Frequent Flier Accounting" for a detailed discussion concerning the accounting treatment of our OnePass frequent flier program.

Our "EliteAccess" service is offered to OnePass members who qualify for "Elite" status (based on the number of paid flight miles and the fares purchased), first class and BusinessFirst ticket holders and travelers with high yield coach tickets who qualify as "Elite for the Day." EliteAccess passengers receive preferential treatment in the check-in, boarding and baggage claim areas and have special security lanes at certain airports. We also provide a guarantee of no middle seat assignment for those passengers using a full-fare, unrestricted ticket.

Employees

As of December 31, 2008, we had approximately 42,490 employees, which, due to the number of part-time employees, represents 40,460 full-time equivalent employees consisting of approximately 16,940 customer service agents, reservations agents, ramp and other airport personnel, 8,685 flight attendants, 6,235 management and clerical employees, 4,385 pilots, 4,095 mechanics and 120 dispatchers. Approximately 44% of our full-time equivalent employees are represented by unions. The following table reflects the principal collective bargaining agreements, and their respective amendable dates, of Continental and CMI:

Employee Group	Approximate Number of Full-time Equivalent Employees	Representing Union	Contract Amendable Date
Continental Flight Attendants	8,395	International Association of Machinists and Aerospace Workers ("IAM")	December 2009
Continental Pilots	4,385	Air Line Pilots Association International ("ALPA")	December 2008
Continental Mechanics	3,975	International Brotherhood of Teamsters ("Teamsters")	December 2008
CMI Fleet and Passenger Service Employees	430	Teamsters	November 2011
CMI Flight Attendants	290	IAM	December 2010
Continental Dispatchers	120	Transport Workers Union ("TWU")	December 2008
CMI Mechanics	120	Teamsters	December 2009
Continental Flight Simulator Technicians	40	TWU	December 2008

The collective bargaining agreements with our pilots, mechanics and certain other work groups became amendable in December 2008. During 2008, we met with representatives of the applicable unions to engage in bargaining for amended collective bargaining agreements. These talks will continue in 2009 with a goal of reaching agreements that are fair to us and to our employees. Although there can be no assurance that our generally good labor relations and high labor productivity will continue, the preservation of good relations with our employees is a significant component of our business strategy. Additional information about our employee initiatives and corporate social responsibility efforts can be found in our Global Citizenship Report on our website, continental.com.

Industry Regulation and Airport Access

Federal Regulations. We provide air transportation under certificates of public convenience and necessity issued by the U.S. Department of Transportation ("DOT"). These certificates may be altered, amended, modified or suspended by the DOT if public convenience and necessity so require, or may be revoked for intentional failure by the holder of the certificate to comply with the terms and conditions of a certificate. Continental and CMI each operate under a separate air carrier certificate issued by the Federal Aviation Administration ("FAA"), which may be amended, suspended or revoked by the FAA if the public interest and safety in air commerce so require.

Airlines are regulated by the FAA, primarily in the areas of flight operations, maintenance, ground facilities and other technical matters. Pursuant to these regulations, we have established, and the FAA has approved, a maintenance program for each type of aircraft we operate that provides for the ongoing maintenance of our aircraft, ranging from frequent routine inspections to major overhauls.

Our future ability to maintain and/or grow capacity could be adversely affected by additional laws, regulations and growth constraints. The FAA has designated certain airports, including New York Liberty and New York's John F. Kennedy International Airport ("Kennedy") and LaGuardia Airport ("LaGuardia") as "high density traffic airports" and has limited the number of departure and arrival slots at those airports. To address concerns about airport congestion, the FAA has imposed operating restrictions at these airports including recent additional capacity reductions at LaGuardia. The FAA has designated New York Liberty and Kennedy as Level 3 Coordinated Airports under the International Air Transport Association Worldwide Scheduling Guidelines, which requires us to participate in seasonal FAA procedures for capacity allocation and schedule coordination for New York Liberty and to have slots to operate at that airport. Although we do not believe that these current operating restrictions will have a material effect on our operations at New York Liberty, we cannot predict the impact of future capacity constraints or allocations or other restrictions on our operations that might be imposed by the FAA, Congress or other regulators, which might have a material adverse effect on us.

Although currently not effective because of a court order, the FAA has issued rules that continue the FAA requirement through 2019 that carriers conducting commercial flights at New York Liberty, Kennedy and LaGuardia have a slot for arrival or departure at these airports. Under these rules, the FAA will maintain current slot holdings of airlines at New York Liberty, Kennedy and LaGuardia, except for the annual withdrawal through 2013 and auction to the highest bidder of (i) 2% of each airline's slots at New York Liberty and Kennedy that exceed 20 and (ii) 2% of each airline's slots at LaGuardia. In addition, these rules provide that the FAA will withdraw and retire 5% of each airline's slots at LaGuardia. The withdrawal and auctioning to the highest bidder of our slots could have a material adverse effect on us by causing us to incur substantial costs to successfully bid for them or by reducing our slot portfolio, requiring us to terminate flights associated with these slots and increasing our costs to operate at these airports. Joined by our airline trade association, the Air Transport Association, and the Port Authority of New York and New Jersey, which operates New York Liberty, Kennedy and LaGuardia, we have challenged the legality of the FAA withdrawal of slots from airlines for non-operational reasons and the slot auction in the U.S. Court of Appeals for the D.C. Circuit. The court has ordered the FAA not to implement the rules while our challenge is pending, so the rules have not become effective and no slot withdrawals or auctions have occurred under such rules.

Under the Aviation and Transportation Security Act (the "Aviation Security Act") and related federal regulations, substantially all security screeners at airports are federal employees and significant other elements of airline and airport security are overseen and performed by federal employees, including federal security managers, federal law enforcement officers, federal air marshals and federal security screeners. Among other matters, the law mandates improved flight deck security, deployment of federal air marshals onboard flights, improved airport perimeter access security, airline crew security training, enhanced security screening of passengers, baggage, cargo, mail, employees and vendors, enhanced training and qualifications of security screening personnel, additional provision of passenger data to U.S. Customs and Border Protection and enhanced background checks.

Airports from time to time seek to increase the rates charged to airlines, and the ability of airlines to contest such increases has been restricted by federal statutes, DOT and FAA regulations and judicial decisions. Under the Aviation Security Act, funding for passenger security is provided in part by a per enplanement ticket tax (passenger security fee) of $2.50, subject to a $5 per one-way trip cap. The Aviation Security Act also allows the TSA to assess an aviation security infrastructure fee on each airline up to the total amount spent by that airline on passenger and property screening in calendar year 2000 and, starting in fiscal year 2005, to impose a new methodology for calculating assessments. TSA has continued to assess this fee on airlines. Furthermore, because of significantly higher security and other costs incurred by airports since September 11, 2001, many airports have significantly increased their rates and charges to airlines, including us, and may do so again in the future. Most airports where we operate impose passenger facility charges of up to $4.50 per segment, subject to an $18 per roundtrip cap.

In time of war or during a national emergency or defense-oriented situation, we and other air carriers could be required to provide airlift services to the Air Mobility Command under the Civil Reserve Air Fleet program ("CRAF"). If we were required in the future to provide a substantial number of aircraft and crew to the Air Mobility Command under CRAF, our operations could be materially adversely affected.

International Regulations. The availability of international routes to U.S. carriers is regulated by treaties and related agreements between the United States and foreign governments. The United States typically follows the practice of encouraging foreign governments to accept multiple carrier designation on foreign routes, although certain countries have sought to limit the number of carriers allowed to fly these routes. Certain foreign governments impose limitations on the ability of air carriers to serve a particular city and/or airport within their country from the United States. Bilateral agreements between the United States and foreign governments often include restrictions on the number of carriers (designations), operations (frequencies), or airports (points) that can be served. When designations are limited, only a certain number of airlines of each country may provide service between the countries. When frequencies are limited, operations are restricted to a certain number of weekly flights (as awarded by the United States to the domestic carrier, based on the bilateral limits). When points are limited, only certain airports within a country can be served.

For a U.S. carrier to fly to any international destination that is not subject to an "open skies" agreement (meaning all carriers have access to any destination in a particular country), it must first obtain approval from both the United States and the foreign country where the destination is located, which is referred to as a "foreign route authority." Route authorities to some international destinations can be sold between carriers, and their value can vary because of limits on accessibility. For those international routes where there is a limit on the number of carriers or frequency of flights, studies have shown that these routes have more value than those without restrictions. To the extent foreign countries adopt open skies policies or otherwise liberalize or eliminate restrictions on international routes, those actions would increase competition and potentially decrease the value of a route. We cannot predict what laws, treaties and regulations relating to international routes will be adopted or their resulting impact on us, but the overall trend in recent years has been an increase in the number of open skies agreements and the impact of any future changes in governmental regulation of international routes could be significant.

