

## OAG Reports a 7% Drop in Global Airline Capacity of 59.7 Million Seats in 4th Quarter 2008-08-05

---

U.S. Hardest Hit as Travelers Face Unprecedented Cutbacks in Available Seats, Indications for Asian Capacity to Drop Significantly

U.S. Hardest Hit as Travelers Face Unprecedented Cutbacks in Available Seats

Indications for Asian Capacity to Drop Significantly

275 Airports Worldwide to Lose Air Service Altogether

Transatlantic Routes Buck the Trend with 2% Year on Year Growth

OAG Adjusts its Fleet Forecast for 2017 Down by More Than 3,500 Aircraft

Schedule Reductions Could Trigger up to 15% Drop in MRO Spend

The world's airlines will offer 59.7 million fewer seats in the 4th quarter of 2008 than they did a year ago, according to OAG (Official Airline Guide) in its 10 year view of the global aviation industry. The latest figures from OAG's consolidated database reveal a 7% drop both in the number of flights and in seat capacity for October, November and December 2008 compared with the same time last year. The U.S. domestic market will account for just under 20 million of that figure, or 33% of the global decline in capacity, in what could potentially be the most widespread crisis to hit the aviation industry in recent memory.

The OAG analysis takes into account all future schedules filed by the airlines to date, to provide a comprehensive snapshot of planned airline activity for October to December 2008 with comparisons tracking back 10 years.

The U.S. domestic market has traditionally been the largest theatre of airline activity in the world. However, largely due to the growth of low-cost carriers, intra-Europe and intra-Asia air transport markets have been growing quickly in recent years. In the 4th quarter of 2007, seat supply in intra-Asia markets outpaced the U.S. for the first time. However, as with the U.S., both Europe and Asia will see their operations decline in the 4th quarter 2008. Asia is currently showing a 13% decrease in capacity (equivalent to a 3-year setback in growth) although this may not be quite as severe as current figures show as a number of Chinese carriers have not yet filed their full winter schedules.

The transatlantic route, however, is showing continued growth, albeit at a much slower rate than a year ago, with flights up by 1% and capacity up by 2%.

It is not only passengers who are facing reduced service and choice. Many airports will be severely affected by the announced cuts by airline operations, with 275 airports around the world losing scheduled air service altogether based on current filed schedules. Of these, 32 are in the U.S. while 116 are in the Asia Pacific region.

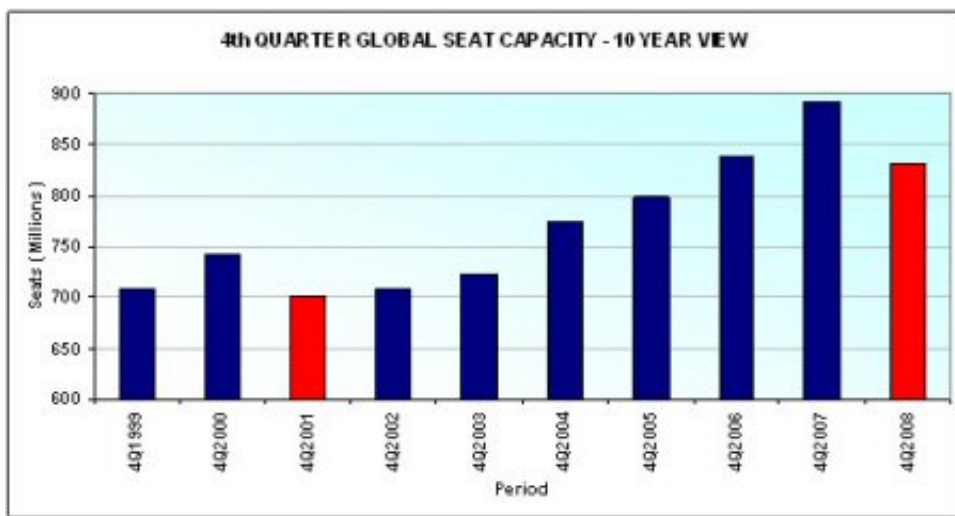
Steve Casley, Chief Operating Officer of OAG, said, 'The data speaks for itself. It took a good three years for the industry to recover from the downturn in 2001 when it had a 5% drop in capacity and a 7% drop in flights. Steady annual growth since 2002 looks set to plummet in the fourth quarter this year with an unprecedented global decline of 7%.'

