

Picture grim for airline industry

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The Associated Press

Tuesday, Sep. 15, 2009 02:12PM EDT

IATA says recent losses have been worse than those following the Sept. 11, 2001, terrorist attacks; no recovery seen until at least 2013.

Global airline losses are headed for a worse-than-expected \$11-billion (U.S.) this year and it's not clear when lucrative business travel will rebound to pre-recession levels, a trade group said on Tuesday.

As recently as June, the International Air Transport Association had expected airlines to lose \$9-billion this year. But airlines lost \$6-billion in the first half alone. They're still suffering from persistently high fuel prices, weak demand, and falling fares.

Airlines have struggled to fill seats – especially the profitable ones at the front of the plane, and last-minute business travellers who pay more. Demand for business and first-class seats has dropped 20 per cent, compared with a 5 per cent drop in coach.

The amount passengers will pay to travel is expected to fall 12 per cent this year.

"When yields fall, they almost never recover," said Giovanni Bisignani, IATA's director general and chief executive officer, speaking at a news conference in Washington.

Because of the recession, airlines are losing more money in 2008-09 than they lost in 2001-02 after the Sept. 11 attacks, Mr. Bisignani said. After Sept. 11, it took more than three years for airline revenues to recover – and that was in a much smaller recession, he said.

"This could be a long-lasting structural change," he said. "Even with better volumes we don't see industry revenues returning to 2008 levels until 2012, 2013 at the earliest."

IATA predicted a 2010 loss of \$3.8-billion, and said it doesn't expect the industry to turn a profit until 2011 at the earliest.

Mr. Bisignani said they are starting to see the beginnings of an economic recovery, especially in Asia. That's helping to stem the declines in travellers and freight. But passengers are paying less to travel than they used to, and oil prices have risen. The air transport group said those factors are more than offsetting economic growth.

"Unfortunately the prices of fuel are increasing, anticipating a recovery that we do not see in our business," Mr. Bisignani said.

Cargo is no better. Freight haulers have taken 227 cargo freighters out of the fleet. But remaining freighters are flying only half full, IATA said. Delta Air Lines Inc. has said it will ground its fleet of 14 747 freighters by the end of this year, although Delta and other carriers also haul cargo in the bellies of their passenger jets.

The amount of cargo shipped in July fell 11.3 per cent compared to the year before. Still, that was better than the 23.2 per cent drop-off in June.

"This is a sign that the global economy is starting to work, but it's weak, and it's fragile," Mr. Bisignani said.

He added airlines aren't looking for government bailouts, but they do need action to make it possible to turn a profit, he said. He called on airports to cut fees, and praised a 25 per cent reduction in charges to operate at Singapore, and 50 per cent in Malaysia. He said he's concerned that John F. Kennedy and Newark Liberty airports, meanwhile, "could soon become the most expensive airports in the world."

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