

NORTH AMERICA SEAT CAPACITY CHANGES 2009 Vs. 2008

August 2009

On a global basis, airlines have continued to reduce both seat capacity and employment in response to decreasing passenger traffic and revenues resulting from the global economic downturn which began in Fall 2008.

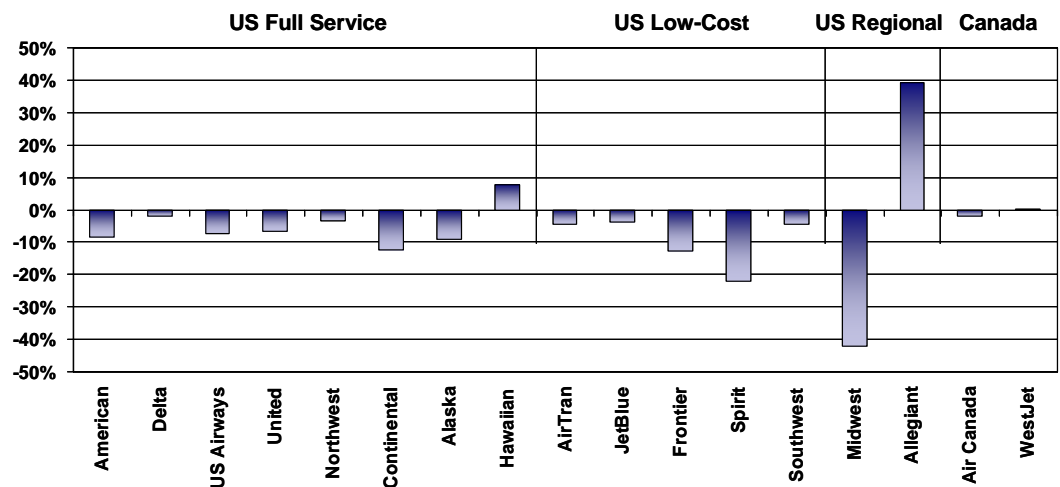
Significant cutbacks in seat capacity by US carriers

Almost all U.S. full service carriers lowered their system-wide seat capacity in the range of 2% to more than 12% between July 2008 and July 2009, as shown in **Figure 1** below. The only exception was Hawaiian Airlines, which increased total seats by nearly 8% during the period.

Similarly, U.S. low cost carriers have also been reducing capacity levels. Among low cost carriers, Spirit Airlines showed the most significant cutbacks, reducing seat capacity by over 20% in July 2009 over July 2008.

Among selected U.S. regional carriers, Allegiant Air increased its seat capacity by nearly 40% in July 2009 compared to July 2008. According to Allegiant Travel Company's CEO and President, Maurice J. Gallagher Jr., "we substantially increased the size of our network footprint, including the successful start of 13 new routes to our new Southern network... [which] further diversifies our exposure to regional economies and offers more protection to us in these uncertain times."¹ On the other hand, Midwest Airlines suffered more than a 40% capacity cut during the same period.

Figure 1: Change in airline seat capacity in July 2009 over July 2008



Source: OAG Schedules, July 2009 and July 2008.

¹ Allegiant Air press release, 21 July 2009.



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The U.S. legacy carriers continue to announce further capacity cuts for the remainder of 2009. For instance, United Airlines has decided to cut international capacity by 7% for the fourth quarter² and Delta has increased its system target for capacity cuts to 10% for 2009 overall.³

Relatively stable airline seat capacity in Canada

In Canada, airline capacity levels remain relatively stable compared to the U.S. Canada's largest air carrier, Air Canada, experienced capacity cuts of less than a 2% in July 2009 over July 2008 and announced record load factors for July 2009 (83.6% on a consolidated basis)⁴ made possible by seat capacity cuts. WestJet's seat capacity, on the other hand, was nearly constant in July 2009 over July 2008. However, despite its apparent stability in seat capacity levels, the carrier recently announced plans to reduce its capacity growth expectations to between 1% and 2% for the third quarter of 2009,⁵ in response to a 65% decline in company profits for the second quarter.⁶

² "Airlines to cut capacity and jobs." The Montreal Gazette, 21 July 2009.

³ "Delta looks to cut more of its workforce to reduce costs." Market Watch, 7 August 2009.

⁴ Air Canada News Release, 5 August 2009.

⁵ "WestJet squeaks out profit despite weak demand," The Vancouver Sun, 6 August 2009.

⁶ WestJet News Release, 6 August 2009.