Environmental Regulations. Many aspects of airlines' operations are also subject to increasingly stringent federal, state, local and foreign laws protecting the environment, including the imposition of additional taxes on airlines or their passengers. Future regulatory developments in the United States and abroad could adversely affect operations and increase operating costs in the airline industry. The European Union has issued a directive to member states to include aviation in its Greenhouse Gas Emissions Trading Scheme by February 2010, which will require us to have emissions allowances to operate flights to and from member states of the European Union in January 2012 and thereafter, including flights between the United States and the European Union. The U.S. government and other non-EU governments are expected to challenge the application of the EU emissions trading scheme to their airlines; however, we may be forced to comply with the EU emission trading scheme requirements during a legal challenge. We may have to purchase emissions allowances through the EU emissions trading scheme to cover EU flights that exceed our free allotment, which could result in substantial costs for us.

Other regulatory actions that may be taken in the future by the U.S. government, foreign governments (including the European Union), or the International Civil Aviation Organization to address climate change or limit the emission of greenhouse gases by the aviation sector are unknown at this time. Climate change legislation is anticipated in the United States, but it is currently unknown how the potential legislation will be applied to the aviation industry. The impact to us and our industry from such actions is likely to be adverse and could be significant, particularly if regulators were to conclude that emissions from commercial aircraft cause significant harm to the upper atmosphere or have a greater impact on climate change than other industries. Potential actions may include the imposition of requirements to purchase emission offsets or credits, which could require participation in emission trading (such as required in the European Union), substantial taxes on emissions and growth restrictions on airline operations, among other potential regulatory actions.

The DOT allows local airport authorities to implement procedures designed to abate special noise problems, provided those procedures do not unreasonably interfere with interstate or foreign commerce or the national transportation system. Some airports, including the major airports at Boston, Chicago, Los Angeles, San Diego, Orange County (California), Washington National, Denver and San Francisco, have established airport restrictions to limit noise, including restrictions on aircraft types to be used and limits on the number and scheduling of hourly or daily operations. In some instances, these restrictions have caused curtailments in services or increased operating costs, and could limit our ability to expand our operations at the affected airports. Local authorities at other airports could consider adopting similar noise regulations. Some foreign airports, including major airports in countries such as the United Kingdom, France, Spain, Belgium, Germany and Japan, have adopted similar restrictions to limit noise, and in some instances our operations and costs have been adversely affected in the same manner as described above.

Item 1A. Risk Factors.

There are many factors that continue to threaten our operations, financial condition, results of operations and liquidity. These factors are discussed below.

Risk Factors Relating to the Company

Fuel prices or disruptions in fuel supplies could have a material adverse effect on us. Expenditures for fuel and related taxes represent the largest single cost of operating our business. These costs include fuel costs on flights flown for us under capacity purchase agreements. Our operations depend on the availability of jet fuel supplies, and our results are significantly impacted by changes in jet fuel prices, which have been extremely volatile in recent months. Jet fuel prices have recently decreased precipitously after increasing significantly in 2007 and achieving record levels in 2008.

Although we experienced some success in raising ticket prices and adding or increasing other fees during part of 2008, we were unable to increase our revenue sufficiently to keep pace with the escalating fuel prices and suffered a substantial loss in 2008. If fuel prices return to these historically high levels in the future, we may again be unable to increase fares or other fees sufficiently to offset fully our increased fuel costs.

We routinely hedge a portion of our future fuel requirements. However, there can be no assurance that, at any given point in time, our hedge contracts will provide any particular level of protection against increased fuel costs or that our counterparties will be able to perform under our hedge contracts, such as in the case of a counterparty's bankruptcy. Additionally, a deterioration in our financial condition could negatively affect our ability to enter into new hedge contracts in the future.

Significant declines in fuel prices (such as those experienced over the past several months) may increase the costs associated with our fuel hedging arrangements to the extent we have entered into swaps or collars. Swaps and the put option sold as part of a collar obligate us to make payments to the counterparty upon settlement of the contracts if the price of the commodity hedged falls below the agreed upon amount. Declining crude oil prices have resulted in us being required to post significant amounts of collateral to cover potential amounts owed with respect to contracts that have not yet settled. Additionally, lower fuel prices may result in increased industry capacity and lower fares, especially to the extent that reduced fuel costs justify increased utilization by airlines of less fuel efficient aircraft that are unprofitable during periods of higher fuel prices.

Fuel prices could increase dramatically and supplies could be disrupted as a result of international political and economic circumstances, such as decreasing international demand resulting from the prevailing global recession, conflicts or instability in the Middle East or other oil producing regions and diplomatic tensions between the United States and oil producing nations, as well as OPEC production decisions, disruptions of oil imports, environmental concerns, weather, refinery outages or maintenance and other unpredictable events.

Further volatility in jet fuel prices or disruptions in fuel supplies, whether as a result of natural disasters or otherwise, could have a material adverse effect on our results of operations, financial condition and liquidity.

We have decided to change our global airline alliance, which could involve significant transition and integration risks. During 2008, we entered into framework agreements with United, Lufthansa and Air Canada, each a member of Star Alliance, pursuant to which we are winding down and exiting our participation in our current alliance, SkyTeam, and plan to join United, Lufthansa and Air Canada (and other member airlines) in Star Alliance. This change from SkyTeam to Star Alliance could involve significant transition and integration risks, both because we are required to end our participation in SkyTeam and wind down our existing SkyTeam relationships prior to our being able to participate in Star Alliance and because we may incur costs and/or a loss of revenue (or a delay in anticipated increased revenue from the new alliance) in connection with these changes. The significant transition and integration risks include:

- our inability to terminate our existing agreements with individual SkyTeam members and to commence participation in Star Alliance in the transition period we have anticipated;
- significant revenue dilution as we wind down our participation in SkyTeam and/or insufficient or delay in receipt of revenue from our participation in Star Alliance, including an inability to maintain our key customer and business relationships as we transition to Star Alliance;
- our incurrence, as a result of the wind down of our SkyTeam relationships, of costs in excess of our expectations and/or costs of an unanticipated nature, the amount and timing of which cannot be estimated at this time, but which could be material individually or in the aggregate;
- an inability to join or a delay in joining Star Alliance due to lack of applicable approvals or difficulty in satisfying entrance requirements, including the requirement that we enter into certain bilateral agreements with each member of Star Alliance; and
- difficulties integrating our technology processes with Star Alliance members.

In addition, the full implementation of some of the arrangements contemplated by our framework agreements requires the approval of domestic and foreign regulatory agencies. These agencies may deny us necessary approvals, delay certain approvals or, in connection with granting any such approvals, impose requirements, limitations or costs on us or on Star Alliance members, or require us or them to divest slots, gates, routes or other assets. Such actions may impair the value to us of entering the alliance or make participation in the alliance by us or them unattractive and, in certain cases, could prevent us from consummating the transactions contemplated by the framework agreements.

If any of these risks or costs materialize, they could have a material adverse effect on our business, results of operations and financial condition.

The troubled global capital markets coupled with our high leverage may affect our ability to satisfy our significant financing needs or meet our obligations. As is the case with many of our principal competitors, we have a high proportion of debt compared to our capital. We have a significant amount of fixed obligations, including debt, aircraft leases and financings, leases of airport property and other facilities and pension funding obligations. At December 31, 2008, we had approximately $5.9 billion of long-term debt and capital lease obligations, including $2.4 billion that will come due by the end of 2011.

In addition, we have substantial non-cancelable commitments for capital expenditures, including the acquisition of new aircraft and related spare engines. We have financing in place for three of the Boeing 737 aircraft scheduled for delivery in 2009 and have reached an agreement in principle with a bank for it to provide financing for three other Boeing 737 aircraft scheduled for delivery in 2009. Boeing has agreed to provide backstop financing for all of the additional 11 Boeing 737 aircraft scheduled for delivery through February 2010 (or 14 such additional aircraft if we fail to reach a definitive agreement for the financing described in the previous sentence), subject to customary conditions. However, we do not have backstop financing or any other financing currently in place for our other aircraft on order.

The current economic crisis has severely disrupted the global capital markets, resulting in a diminished availability of financing and higher cost for financing that is obtainable. If the capital markets do not improve, whether through measures implemented by the U.S. and foreign governments, such as the Emergency Economic Stabilization Act of 2008, or otherwise, we may be unable to obtain financing on acceptable terms (or at all) to refinance certain maturing debt we would normally expect to refinance and to satisfy future capital commitments. As a result, the continued lack of liquidity in the capital markets could have a material adverse effect on our ability to honor our contractual commitments and our results of operations and financial condition.

Credit rating downgrades could have a material adverse effect on our liquidity. Reductions in our credit ratings may increase the cost and reduce the availability of financing to us in the future. We do not have any debt obligations that would be accelerated as a result of a credit rating downgrade. However, we would have to post additional collateral under our credit card processing agreements with Chase Bank USA, N.A. ("Chase") and American Express and under our workers' compensation program if our debt rating falls below specified levels.

Failure to meet our financial covenants would adversely affect our liquidity. Our credit card processing agreement with Chase (the "Chase processing agreement") contains financial covenants which require, among other things, that we post additional cash collateral if we fail to maintain (1) a minimum level of unrestricted cash, cash equivalents and short-term investments, (2) a minimum ratio of unrestricted cash, cash equivalents and short-term investments to current liabilities of 0.25 to 1.0 or (3) a minimum senior unsecured debt rating of at least Caa3 and CCC- from Moody's and Standard & Poor's, respectively. If a covenant trigger under the Chase processing agreement results in our posting additional collateral under that agreement, we would also be required to post additional collateral under our credit card processing agreement with American Express.

