

United Continental Holdings, Inc.
Worldwide Media Relations

312.997.8640
media.relations@united.com

UNITED RELEASES STUDY ON ECONOMIC IMPACT OF DIVIDING INTERNATIONAL AIR SERVICE BETWEEN HOUSTON AIRPORTS

*INTERNATIONAL SERVICE AT HOBBY WOULD RESULT IN A NET LOSS OF 3,700
HOUSTON JOBS AND \$295 MILLION IN GROSS REGIONAL PRODUCT*

HOUSTON, May 3, 2012 – United Airlines (NYSE: UAL) today released a report demonstrating that dividing Houston’s international air service will drain passengers from George Bush Intercontinental Airport (IAH), resulting in a net loss of 3,700 jobs and \$295 million in gross regional product annually in the Houston region.

United undertook the study in collaboration with aviation industry expert William Swelbar, research engineer at the Massachusetts Institute of Technology’s International Center for Air Transportation, and Dr. Barton Smith, professor emeritus of economics at the University of Houston and a renowned expert on Houston’s economy. Mr. Swelbar assisted United in providing assumptions for the economic analysis Dr. Smith prepared to determine the impact of Southwest Airlines’ proposal to initiate flights by its AirTran subsidiary to Latin America out of Hobby Airport.

IAH has been Houston’s sole international airport since it opened in 1969. It is the largest hub for United, which has invested \$1 billion there since 1996 and recently commenced the first phase of another \$700 million investment.

Houston Airport System (HAS) Aviation Director Mario Diaz recommended the proposal to City Council based on an April 4, 2012, economic impact study. United’s study shows that the HAS Hobby study used flawed assumptions to reach unrealistic conclusions that the proposal would be good for Houston.

“The results of the HAS study are terribly misleading and are based on rather naïve assumptions regarding the benefits of hubs and competition,” said Smith. “Competition is always good, but there is already plenty of competition at Bush where it can take advantage of the enormous economies of scale associated with a large hub. Diminishing the volume of connecting flights through Bush could be very damaging. The HAS study finding that Southwest

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Airlines proposal would actually increase trips through Bush is just sheer nonsense.”

“The Houston Airport System’s study was not based in reality,” said Swelbar. “The reality is that the new international flights out of Hobby won’t create more jobs and commerce. They will cause a loss of jobs and flights at IAH and diminish Houston’s ability to compete with DFW and Atlanta.”

“This study demonstrates the costs to the city if it divides Houston’s international air service—real job loss from real damage to IAH and the Houston economy,” said Nene Foxhall, United’s executive vice president of communications and government affairs. “We hope this gives city leaders what they need to take the long-term view based on the facts, not pie-in-the-sky promises of thousands of jobs and billions of dollars in economic impact that will never materialize.”

The United study finds that:

- The HAS Hobby Study reaches the wholly unrealistic conclusion that the new flying would result in 18,000 jobs and \$1.6 billion in annual economic impact. The HAS Hobby Study reaches these incorrect conclusions as a result of three basic, critical flaws in its assumptions:
 - Unrealistically low fares on the new routes, which in turn result in unrealistically high new passenger volumes;
 - Significantly overstated direct employment requirements at Hobby to support the new international flying, compared to current employment levels; and
 - That United would not reallocate flying away from Houston to other, more profitable parts of United’s network as a result of the drain of passenger traffic from IAH.
- Allowing international flights at Hobby would result in a net loss to the Houston region of 3,700 jobs and \$295 million in gross regional product. This net impact is the result of the loss of 5,000 jobs and \$414 million in gross regional product from impacts at IAH combined with the gain of 1,500 jobs and \$120 million gross regional product from impacts at Hobby.
- Adding Hobby international flights would jeopardize future growth at IAH and result in a reduction of 6% of United’s current capacity and another 4% of planned capacity at IAH.

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- International expansion by low cost carriers does not stimulate service by incumbent carriers. In fact, based on analysis of other multi-airport metropolitan areas, it causes reduced capacity on overlapping routes.
- HAS debt backed by a 50% increase in Passenger Facility Charges paid by all Hobby customers would fund the estimated \$100 million cost of the Hobby international gates.
- United's local Houston domestic passenger share is 48%, compared to 31% for Southwest, but, because of the connecting traffic United brings through IAH, United is able to offer more flight options to more destinations than Houston traffic alone can support. Today IAH is United's largest hub. Since the 2010 merger with Continental, United has added 12 new nonstop routes from IAH, more than it has added from any other hub and the same number it has added at Newark Liberty, Denver and Chicago *combined*.
- Metropolitan areas with multiple airports providing international service have seen virtually no growth in international capacity over the past five years, as compared to more than 6% growth for unified international gateways overall and nearly 8% for IAH.
- United's growth at IAH and the resulting connectivity opportunities have benefited all 16 airlines that serve IAH and compete vigorously there. For example, Frontier just announced it would become the 17th carrier at IAH, citing the benefits of connectivity there. There is ample capacity at IAH to accommodate new flying
- Adding an additional Federal Inspection Services facility in Houston at a time of federal budget constraints would leave insufficient U.S. Customs and Border Protection staff to serve customers effectively, further exacerbating the long customs processing time for IAH customers and degrading IAH's position as an international gateway.

To view United's full study, visit <http://www.keepiahstrong.com/economic-impact.php>.

About United

United Airlines and United Express operate an average of 5,605 flights a day to 374 airports on six continents from our hubs in Chicago, Cleveland, Denver, Guam, Houston, Los
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Angeles, New York/Newark, San Francisco, Tokyo and Washington, D.C. In 2011, United carried more traffic than any other airline in the world, and operated more than two million flights carrying 142 million passengers. United is upgrading its cabins with more flat-bed seats in first and business class and more extra-legroom economy-class seating than any other airline in North America. United operates nearly 700 mainline aircraft and has orders for more than 125 new aircraft deliveries from 2012 through 2019, including 50 Boeing 787 Dreamliners and 25 Airbus A350XWBs. United was rated the world's most admired airline on FORTUNE magazine's 2012 airline-industry list of the World's Most Admired Companies. Readers of Global Traveler magazine have voted United's MileagePlus program the best frequent flyer program for eight consecutive years. United is a founding member of Star Alliance, which provides service to 190 countries via 25 member airlines. More than 85,000 United employees reside in every U.S. state and in countries around the world. For more information, visit united.com or follow United on [Twitter](#) and [Facebook](#). The common stock of United's parent, United Continental Holdings, Inc., is traded on the NYSE under the symbol UAL.

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