

around the industry

Following is a chart showing the financial results for the third quarter and first nine months of 1988 for major carriers:

airline	3rd quarter		first nine months	
	net profit	yield	net profit	yield
American	\$150.3 million	11.40 cents	\$360.1 million	11.59 cents
Delta	\$ 99.9 million	12.60 cents	\$259.4 million	13.16 cents
Northwest	\$116.3 million	11.63 cents	\$101.1 million	11.80 cents
Pan Am	\$ 67.4 million	9.82 cents	(\$ 21.0 million)	10.02 cents
Piedmont	\$ 45.4 million	16.91 cents	\$117.5 million	17.08 cents
Southwest	\$ 26.6 million	10.72 cents	\$ 41.9 million	10.88 cents
Texas Air	(\$114.1 million)	N/A	(\$494.3 million)	N/A
TWA	\$ 88.0 million	10.17 cents	\$132.7 million	10.55 cents
United	\$402.4 million	11.20 cents	\$ 1.1 billion	11.00 cents
USAir	\$ 37.0 million	15.23 cents	\$ 78.3 million	15.16 cents

Orion Air, a division of The Aviation Group Inc. of Raleigh, NC, recently announced the development of a new maintenance facility at Piedmont Triad International Airport in GSO capable of accommodating large turbo jet aircraft up to and including the 747-400. The facility, which is expected to employ around 300 people, will include a 100,000-square-foot hangar in addition to space for offices, shops and apron support services. Construction of the facility will take about 18 months and cost between \$15 and \$20 million.

Delta recently increased the size of its hub facilities at DFW with the opening of nine new gates, giving the carrier a total of 31 gates at its second largest hub.

Delta will begin new nonstop service from DFW to Acapulco, Mexico City, Knoxville and Tucson on December 15. The increase in schedule will also include daily nonstop service between Atlanta and Mexico City.

PARS and the Gemini reservations system in Canada have agreed to merge, creating the second largest agency CRS in North America after Sabre, and the world's largest operating multicarrier system. PARS is currently held equally by TWA and Northwest, and Gemini is currently held equally by Air Canada and Canadian Airlines International.

An emergency airworthiness directive issued October 20 by the Federal Aviation Administration requires repetitive checking of the takeoff warning system on 737 and 727 aircraft. The order was a result of the discovery of inoperative warning systems on 35 aircraft, or 3 percent of the fleet, during a check the agency began in mid-September following the fatal takeoff crash of a Delta 727 from DFW. The airworthiness directive became effective November 10 and requires repetitive checks every 200 flight hours of switches for the throttle, flap position, elevator actuators, speed brake, APU door, leading edge slat and air/ground relay.

The warning systems on Piedmont's and USAir's B727s and B737s have been inspected and no problems have been found.

Pan Am recently inaugurated a new commuter service to be operated by Resort Commuter, an established commuter airline serving Southern California, which will link John Wayne Airport in Orange County-Santa Ana and Los Angeles International Airport. The schedule will begin with 11 daily roundtrips between Orange County and LAX. Flights will use 18-seat deHavilland Twin Otter turboprop aircraft and carry the Pan Am markings and colors.

Pan Am has also inaugurated new daily nonstop service between Los Angeles and Washington Dulles which will be operated with Airbus A310-300 aircraft and timed to connect with Pan Am's daily service to Frankfurt and four-times-weekly service to Paris.

American will open its San Jose hub on December 2 with 68 flights a day to 15 cities, as well as 18 flights a day to five destinations operated by American Eagle. The carrier expects to inject \$300 million annually into the area's economy once the hub is fully developed by 1991.

American will operate northbound from San Jose to Vancouver, Seattle, Portland, Lake Tahoe, Eugene and Reno, and southbound to Las Vegas, Burbank, Phoenix, San Diego, Orange County, Ontario and Los Angeles.

Effective December 2, American Eagle will operate northbound from San Jose to Lake Tahoe, Santa Rosa and Redding, and southbound to Santa Barbara and Monterey. Service will be offered five times daily to American's DFW hub and four times a day to its Chicago O'Hare hub.

Group operating income rises

USAir Group reported operating income for the third quarter of \$136.7 million, up from \$118.1 million for the same period of last year. Net income for the third quarter of 1988 was \$68.5 million compared with \$71.8 million for the third quarter of 1987. The consolidated operating income reported for the quarter is the second highest in the company's history after the second quarter of this year.

Ed Colodny, USAir group chairman and president, said, "We are pleased to be able to continue to report solid earnings during this transitional period. Integration of PSA is complete. Preparations are continuing for the pending merger of Piedmont with USAir. As expected, we are incurring increased expenses associated with the mergers, adversely affecting current earnings. We are confident that this investment will produce long-term benefits."

First nine months 1988 operating income was \$324.4 million versus \$245.8 million for the comparable period of 1987. For the first nine months of 1988, USAir Group had net income of \$142.2 million, compared with net income of \$168.0 million for the same period of 1987.