The amount of additional cash collateral that we may be required to post in the event of our failure to comply with the financial covenants described above, which is based on our then-current air traffic liability exposure (as defined in each agreement), could be significant. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Other Liquidity Matters - Bank Card Processing Agreements" for a detailed discussion of our collateral posting obligations under these credit card processing agreements.

Depending on our unrestricted cash, cash equivalents and short-term investments balance at the time, the posting of a significant amount of cash collateral could cause our unrestricted cash and short-term investments balance to fall below the minimum balance of $1.0 billion required under our $350 million secured term loan facility, resulting in a default under that facility. The posting of such additional collateral under these circumstances and/or the acceleration of amounts borrowed under our secured term loan facility (or other remedies pursued by the lenders thereunder) would likely have a material adverse effect on our financial condition.

We are currently in compliance with all of the covenants under these agreements.

Our obligations for funding our defined benefit pension plans are affected by factors beyond our control. We have defined benefit pension plans covering substantially all of our U.S. employees other than employees of Chelsea Food Services and CMI. The timing and amount of our funding requirements under these plans depend upon a number of factors, including labor negotiations and changes to pension plan benefits as well as factors outside of our control, such as the number of retiring employees, asset returns, interest rates and changes in pension laws. Changes to these and other factors, such as liquidity requirements, that can significantly increase our funding requirements could have a material adverse effect on our financial condition.

Delays in scheduled aircraft deliveries may adversely affect our international growth. Our future success depends, in part, on continuing our profitable international growth. Because all of our long-range aircraft are already fully utilized, we will need to acquire additional long-range aircraft to continue our projected international growth. Although we have contractual commitments to purchase the long-range aircraft that we currently believe will be necessary for our international growth, significant delays in their deliveries have occurred, adversely affecting our planned international growth. If significant delays in the deliveries of these new aircraft continue to occur, we would need to either further curtail our international growth or try to make alternate arrangements to acquire aircraft, possibly on less financially favorable terms, including higher ownership and operating costs.

Labor disruptions could adversely affect our operations. Although we enjoy generally good relations with our employees, we can provide no assurance that we will be able to maintain these good relations in the future or avoid labor disruptions, including a strike. Many of our collective bargaining agreements have amendable dates that began in December 2008, including those with the unions representing our pilots and mechanics. We are currently in talks with representatives of the applicable unions. We cannot predict the outcome of these negotiations, and any labor disruption, including a strike, that results in a prolonged significant reduction in flights would have a material adverse effect on our results of operations and financial condition.

Our labor costs may not be competitive. Labor costs constitute a significant percentage of our total operating costs. All of the major hub-and-spoke carriers with whom we compete have achieved significant labor cost reductions, whether in or out of bankruptcy. We believe that our wages, salaries and benefits cost per available seat mile, measured on a stage length adjusted basis, is higher than that of many of our competitors. These higher labor costs may adversely affect our ability to achieve and sustain profitability while competing with other airlines that have achieved lower relative labor costs. Additionally, we cannot predict the outcome of our ongoing negotiations with our unionized workgroups, although significant increases in the pay and benefits resulting from new collective bargaining agreements could have a material adverse effect on us.

If we experience problems with certain of our third party regional operators, our operations could be materially adversely affected. All of our regional operations are conducted by third party operators on our behalf, primarily under capacity purchase agreements. Due to our reliance on third parties to provide these essential services, we are subject to the risks of disruptions to their operations, which may result from many of the same risk factors disclosed in this report. In addition, we may also experience disruption to our regional operations if we terminate the capacity purchase agreement with one or more of our current operators and transition the services to another provider. As our regional segment provides revenue to us directly and indirectly (by providing flow traffic to our hubs), a significant disruption to our regional operations could have a material adverse effect on our results of operations and financial condition.

Interruptions or disruptions in service at one of our hub airports could have a material adverse effect on our operations. We operate principally through our hub operations at New York Liberty, Houston Bush, Cleveland Hopkins and Guam. Substantially all of our flights either originate from or fly into one of these locations, contributing to a large amount of "origin and destination" traffic. A significant interruption or disruption in service at one of our hubs resulting from air traffic control delays, weather conditions or events, growth constraints, relations with third party service providers, failure of computer systems, labor relations, fuel supplies, terrorist activities or otherwise could result in the cancellation or delay of a significant portion of our flights and, as a result, our business could be materially adversely affected.

We could experience adverse publicity and declining revenues as a result of an accident involving our aircraft or the aircraft of our regional carriers. Any accident involving an aircraft that we operate or an aircraft that is operated under our brand by one of our regional carriers could have a material adverse effect on us if such accident created a public perception that our operations or those of our regional carriers are less safe or reliable than other airlines, resulting in passengers being reluctant to fly on us or our regional carriers. In addition, any such accident could expose us to significant tort liability. Although we currently maintain liability insurance in amounts and of the type we believe to be consistent with industry practice to cover damages arising from any such accidents, and our regional carriers carry similar insurance and generally indemnify us for their operations on our behalf, if our liability exceeds the applicable policy limits or the ability of a carrier to indemnify us, we could incur substantial losses from an accident.

A significant failure or disruption of the computer systems on which we rely could adversely affect our business. We depend heavily on computer systems and technology to operate our business, such as flight operations systems, communications systems, airport systems and reservations systems (including continental.com and third party global distribution systems). These systems could suffer substantial or repeated disruptions due to events beyond our control, including natural disasters, power failures, terrorist attacks, equipment or software failures, computer viruses or hackers. Any such disruptions could materially impair our flight and airport operations and our ability to market our services, and could result in increased costs, lost revenue and the loss or compromise of important data. Although we have taken measures in an effort to reduce the adverse effects of certain potential failures or disruptions, if these steps are not adequate to prevent or remedy the risks, our business may be materially adversely affected.

Our net operating loss carryforwards may be limited. At December 31, 2008, we had estimated net operating loss carryforwards ("NOLs") of $3.8 billion for federal income tax purposes that expire beginning in 2009 and continuing through 2028. Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period.

In the event of an ownership change, utilization of our NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of our stock at the time of the ownership change by the applicable long-term tax-exempt rate (which is 5.40% for December 2008). Any unused annual limitation may be carried over to later years.

For purposes of Section 382, increases in share holdings by, or that result in a person becoming, a holder of 5% or more of the outstanding shares of our common stock are aggregated for purposes of determining whether an "ownership change" has occurred. Because our common stock has been trading at low market prices, the cost of acquiring a sufficient number of shares of our common stock to become a holder of 5% or more of the outstanding shares, and the cost of acquiring additional shares by existing holders, has decreased significantly from historical levels, increasing the possibility that we could experience an "ownership change." Although we cannot currently predict whether or when such an "ownership change" may occur, an ownership change as of December 31, 2008 would have resulted in a $119 million limit to our annual NOL utilization, before consideration of any built-in gains. The imposition of this limitation on our ability to use our NOLs to offset future taxable income could cause us to pay U.S. federal income taxes earlier than if such limitation were not in effect and could cause such NOLs to expire unused, reducing or eliminating the benefit of such NOLs. In addition, depending on the market value of our common stock at the time of any such ownership change, we may be required to recognize a significant non-cash tax charge, the amount of which we cannot estimate at this time.

Risk Factors Relating to the Airline Industry

The global recession could continue to result in less demand for air travel. The U.S. and global economies are currently in a recession. The airline industry is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S. and global economies. For 2008, a year in which the U.S. gross domestic product experienced its largest contraction in 25 years, traffic for the seven largest U.S. carriers, measured in miles flown by revenue passengers, fell approximately 2% as compared to 2007, the first such annual decline in five years. This decline in demand has disproportionately reduced the volume of high yield traffic in the premium cabins on international flights, as many business and leisure travelers are either curtailing their international travel or purchasing lower yield economy tickets. A prolonged recession in the U.S. or global economies that continues to contribute to the loss of business and leisure traffic, particularly the loss of high yield international traffic in our first class and BusinessFirst cabins, could have a material adverse effect on our results of operations and financial condition.

The airline industry is highly competitive and susceptible to price discounting. The U.S. airline industry is characterized by substantial price competition, especially in domestic markets. Carriers use discount fares to stimulate traffic during periods of slack demand, or when they begin service to new cities or have excess capacity, to generate cash flow and to establish, increase or preserve market share. Some of our competitors have greater financial resources (including a larger percentage or more favorable fuel hedges against price increases) and/or lower cost structures than we do, some of which is the result of bankruptcies and/or mergers. In recent years, the domestic market share held by low-cost carriers has increased significantly and is expected to continue to increase. The increased market presence of low-cost carriers, which engage in substantial price discounting, has diminished the ability of the network carriers to maintain sufficient fare levels in domestic markets to achieve sustained profitability. We cannot predict whether or for how long these trends will continue.

In addition to price competition, airlines also compete for market share by increasing the size of their route system and the number of markets they serve. Several of our domestic competitors have increased their international capacity, including service to some destinations that we currently serve. Additionally, the "open skies" agreement between the United States and the European Union, which became effective on March 30, 2008 is resulting in increased competition from European and U.S. airlines in these international markets, and may give rise to additional consolidation or better integration opportunities among European carriers. The increased competition in these international markets, particularly to the extent our competitors engage in price discounting, may have a material adverse effect on our results of operations, financial condition or liquidity.

Expanded government regulation could further increase our operating costs and restrict our ability to conduct our business. Airlines are subject to extensive regulatory and legal compliance requirements that result in significant costs and can adversely affect us. Additional laws, regulations, airport rates and charges and growth constraints have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenue. In addition, to address concerns about airport congestion, the FAA has designated certain airports, including New York Liberty, Kennedy and LaGuardia as "high density traffic airports," and has imposed operating restrictions at these three airports, including recent additional capacity reductions at LaGuardia. In addition, the FAA has designated New York Liberty and Kennedy as Level 3 Coordinated Airports under the International Air Transport Association Worldwide Scheduling Guidelines, which requires us to participate in seasonal FAA procedures for capacity allocation and schedule coordination for New York Liberty and to have slots to operate at that airport. Although we do not believe that these current operating restrictions will have a material adverse effect on our operations at New York Liberty, we cannot predict the impact of future capacity constraints or allocations or other restrictions on our operations that might be imposed by the FAA, Congress or other regulators, which might have a material adverse effect on us.

Additional restrictions on airline routes and takeoff and landing slots have been or may be proposed that could affect rights of ownership and transfer. For example, although currently not effective because of a court order, the FAA has issued rules that continue the FAA requirement to have a slot for arrival or departure at New York Liberty, Kennedy and LaGuardia through 2019. These rules provide that the FAA would withdraw and auction to the highest bidder annually through 2013 a portion of each airline's slots at New York Liberty, Kennedy and LaGuardia. Joined by our airline trade association, the Air Transport Association, and the Port Authority of New York and New Jersey, which operates New York Liberty, Kennedy and LaGuardia, we have challenged the legality of the FAA withdrawal of slots from airlines for non-operational reasons and the slot auction in the U.S. Court of Appeals for the D.C. Circuit. The court has ordered the FAA not to implement the rules while our challenge is pending, so the rules have not become effective and no slot withdrawals or auctions have occurred under such rules. We cannot provide any assurances that we will prevail in this challenge, and the withdrawal and auctioning to the highest bidder of our slots could have a material adverse effect on us by causing us to incur substantial costs to successfully bid for them or by reducing our slot portfolio, requiring us to terminate flights associated with these slots and increasing our costs to operate at these airports.

The FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures or operational restrictions. Some FAA requirements cover, among other things, retirement of older aircraft, security measures, collision avoidance systems, airborne windshear avoidance systems, noise abatement and other environmental concerns, aircraft operation and safety and increased inspections and maintenance procedures to be conducted on older aircraft.

Many aspects of airlines' operations also are subject to increasingly stringent federal, state, local and foreign laws protecting the environment, including the imposition of additional taxes on airlines or their passengers. Future regulatory developments in the United States and abroad could adversely affect operations and increase operating costs in the airline industry. The European Union has issued a directive to member states to include aviation in its Greenhouse Gas Emissions Trading Scheme by February 2010, which will require us to have emissions allowances to operate flights to and from member states of the European Union in January 2012 and thereafter, including flights between the United States and the European Union. The U.S. government and other non-EU governments are expected to challenge the application of the EU emissions trading scheme to their airlines; however, we may be forced to comply with the EU emission trading scheme requirements during a legal challenge. We may have to purchase emissions allowances through the EU emissions trading scheme to cover EU flights that exceed our free allotment, which could result in substantial costs for us.

Other regulatory actions that may be taken in the future by the U.S. government, foreign governments (including the European Union), or the International Civil Aviation Organization to address concerns about climate change and air emissions from the aviation sector are unknown at this time. Climate change legislation is anticipated in the United States, but it is currently unknown how the potential legislation will be applied to the aviation industry. The impact to us and our industry from such actions is likely to be adverse and could be significant, particularly if regulators were to conclude that emissions from commercial aircraft cause significant harm to the upper atmosphere or have a greater impact on climate change than other industries. Potential actions may include the imposition of requirements to purchase emission offsets or credits, which could require participation in emission trading (such as required in the European Union), substantial taxes on emissions and growth restrictions on airline operations, among other potential regulatory actions.

Further, the ability of U.S. carriers to operate international routes is subject to change because the applicable arrangements between the United States and foreign governments may be amended from time to time, or because appropriate slots or facilities are not made available. We cannot provide assurance that current laws and regulations, or laws or regulations enacted in the future, will not adversely affect us.

Additional terrorist attacks or international hostilities may further adversely affect our financial condition, results of operations and liquidity. The terrorist attacks of September 11, 2001 involving commercial aircraft severely and adversely affected our financial condition, results of operations and liquidity and the airline industry generally. Additional terrorist attacks, even if not made directly on the airline industry, or the fear of such attacks (including elevated national threat warnings or selective cancellation or redirection of flights due to terror threats such as the August 2006 terrorist plot targeting multiple airlines, including us), could negatively affect us and the airline industry. The potential negative effects include increased security, insurance and other costs for us and lost revenue from increased ticket refunds and decreased ticket sales. Our financial resources might not be sufficient to absorb the adverse effects of any further terrorist attacks or other international hostilities involving the United States.

Additional security requirements may increase our costs and decrease our traffic. Since September 11, 2001, the Department of Homeland Security ("DHS") and TSA have implemented numerous security measures that affect airline operations and costs, and they are likely to implement additional measures in the future. Most recently, DHS has begun to implement the US-VISIT program (a program of fingerprinting and photographing foreign visa holders), announced that it will implement greater use of passenger data for evaluating security measures to be taken with respect to individual passengers, expanded the use of federal air marshals on our flights (who do not pay for their seats and thus displace revenue passengers and cause increased customer complaints from displaced passengers), begun investigating a requirement to install aircraft security systems (such as devices on commercial aircraft as countermeasures against portable surface to air missiles) and expanded cargo and baggage screening. DHS also has required certain flights to be cancelled on short notice for security reasons, and has required certain airports to remain at higher security levels than other locations. In addition, foreign governments also have begun to institute additional security measures at foreign airports we serve, out of their own security concerns or in response to security measures imposed by the United States.

Moreover, the TSA has imposed measures affecting the contents of baggage that may be carried on an aircraft. The TSA and other security regulators could impose other measures as necessary to respond to security threats that may arise in the future.

A large portion of the costs of these security measures is borne by the airlines and their passengers, and we believe that these and other security measures have the effect of decreasing the demand for air travel and the overall attractiveness of air transportation as compared to other modes of transportation. Additional security measures required by the U.S. and foreign governments in the future, such as further expanded cargo screening, might increase our costs or decrease the demand for air travel, adversely affecting our financial results.

The airline industry is heavily taxed. The airline industry is subject to extensive government fees and taxation that negatively impact our revenue. The U.S. airline industry is one of the most heavily taxed of all industries. These fees and taxes have grown significantly in the past decade for domestic flights, and various U.S. fees and taxes also are assessed on international flights. In addition, the governments of foreign countries in which we operate impose on U.S. airlines, including us, various fees and taxes, and these assessments have been increasing in number and amount in recent years. Certain of these fees and taxes must be included in the fares we advertise or quote to our customers. Due to the competitive revenue environment, many increases in these fees and taxes have been absorbed by the airline industry rather than being passed on to the passenger. Further increases in fees and taxes may reduce demand for air travel and thus our revenues.

Airlines may continue to participate in industry consolidation or alliances, which could have a material adverse effect on us. We are facing stronger competition from carriers that have participated in industry consolidation and from expanded airline alliances and joint ventures.

Since its deregulation in 1978, the U.S. airline industry has undergone substantial consolidation and additional consolidation may occur in light of the recently completed merger of Delta and Northwest, which changed the competitive environment for us and the entire airline industry. As a result of the announcement of the Delta/Northwest merger agreement, we conducted a comprehensive review of our strategic alternatives and announced in April 2008 that we had determined that the best course for us was not to merge with another airline at such time. Through consolidation, carriers have the opportunity to significantly expand the reach of their networks, which is of primary importance to business travelers, and to achieve cost reductions by eliminating redundancy in their networks and their management structures.

Through participation in airline alliances and/or joint ventures, carriers granted anti-trust immunity by the appropriate regulatory authorities are able to coordinate their routes, pool their revenues and costs and enjoy other mutual benefits, such as frequent flier program reciprocity, achieving many of the benefits of consolidation. For example, Air France-KLM, Delta and Northwest have received anti-trust immunity to form a new trans-Atlantic joint venture among those airlines and to coordinate routes, fares, schedules and other matters among those airlines, Alitalia and CSA Czech Airlines. American Airlines, British Airways and Iberia have requested anti-trust immunity for a similar trans-Atlantic joint venture, which would also involve many of the same benefits.

There may be additional consolidation or changes in airline alliances and/or joint ventures in the future, any of which could change the competitive landscape for the airline industry and have a material adverse effect on us.