USAir Group's fully diluted earnings per share for the third quarter were \$1.58 on 43,369,000 shares, compared with \$1.66 on 43,643,000 shares for the same quarter of last year. For the first nine months, fully diluted earnings per share were \$3.28 on 43,336,000 shares, compared with \$4.80 on 17.1 percent fewer shares (35,915,000) for the first nine months of 1987.

USAir Group operating revenue for the third quarter was \$1.5 billion compared with \$790.8 million for the same period of 1987. For the first nine months, operating revenue totaled \$4.2 billion, up from \$1.9 billion for the first nine months of 1987.

Included in the consolidated results are the operations of USAir, Piedmont, four wholly-owned commuter airline subsidiaries, and a leasing and servicing subsidiary.

Piedmont

Piedmont reported net and operating income for the third quarter of \$45.4 million and \$82.3 million, respectively. Operating revenue for the third quarter was \$639.1 million, up 9.6 percent. For the first nine months of 1988, Piedmont had net income of \$117.5

million and operating income of \$224.8 million on operating revenue of \$1.9 billion.

The acquisition of Piedmont was accounted for as a purchase. Because of purchase accounting changes, the results reported for Piedmont are not comparable with those reported for periods prior to acquisition. In addition, Piedmont's revenues and expenses are not reflected in the company's consolidated financial results for comparable periods of 1987 because the company's investment in Piedmont and Piedmont's financial results prior to the merger were accounted for under the equity investment method.

USAir, Inc.

USAir's operating income was \$48.8 million, down from \$92.7 million in 1987. Net income for the quarter was \$37.0 million compared with \$57.0 million for the comparable quarter last year. Lower operating income was primarily due to a lower actual load factor and to an increase in the breakeven load factor. The increased breakeven load factor resulted from an increase in cost per available seat mile, despite decreases in fuel prices. These increased costs reflected higher personnel expenses associated with training and relocation of employees and a 48.2 percent increase in employees as a result of the merger of PSA into USAir and preparation for the merger with Piedmont; higher aircraft rental expense associated with 22 additional new aircraft; and higher maintenance expense associated primarily with the addition to the fleet of 55 aircraft acquired through the PSA merger. Most of the expenses associated with the mergers are being charged to USAir. Lower net income for the quarter also reflected higher interest expense associated with the assumption of PSA's corporate debt. Operating revenues for the third quarter were \$784.8 million, up 41.4 percent from \$555.2 million for the third quarter of 1987.

For the first nine months of 1988, USAir had net income of \$78.3 million and operating income of \$113.1 million on operating revenue of \$2.1 billion. During the first nine months of 1987, USAir's net and operating income were \$129.7 million and \$208.2 million, respectively. Operating revenue was \$1.5 billion.

traffic

	Piedmont				
	Oct. '88	Oct. '87	Change	Year-to-Date	Change
Passengers	2,345,047	2,223,033	+ 5.5%	22,687,704	+ 8.1%
RPMs (000)	1,116,677	1,004,527	+11.2%	10,891,985	+15.3%
ASMs (000)	1,900,284	1,686,717	+12.7%	18,219,343	+16.6%
Load Factor	58.76%	59.56%	- 0.80 pts.	59.78%	- 0.68 pts.

*Record October for passengers, ASMs, and RPMs.

*The following four stations set record enplanements for the month of October: IND, PHX, SAN, and SBN.

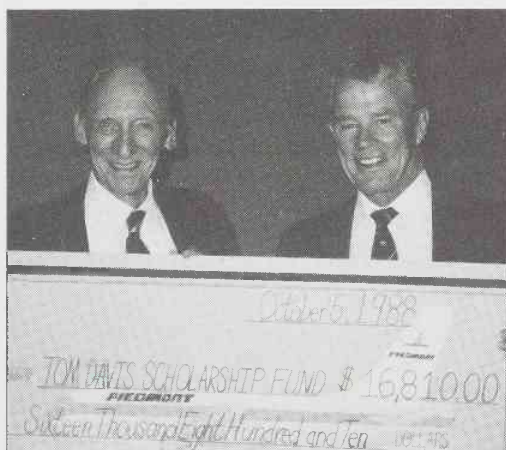
*Our seven reservations centers answered 2,903,381 calls in October 1988.

USAir

	USAir				
	Oct. '88	Oct. '87	Change	Year-to-Date	Change
Passengers	2,993,365	2,198,817	+36.1%	27,114,769	+31.2%
RPMs (000)	1,602,530	1,144,705	+40.0%	14,368,028	+32.1%
ASMs (000)	2,614,060	1,746,376	+49.7%	23,105,732	+39.9%
Load Factor	61.3%	65.5%	- 4.2 pts.	62.2%	- 3.7 pts.

*Record October for passengers and RPMs.

*USAir's October traffic results include those of PSA which was merged into USAir on April 9.



A Tom Davis-Piedmont Airlines Endowed Scholarship was recently established at Embry-Riddle Aeronautical University at Daytona Beach, FL, through funds generated at a dinner sponsored by the Carolina Area Alumni Chapter in Charlotte, NC. During the event Embry-Riddle President Kenneth Tallman (right) presented Davis, Piedmont founder, with a check for \$16,810 for the scholarship which will financially assist students pursuing aviation-oriented degrees.