Insurance costs could increase materially or key coverage could become unavailable. The September 11, 2001 terrorist attacks led to a significant increase in insurance premiums and a decrease in the insurance coverage available to commercial airlines. Furthermore, our ability to continue to obtain certain types of insurance remains uncertain. Since the terrorist attacks, the U.S. government has provided war risk (terrorism) insurance to U.S. commercial airlines to cover losses. War risk insurance in amounts necessary for our operations, and at premiums that are not excessive, is not currently available in the commercial insurance market. If the government discontinues this coverage in whole or in part, we may be able to obtain comparable coverage in the commercial insurance market only, if it is available at all, for substantially higher premiums and on more restrictive terms. If we are unable to obtain adequate war risk insurance, our business could be materially and adversely affected.

Public health threats affecting travel behavior could have a material adverse effect on the industry. Public health threats, such as the bird flu, Severe Acute Respiratory Syndrome (SARs) and other highly communicable diseases, outbreaks of which have occurred in various parts of the world in which we operate, could adversely impact our operations and the worldwide demand for air travel. Any quarantine of personnel or inability to access our facilities or aircraft could adversely affect our operations. Travel restrictions or operational problems in any part of the world in which we operate, or any reduction in the demand for air travel caused by public health threats in the future, may materially adversely affect our operations and financial results.

Our results of operations fluctuate due to seasonality and other factors associated with the airline industry. Due to greater demand for air travel during the summer months, revenue in the airline industry in the second and third quarters of the year is generally stronger than revenue in the first and fourth quarters of the year for most U.S. air carriers. Our results of operations generally reflect this seasonality, but also have been impacted by numerous other factors that are not necessarily seasonal, including excise and similar taxes, weather and air traffic control delays, as well as the other factors discussed above. As a result, our operating results for a quarterly period are not necessarily indicative of operating results for an entire year, and historical operating results are not necessarily indicative of future operating results.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Flight Equipment

As of December 31, 2008, our operating fleet consisted of 350 mainline jets and 282 regional aircraft. The 350 mainline jets are operated exclusively by us, while the 282 regional aircraft are operated on our behalf by other operators under capacity purchase agreements.

We own or lease 274 regional jets. Of these, 214 are leased or subleased to ExpressJet and operated on our behalf under a capacity purchase agreement with ExpressJet, 30 regional jet aircraft are subleased to ExpressJet but are not operated on our behalf and 30 ERJ-135 regional jet aircraft are temporarily grounded. Additionally, our regional operating fleet includes 68 regional jet and turboprop aircraft owned or leased by third parties that are operated on our behalf by other operators under capacity purchase agreements.

The following table summarizes our operating fleet (aircraft operated by us and by others on our behalf) as of December 31, 2008:

Aircraft Type	Total	Owned	Leased	Third-Party Aircraft	Seats in Standard Configuration	Average Age (In Years)
Mainline (a):						
777-200ER	20	8	12	-	285	8.6
767-400ER	16	14	2	-	235	7.3
767-200ER	10	9	1	-	174	7.8
757-300	17	9	8	-	216	6.3
757-200	41	15	26	-	175	11.9

737-900ER	17	17	-	-	173	0.6
737-900	12	8	4	-	169	7.3
737-800	116	43	73	-	157	6.8
737-700	36	12	24	-	124	10.0
737-500	42	-	42	-	114	13.1
737-300	23	14	9	-	124	22.6
Total mainline	350	149	201	-		9.4
Regional (b):						
ERJ-145XR	89	-	89	-	50	
ERJ-145	145	18	107	20 (c)	50	
CRJ200LR	17	-	-	17 (c)	50	
Q200	16	-	-	16 (d)	37	
Q400	15	-	-	15 (e)	74	
Total regional	282	18	196	68		
Total	632	167	397	68		

(a) Excludes seven grounded Boeing 737-500 aircraft, 12 grounded Boeing 737-300 aircraft and one Boeing 737-800 aircraft delivered but not yet placed into service at December 31, 2008.
(b) Excludes 30 temporarily grounded ERJ-135 aircraft and 30 ERJ-145 aircraft that are subleased to ExpressJet.
(c) Operated by Chautauqua under a capacity purchase agreement.
(d) Operated by CommutAir under a capacity purchase agreement.
(e) Operated by Colgan under a capacity purchase agreement.

Most of the aircraft and engines we own are subject to mortgages.

Mainline Fleet Activity. During 2008, we placed into service 17 new Boeing 737-900ER and 11 new Boeing 737-800 aircraft. We also announced that we would accelerate the retirement of less fuel efficient Boeing 737-300 and 737-500 aircraft from our mainline fleet. We removed 18 Boeing 737-500 and 25 Boeing 737-300 aircraft from service during 2008. The Boeing 737-500 aircraft removed from service include ten aircraft that were sold and one aircraft that was declared a loss following a runway accident. The Boeing 737-300 aircraft removed from service include six aircraft that were returned to the lessors and seven owned aircraft that were consigned for sale. The remaining Boeing 737-500 and 737-300 aircraft removed from service are grounded until future sale or return to the lessors. By the end of 2009, we expect to remove 31 additional Boeing 737-500 and 737-300 aircraft from service. However, some of these planned exits could be postponed due to delays in new aircraft deliveries and the closing of pending aircraft sales.

At December 31, 2008, we had five owned Boeing 737-500 aircraft and five owned Boeing 737-300 aircraft that were grounded. At December 31, 2008, we also had two temporarily grounded Boeing 737-500 leased aircraft and seven permanently grounded Boeing 737-300 leased aircraft. These leased aircraft have terms that range from one month to 43 months. The two leased Boeing 737-500 aircraft that were grounded at December 31, 2008 re-entered our active fleet in January 2009.

We have aircraft sale contracts with two different foreign buyers to sell 15 Boeing 737-500 aircraft. The buyers of these aircraft have requested, and in some cases we have agreed to, a delay in the delivery dates for the aircraft. We hold cash deposits that secure the buyers' obligations under the aircraft sale contracts, and we are entitled to damages under the aircraft sale contracts if the buyers do not take delivery of the aircraft when required. These pending transactions are subject to customary closing conditions, some of which are outside of our control, and we cannot give any assurances that the buyers of these aircraft will be able to obtain financing for these transactions, that there will not be further delays in deliveries or that the closing of these transactions will occur.

Regional Fleet Activity. During 2008, we temporarily grounded all thirty 37-seat ERJ 135 aircraft being flown by ExpressJet on our behalf and notified ExpressJet that these aircraft would be withdrawn from the capacity purchase agreement. We are evaluating our options regarding these 30 aircraft, including sublease opportunities or permanently grounding them.

In the fourth quarter of 2008, Chautauqua returned seven CRJ200LR aircraft operated for us to the lessors at the lease expiration dates.

In 2008, Colgan began operating fifteen 74-seat Bombardier Q400 twin-turboprop aircraft on short and medium-distance routes from New York Liberty on our behalf. Colgan operates the flights as a Continental Connection carrier under a capacity purchase agreement with us. In January 2009, we amended the capacity purchase agreement to increase by 15 the number of Q400 aircraft operated by Colgan on our behalf. We expect that Colgan will begin operating these 15 additional aircraft as they are delivered, beginning in the third quarter of 2010 through the second quarter of 2011. Each aircraft is scheduled to be covered by the agreement for approximately ten years following the date such aircraft is delivered into service thereunder. Colgan supplies all aircraft that it operates under the agreement. One of Colgan's Q400 aircraft was involved in an accident on February 12, 2009, reducing the number of aircraft currently being flown for us to 14.

Firm Order and Option Aircraft. As of December 31, 2008, we had firm commitments for 87 new aircraft (54 Boeing 737 aircraft, eight Boeing 777 aircraft and 25 Boeing 787 aircraft) scheduled for delivery from 2009 through 2016, with an estimated aggregate cost of $5.6 billion including related spare engines. We are currently scheduled to take delivery of 13 Boeing 737 aircraft in 2009 and 11 Boeing 737 aircraft and two Boeing 777 aircraft in 2010. In addition to our firm order aircraft, we had options to purchase a total of 102 additional Boeing aircraft as of December 31, 2008.

We have also agreed to lease four Boeing 757-300 aircraft from Boeing Capital Corporation. We expect that these aircraft will be placed into service in the first half of 2010.

Facilities

Our principal facilities are located at New York Liberty, Houston Bush, Cleveland Hopkins and A.B. Won Pat International Airport in Guam. Substantially all of these facilities are leased on a net-rental basis, as we are responsible for maintenance, insurance and other facility-related expenses and services. At each location, we generally have multiple leases covering different types of facilities, and those leases have expiration dates ranging from 2009 to 2030.

At each of our three domestic hub cities and most other locations, our passenger and baggage handling space is leased directly from the airport authority on varying terms dependent on prevailing practice at each airport. We also maintain administrative offices, terminal, catering, cargo and other airport facilities, training facilities, maintenance facilities and other facilities, in each case as necessary to support our operations in the cities we serve.

See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" for a discussion of certain of our guarantees relating to our principal facilities, as well as our contingent liability for US Airways' obligations under a lease agreement covering the East End Terminal at LaGuardia Airport.

Item 3. Legal Proceedings.

Legal Proceedings

During the period between 1997 and 2001, we reduced or capped the base commissions that we paid to domestic travel agents, and in 2002 we eliminated those base commissions. These actions were similar to those also taken by other air carriers. We are a defendant, along with several other air carriers, in two lawsuits brought by travel agencies that purportedly opted out of a prior class action entitled Sarah Futch Hall d/b/a/ Travel Specialists v. United Air Lines, et al. (U.S.D.C., Eastern District of North Carolina), filed on June 21, 2000, in which the defendant airlines prevailed on summary judgment that was upheld on appeal. These similar suits against Continental and other major carriers allege violations of antitrust laws in reducing and ultimately eliminating the base commissions formerly paid to travel agents. The pending cases are Tam Travel, Inc. v. Delta Air Lines, Inc., et al. (U.S.D.C., Northern District of California), filed on April 9, 2003 and Swope Travel Agency, et al. v. Orbitz LLC et al. (U.S.D.C., Eastern District of Texas), filed on June 5, 2003. By order dated November 10, 2003, these actions were transferred and consolidated for pretrial purposes by the Judicial Panel on Multidistrict Litigation to the Northern District of Ohio. On September 14, 2006, the judge for the consolidated lawsuit issued an order dismissing 28 plaintiffs in the Swope case for their failure to properly opt-out of the Hall case. Consequently, a total of 90 travel agency plaintiffs remained in the two cases. On October 29, 2007, the judge for the consolidated lawsuit dismissed the case for failure to meet the heightened pleading standards established earlier in 2007 by the U.S. Supreme Court's decision in Bell Atlantic Corp. v. Twombly. The plaintiffs have appealed to the Sixth Circuit Court of Appeals. In each of these cases, we believe the plaintiffs' claims are without merit, and we intend to vigorously defend any appeal. Nevertheless, a final adverse court decision awarding substantial money damages could have a material adverse effect on our results of operations, financial condition or liquidity.

Environmental Proceedings

Under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (commonly known as "Superfund") and similar state environment cleanup laws, generators of waste disposed of at designated sites may, under certain circumstances, be subject to joint and several liability for investigation and remediation costs. We (including our predecessors) have been identified as a potentially responsible party at one federal site and one state site that are undergoing or have undergone investigation or remediation. Although applicable case law is evolving and some cases may be interpreted to the contrary, we believe that some or all of any liability claims associated with these sites were discharged by confirmation of our 1993 Plan of Reorganization, principally because our exposure is based on alleged offsite disposal known as of the date of confirmation. Even if any such claims were not discharged, on the basis of currently available information, we believe that our potential liability for our allocable share of the cost to remedy each site (if and to the extent we are found to be liable) is not, in the aggregate, material; however, we have not been designated a "de minimis" contributor at either site.

In 2001, the California Regional Water Quality Control Board ("CRWQCB") mandated a field study of the area surrounding our aircraft maintenance hangar in Los Angeles. The study was completed in September 2001 and identified jet fuel and solvent contamination on and adjacent to this site. In April 2005, we began environmental remediation of jet fuel contamination surrounding our aircraft maintenance hangar pursuant to a workplan submitted to (and approved by) the CRWQCB and our landlord, the Los Angeles World Airports. Additionally, we could be responsible for environmental remediation costs primarily related to solvent contamination on and near this site.

In 1999, we purchased property located near our New York Liberty hub in Elizabeth, New Jersey from Honeywell International, Inc. ("Honeywell") with certain environmental indemnification obligations by us to Honeywell. We did not operate the facility located on or make any improvements to the property. In 2005, we sold the property to Catellus Commercial Group, LLC ("Catellus") and, in connection with the sale, Catellus assumed certain environmental indemnification obligations in favor of us. On October 9, 2006, Honeywell provided us with a notice seeking indemnification from us in connection with a U.S. Environmental Protection Agency ("EPA") potentially responsible party notice to Honeywell involving the Newark Bay Study Area of the Diamond Alkali Superfund Site alleging hazardous substance releases from the property and seeking study costs. In addition, on May 7, 2007, Honeywell provided us with a notice seeking indemnification from us in connection with a possible lawsuit by Tierra Solutions, Inc. ("Tierra Solutions") against Honeywell relating to alleged discharges from the property into Newark Bay and seeking cleanup of Newark Bay waters and sediments under the Resource Conservation and Recovery Act. We have notified Honeywell that, at this time, we have not agreed that we are required to indemnify Honeywell with respect to the EPA and Tierra Solutions claims and Honeywell has invoked arbitration procedures under its sale and purchase agreement with us. Catellus has agreed to indemnify and defend us in connection with the EPA and Tierra Solutions claims, including any arbitration with Honeywell.

Although we are not currently subject to any environmental cleanup orders imposed by regulatory authorities, we are undertaking voluntary investigation or remediation at certain properties in consultation with such authorities. The full nature and extent of any contamination at these properties and the parties responsible for such contamination have not been determined, but based on currently available information and our current reserves, we do not believe that any environmental liability associated with such properties will have a material adverse effect on us.

At December 31, 2008, we had an accrual for estimated costs of environmental remediation throughout our system of $33 million, based primarily on third-party environmental studies and estimates as to the extent of the contamination and nature of the required remedial actions. We have evaluated and recorded this accrual for environmental remediation costs separately from any related insurance recovery. We did not have any receivables related to environmental insurance recoveries at December 31, 2008. Based on currently available information, we believe that our accrual for potential environmental remediation costs is adequate, although our accrual could be adjusted in the future due to new information or changed circumstances. However, we do not expect these items to materially affect our results of operations, financial condition or liquidity.

General

We and/or certain of our subsidiaries are defendants in various other pending lawsuits and proceedings and are subject to various other claims arising in the normal course of our business, many of which are covered in whole or in part by insurance. Although the outcome of these lawsuits and proceedings (including the probable loss we might experience as a result of an adverse outcome) cannot be predicted with certainty at this time, we believe, after consulting with outside counsel, that the ultimate disposition of such suits will not have a material adverse effect on us.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Common Stock Information

Our Class B common stock, which we refer to as our common stock, trades on the NYSE under the symbol "CAL." The table below shows the high and low sales prices for our common stock as reported in the consolidated transaction reporting system during 2008 and 2007.

		Class B Common Stock	
		High	Low
2008	Fourth Quarter	$20.89	$9.49
	Third Quarter	$21.40	$5.91
	Second Quarter	$23.42	$9.70
	First Quarter	$31.25	$17.19
2007	Fourth Quarter	$37.79	$21.59
	Third Quarter	$38.79	$26.21
	Second Quarter	$44.10	$32.00
	First Quarter	$52.40	$35.22

As of February 13, 2009, there were approximately 19,273 holders of record of our common stock. We have paid no cash dividends on our common stock and have no current intention of doing so. Our agreement with the union representing our pilots provides that we will not declare a cash dividend or repurchase our outstanding common stock for cash until we have contributed at least $500 million to the pilots' defined benefit pension plan, measured from March 31, 2005. Through February 18, 2009, we have made $470 million of contributions to this plan.

Our certificate of incorporation provides that no shares of capital stock may be voted by or at the direction of persons who are not U.S. citizens unless the shares are registered on a separate stock record. Our bylaws further provide that no shares will be registered on the separate stock record if the amount so registered would exceed U.S. foreign ownership restrictions. United States law currently limits the voting power in us (and other U.S. airlines) of persons who are not citizens of the United States to 25%.

Equity Compensation Plans

See Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for information regarding our equity compensation plans as of December 31, 2008.

Issuer Purchases of Equity Securities

None.

Item 6. Selected Financial Data.

The following table sets forth the selected financial data of the Company derived from our consolidated financial statements. The selected financial data should be read in conjunction with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes thereto contained in Item 8. "Financial Statements and Supplementary Data."

Statement of Operations Data (in millions except per share data) (1):

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Operating revenue	$15,241	$14,232	$13,128	$11,208	$9,899
Operating expenses	15,555	13,545	12,660	11,247	10,137
Operating income (loss)	(314)	687	468	(39)	(238)
Income (loss) before cumulative effect of change in accounting principle	(585)	459	369	(68)	(409)
Cumulative effect of change in accounting principle	-	-	(26)	-	-
Net income (loss)	(585)	459	343	(68)	(409)
Earnings (loss) per share:					
Basic:					
Income (loss) before cumulative effect of change in accounting principle	$(5.54)	$ 4.73	$ 4.15	$(0.96)	$(6.19)
Cumulative effect of change in accounting principle	-	-	(0.29)	-	-
Net income (loss)	$(5.54)	$ 4.73	$ 3.86	$(0.96)	$(6.19)
Diluted:					
Income (loss) before cumulative effect of change in accounting principle	$(5.54)	$ 4.18	$ 3.53	$(0.97)	$(6.25)
Cumulative effect of change in accounting principle	-	-	(0.23)	-	-
Net income (loss)	$(5.54)	$ 4.18	$ 3.30	$(0.97)	$(6.25)

(1) Includes the following special income (expense) items for year ended December 31 (in millions):

	2008	2007	2006	2005	2004
Operating (expense) income:					
Pension settlement/curtailment charges	$(52)	$(31)	$(59)	$(83)	$ -
Aircraft-related charges, net of gains on sales of aircraft	(40)	22	18	16	(87)
Severance	(34)	-	-	-	-
Route impairment and other	(55)	(4)	14	-	(52)
Nonoperating (expense) income:					
Gains on sale of investments	78	37	92	204	-
Loss on fuel hedge contracts with Lehman Brothers	(125)	-	-	-	-
Write-down of auction rate securities, net of put right received	(34)	-	-	-	-
Income tax credit (expense) related to NOL utilization	28	(104)	-	-	-
Cumulative effect of change in accounting principal	-	-	(26)	-	-

Balance Sheet Data (in millions):

	As of December 31,				
	2008	2007	2006	2005	2004
Unrestricted cash, cash equivalents and short-term investments	$2,643	$2,803	$2,484	$ 1,957	$ 1,458
Total assets	12,686	12,105	11,308	10,529	10,511
Long-term debt and capital lease obligations	5,371	4,366	4,859	5,057	5,167
Stockholders' equity	105	1,550	347	226	155

Selected Operating Data

We have two reportable segments: mainline and regional. The mainline segment consists of flights to cities using larger jets while the regional segment currently consists of flights with a capacity of 50 or fewer seats (for jets) or 78 or fewer seats (for turboprops). As of December 31, 2008, the regional segment was operated by ExpressJet, Chautauqua, CommutAir and Colgan under capacity purchase agreements.

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Mainline Operations:					

Passengers (thousands) (1)	48,682	50,960	48,788	44,939	42,743
Revenue passenger miles (millions) (2)	82,806	84,309	79,192	71,261	65,734
Available seat miles (millions) (3)	102,527	103,139	97,667	89,647	84,672
Cargo ton miles (millions)	1,005	1,037	1,075	1,018	1,026
Passenger load factor (4):					
Mainline	80.8%	81.7%	81.1%	79.5%	77.6%
Domestic	83.3%	83.9%	83.6%	81.2%	77.4%
International	78.2%	79.4%	78.2%	77.5%	77.9%
Passenger revenue per available seat mile (cents)	11.10	10.47	9.96	9.32	8.82
Total revenue per available seat mile (cents)	12.51	11.65	11.17	10.46	9.83
Average yield per revenue passenger mile (cents) (5)	13.75	12.80	12.29	11.73	11.37
Average fare	$232.26	$214.06	$201.81	$188.67	$177.90
Cost per available seat mile, including special charges (cents)	12.44	10.83	10.56	10.22	9.84
Special charges per available seat miles (cents)	0.15	0.01	0.03	0.07	0.16
Average price per gallon of fuel, including fuel taxes	$3.27	$2.18	$2.06	$1.78	$1.19
Fuel gallons consumed (millions)	1,498	1,542	1,471	1,376	1,333
Aircraft in fleet at end of period (6)	350	365	366	356	349
Average length of aircraft flight (miles)	1,494	1,450	1,431	1,388	1,325
Average daily utilization of each aircraft (hours) (7)	11:06	11:34	11:07	10:31	9:55
Regional Operations:					
Passengers (thousands) (1)	18,010	17,970	18,331	16,076	13,739
Revenue passenger miles (millions) (2)	9,880	9,856	10,325	8,938	7,417
Available seat miles (millions) (3)	12,984	12,599	13,251	11,973	10,410
Passenger load factor (4)	76.1%	78.2%	77.9%	74.7%	71.3%
Passenger revenue per available seat mile (cents)	18.14	17.47	17.15	15.67	15.09
Average yield per revenue passenger mile (cents) (5)	23.83	22.33	22.01	20.99	21.18
Aircraft in fleet at end of period (6)	282	263	282	266	245

Consolidated Operations:					
Passengers (thousands) (1)	66,692	68,930	67,119	61,015	56,482
Revenue passenger miles (millions) (2)	92,686	94,165	89,517	80,199	73,151
Available seat miles (millions) (3)	115,511	115,738	110,918	101,620	95,082
Passenger load factor (4)	80.2%	81.4%	80.7%	78.9%	76.9%
Passenger revenue per available seat mile (cents)	11.89	11.23	10.82	10.07	9.51

Average yield per revenue passenger mile (cents) (5)	14.82	13.80	13.41	12.76	12.36

(1) The number of revenue passengers measured by each flight segment flown.
(2) The number of scheduled miles flown by revenue passengers.
(3) The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.
(4) Revenue passenger miles divided by available seat miles.
(5) The average passenger revenue received for each revenue passenger mile flown.
(6) Excludes aircraft that were removed from service. Regional aircraft include aircraft operated by all carriers under capacity purchase agreements, but exclude any aircraft operated by ExpressJet outside the scope of the ExpressJet CPA.
(7) The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following information should be read in conjunction with the information contained in Item 1A. "Risk Factors" and the audited consolidated financial statements and the notes thereto included under Item 8. "Financial Statements and Supplementary Data" of this annual report.

Overview

We recorded a net loss of $585 million for the year ended December 31, 2008, as compared to net income of $459 million for the year ended December 31, 2007. Our net loss in 2008 was primarily the result of significantly higher fuel prices. Our results for both 2008 and 2007 were also affected by a number of special items, detailed below under "Results of Operations."

2008 Financial Highlights and Challenges

- Total revenue grew 7.1% during 2008 as compared to 2007 due to increased fares, international growth and new ancillary fees.
- Operating income (loss), a key measure of our performance, decreased $1.0 billion to a $314 million loss during 2008 as compared to 2007, due primarily to higher fuel prices.
- We raised approximately $1.2 billion in cash through new financings, the issuance of common stock and the sale of our remaining equity interest in Copa.
- Unrestricted cash, cash equivalents and short-term investments totaled $2.6 billion at December 31, 2008.

2008 Operational Highlights

- Consolidated traffic decreased 1.6% and capacity decreased 0.2% during 2008 as compared to 2007, resulting in a consolidated load factor of 80.2%, 1.2 points below the prior year consolidated load factor.
- We inaugurated service between New York Liberty and Houston Bush to London's Heathrow airport.
- We recorded a DOT on-time arrival rate of 74.0% for Continental mainline flights and a mainline segment completion factor of 98.9% for 2008, compared to a DOT on-time arrival rate of 74.3% and a mainline segment completion factor of 99.2% for 2007.
- We took delivery of 17 Boeing 737-900ER and 12 Boeing 737-800 aircraft and removed 18 Boeing 737-500 and 25 Boeing 737-300 aircraft from our mainline fleet.
- Sales on continental.com, our lowest cost distribution channel, totaled $3.9 billion, an increase of 11% over 2007.

Outlook

The combination of weakening economic conditions, turmoil in the global capital markets and highly volatile fuel prices has resulted in a difficult financial environment for U.S. network carriers and continues to hinder our ability to achieve and sustain profitability. These significant challenges facing our industry caused several smaller carriers to declare bankruptcy in 2008, most of which ceased passenger operations. We and many of our domestic network competitors reduced domestic capacity, increased fares and fees, reduced costs and took other measures to address the challenges. We also raised approximately $1.2 billion in cash during 2008 through a number of financings to strengthen our unrestricted cash and short-term investments balance, which was $2.6 billion at December 31, 2008. However, we have significant long-term debt and capital lease obligations and future commitments for capital expenditures, including the acquisition of aircraft and related spare engines. To meet these obligations, we must access the global capital markets and/or return to sustained profitability. Historically, we have obtained financing for many of these debt obligations and capital commitments, particularly the acquisition of aircraft and spare engines. Due to the troubled global capital markets, however, we may be unable to obtain financing or otherwise access the capital markets on favorable terms.

Economic Conditions. The U.S. and global economies are currently in a recession. The airline industry is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S. and global economies. For 2008, a year in which the U.S. gross domestic product experienced its largest contraction in 25 years, traffic for the seven largest U.S. carriers, measured in miles flown by revenue passengers, fell approximately 2% as compared to 2007, the first such annual decline in five years. This decline in demand has disproportionately reduced the volume of high yield traffic in the premium cabins on international flights, as many business and leisure travelers are either curtailing their international travel or purchasing lower yield economy tickets.

The current economic crisis has severely disrupted the global capital markets, resulting in a diminished availability of financing and higher cost for financing that is obtainable. If the capital markets do not improve, whether through measures implemented by the U.S. and foreign governments, such as the Emergency Economic Stabilization Act of 2008, or otherwise, we may be unable to obtain financing on acceptable terms (or at all) to refinance certain maturing debt we would normally expect to refinance and to satisfy future capital commitments.

Fuel Costs. The extreme volatility in jet fuel prices, which were very high by historical standards during much of 2008, continues to impair our ability to achieve and sustain profitability. During the twelve months ended December 31, 2008, the spot price per gallon of Gulf Coast jet fuel averaged $2.96 compared to $2.17 for the same period in 2007, with Gulf Coast jet fuel closing prices peaking at $4.21 per gallon during the year. In response to high fuel prices and to address the risk of further escalations in fuel prices, most of the major network carriers (including us) continued to enter into fuel hedging arrangements, including collars which minimize the up-front costs. However, in the second half of the year, the price of crude oil fell from a peak of $147.27 per barrel on July 11, 2008 to a low of $32.40 per barrel on December 19, 2008, the first time in almost five years that the price fell below $35 per barrel. The precipitous decline in oil prices has resulted in significant costs to us and to those other carriers with hedging arrangements obligating them to make payments to the counterparties to the extent that the price of crude falls below a specified level. Declining crude oil prices have resulted in us being required to post significant amounts of collateral to cover potential amounts owed with respect to contracts that have not yet settled. At December 31, 2008, our fuel derivatives were in a net liability position of $415 million and we had posted cash collateral with our counterparties totaling $171 million.

Although we experienced some success raising ticket prices and adding or increasing fees during part of 2008, we were unable to increase our revenue sufficiently to keep pace with the escalating fuel prices and suffered a substantial loss in 2008. If fuel prices return to these historically high levels, we may again be unable to raise fares or other fees sufficiently to offset our increased costs fully. Consequently, further increases in jet fuel prices, as well as disruptions in fuel supplies, could have a material adverse effect on our results of operations, financial condition and liquidity.

Based on our expected fuel consumption in 2009, a one dollar change in the price of a barrel of crude oil would change our annual fuel expense by approximately $41 million, before considering refining margins and the impact of our fuel hedging program. We believe that our modern, fuel-efficient fleet continues to provide us with a competitive advantage relative to our peers and a permanent hedge against rising fuel prices.

As of December 31, 2008, we have hedged approximately 23% of our projected consolidated fuel requirements for 2009 with crude oil collars, options and swaps, excluding contracts with Lehman Brothers which we terminated in January 2009. See "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" for details of our hedge position at December 31, 2008.

Capacity. Our long-term target remains to grow our mainline capacity between 5% and 7% annually. However, because of adverse economic conditions, we have reduced our capacity significantly and rescheduled aircraft deliveries, and we do not anticipate returning to significant capacity growth until the level of demand for air travel and economic conditions improve sufficiently to justify such growth.

In September 2008, at the conclusion of the peak summer season, we implemented significant reductions in flying and staffing necessary for us to adjust further to the then high cost of fuel, a weakening economy and a weak dollar. In conjunction with the reductions in flying, we announced that we would accelerate the retirement of all of our Boeing 737-300 aircraft and a significant number of our 737-500 aircraft to remove a majority of the least fuel-efficient aircraft from our mainline fleet by the end of 2009. The retirement of as many as 15 of the 737-500 aircraft may be delayed, however, if the parties that agreed to purchase those aircraft continue to be unable to obtain financing in the troubled global capital markets. As a result of the capacity reductions, we eliminated approximately 3,000 employee positions.

Our future ability to grow our capacity could be adversely impacted by delays in aircraft deliveries. Boeing has announced several delays to its 787 aircraft program. We expect the first of our 25 Boeing 787 aircraft to deliver in 2011 instead of the first half of 2009 as originally scheduled. As a result, our anticipated mainline capacity in 2010 and thereafter may be reduced, particularly if we are unable to make alternative arrangements to acquire long-range aircraft on commercially acceptable terms. However, in order to provide flexibility for our widebody aircraft needs, we announced orders in February 2008 for eight new Boeing 777 aircraft, the first two of which are now scheduled to deliver in 2010.

We are currently scheduled to take delivery of 13 Boeing 737 aircraft in 2009 and 11 Boeing 737 aircraft and two Boeing 777 aircraft in 2010. In addition, we have agreed to lease four Boeing 757-300 aircraft from Boeing Capital Corporation. We expect that these Boeing 757-300 aircraft will be placed into service in the first half of 2010.

Competition. Competition in most of our domestic markets from other carriers, as well as our response to this competition, continues to result in increased capacity and lower yields in many of those markets. In addition, several of our domestic competitors have increased their international capacity, including service to some destinations that we currently serve, resulting in lower yields and/or load factors in affected markets. The "open skies" agreement between the United States and the European Union, which became effective in March 2008, is resulting in increased competition from European and U.S. airlines in these international markets, and may give rise to additional integration opportunities between or among U.S. and European carriers. For example, Air France-KLM, Delta and Northwest have received anti-trust immunity to form a new trans-Atlantic joint venture among those airlines and to coordinate routes, fares, schedules and other matters among those airlines, Alitalia and CSA Czech Airlines. American Airlines, British Airways and Iberia have requested anti-trust immunity for a similar trans-Atlantic joint venture, which would also involve many of the same benefits. However, we also expect that our ability to compete in the trans-Atlantic markets will be enhanced by our previously announced alliance-related activities.

Star Alliance. In 2008, we entered into framework agreements with United, Lufthansa and Air Canada, each a member of Star Alliance, pursuant to which we plan to develop an extensive code-share relationship and reciprocity of frequent flier programs, elite customer recognition and airport lounge use with these other airlines. We plan to implement these relationships and join United, Lufthansa and Air Canada (and other member airlines) in Star Alliance as promptly as practicable following our exit from SkyTeam. We will exit SkyTeam effective with our last flight on October 24, 2009.

On July 23, 2008, we filed an application with the DOT to join United and a group of eight other carriers within Star Alliance that already hold antitrust immunity. Approval by the DOT of this application would enable us, United and these other immunized Star Alliance carriers to work closely together to deliver highly competitive international flight schedules, fares and service and would provide competitive balance to antitrust-immunized carriers in SkyTeam. Additionally, we, United, Lufthansa and Air Canada have requested DOT approval to establish a trans-Atlantic joint venture to create a more efficient and comprehensive trans-Atlantic network for our respective customers, offering those customers more service, scheduling and pricing options and establishing a framework for similar joint ventures in other regions of the world. In addition, we are seeking a modification to our existing pilot collective bargaining agreement, which presently prohibits us from engaging in a revenue or profit sharing agreement with a domestic air carrier, to permit us to enter into such joint ventures.

Please see Part I, Item 1. "Business - Alliances" and Part I, Item 1A. "Risk Factors - Risk Factors Relating to the Company" for future discussion of our transition to Star Alliance.

Labor Costs. Our ability to achieve and sustain profitability also depends on continuing our efforts to implement and maintain a more competitive cost structure. The collective bargaining agreements with our pilots, mechanics and certain other work groups became amendable in December 2008. During 2008, we met with representatives of the applicable unions to engage in bargaining for amended collective bargaining agreements. These talks will continue in 2009 with a goal of reaching agreements that are fair to us and to our employees. We cannot predict the outcome of our ongoing negotiations with our unionized workgroups, although significant increases in the pay and benefits resulting from new collective bargaining agreements could have a material adverse effect on us.

Results of Operations

Special Items. The comparability of our financial results between years is affected by a number of special items. Our results for each of the last three years included the following special items (in millions):

	Income (Expense)		
	2008	2007	2006
Pension settlement charges (1)	$ (52)	$(31)	$(59)
Aircraft-related charges, net of gains on sales of aircraft (2)	(40)	22	18
Severance (2)	(34)	-	-
Route impairment and other (2)	(55)	(4)	14
Total special operating items	(181)	(13)	(27)
Gains on sales of investments (3)	78	37	92
Loss on fuel hedge contracts with Lehman Brothers (4)	(125)	-	-
Write-down of auction rate securities, net of put right received (5)	(34)	-	-
Total special non-operating items	(81)	37	92
Income tax credit (expense) related to NOL utilization (6)	28	(104)	-
Cumulative effect of change in accounting principle (SFAS 123R) (7)	-	-	(26)

(1) See Note 11 to our consolidated financial statements included in Item 8.
(2) See Note 13 to our consolidated financial statements included in Item 8.
(3) See Note 14 to our consolidated financial statements included in Item 8.
(4) See Note 7 to our consolidated financial statements included in Item 8.
(5) See Note 6 to our consolidated financial statements included in Item 8.
(6) See Note 12 to our consolidated financial statements included in Item 8.
(7) See Note 9 to our consolidated financial statements included in Item 8.

Comparison of Year Ended December 31, 2008 to December 31, 2007

Consolidated Results of Operations

Significant components of our consolidated operating results for the year ended December 31 were as follows (in millions, except percentage changes):

	2008	2007	Increase (Decrease)	% Increase (Decrease)
	$15,241	$14,232	$ 1,009	7.1%

Operating revenue				
Operating expenses	15,555	13,545	2,010	14.8%
Operating income (loss)	(314)	687	(1,001)	NM
Nonoperating income (expense)	(370)	(121)	249	NM
Income tax benefit (expense)	99	(107)	206	NM
Net income (loss)	$ (585)	$ 459	$(1,044)	NM

NM - Not meaningful

Each of these items is discussed in the following sections.

Operating Revenue. The table below shows components of operating revenue for the year ended December 31, 2008 and period to period comparisons for operating revenue, passenger revenue per available seat mile ("RASM") and available seat miles ("ASMs") by geographic region for our mainline and regional operations:

	Revenue (in millions)	% Increase (Decrease) in 2008 vs 2007 Revenue	RASM	ASMs
Passenger revenue:				
Domestic	$ 5,633	1.2 %	6.4 %	(4.9)%
Trans-Atlantic	2,983	11.6 %		