"Commercial aviation marches in lock-step with the global economy, closely reflecting growth and declines in GDP, with on average a steady 3-4% growth year over year," continued Casley. "In the last 10 years this steady growth has been interrupted twice: first, by the meltdown of the global economy in 2001 following the burst of the Internet bubble, which was compounded by a year of crises with the traumatic events of 9/11, the Gulf War and the SARS epidemic within Asia, and second - on the immediate horizon - by the extraordinary impact that the rising cost of oil is having on the global economy. We tend to focus so much attention on the growth of Asian markets, but the projected 13% drop in Asian seat capacity is a significant metric that may have wider impact.

"From OAG's statistics, it looks quite possible that we may be facing a far more severe global downturn than we have experienced before. The industry's resilience will be pushed to its limits in the coming months, with carriers, airports and passengers alike all waiting and watching for a glimmer of light at the end of the tunnel."

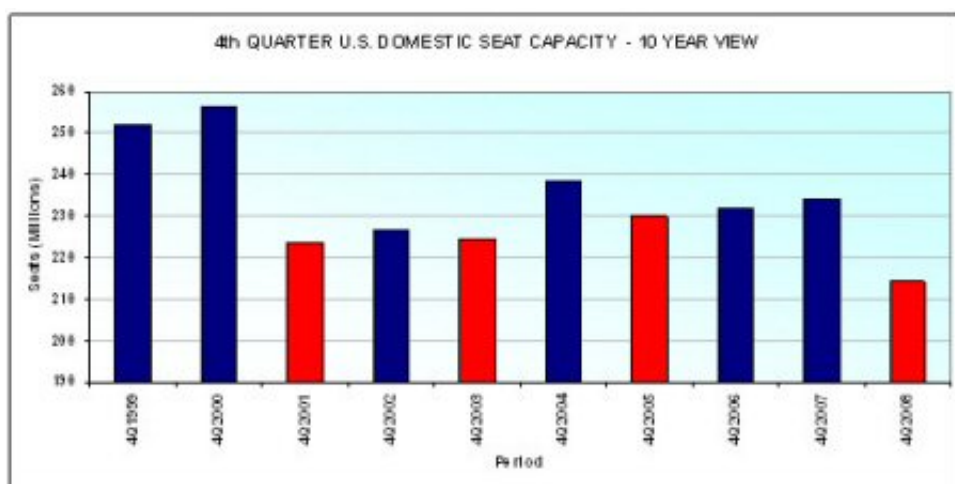
OAG is able to track these trends using its 30 year repository of future and historic airline schedules that is available to industry analysts around the world. This 10-year view of global frequencies and seat capacity isolates the supply-side of the airline industry to the 4th quarter of each year from 1999 forward.

### **Global Seat Capacity**



The U.S. appears to be bearing the brunt of the downturn. While there has been intermittent growth since 2001, when seat capacity and volume of flights fell by 13%, it has not been steady, and the U.S. domestic industry is nowhere near the size it was in 2000. Another sharp 9% decline when the winter schedules start will bring the U.S. market to its lowest level in over 10 years.

### Domestic Seat Capacity



The growth of low-cost competition in local markets forces carriers to look at the potential of long-haul services for higher yields and better revenues. Airlines that have wide-body, long-distance aircraft at their disposal will redeploy these assets from domestic markets to long-haul international markets in an economic downturn. The results of these decisions can be seen in the 4th quarter 2008 capacity growth in transatlantic markets, up 2% from the previous year. Long-haul seat capacity in the Europe-Asia sector however is showing a 3% drop year over year, and there is a marginal decline of 0.2% on transpacific routes.

OAG, which also maintains the world's leading fleet database, has adjusted its 10-year forecast for the global scheduled aircraft fleet to shrink by more than 3,500 aircraft as a result of high jet fuel prices and to reflect the impact of these capacity cuts

Deliveries of new aircraft are expected to be reduced by 744 aircraft. Near-term firm orders are expected to be pushed back rather than cancelled.

Maintenance Repair and Overhaul (MRO) spend could drop as much as 15%, according to OAG analysts. Global capacity dropped 4.7% from calendar year 2001 to calendar year 2002 before recovering, while global MRO activity bottomed at -14.5% in 2003. From 2003 to 2005, growth in MRO spend trailed capacity growth, with an average annual growth rate of just 3% compared to capacity growth of 6.2%.

With the latest schedules showing a 7% drop in global capacity, OAG experts estimate that it is possible that MRO spend could drop by as much as 15% in 2009-2011. Looking further ahead, OAG suggests that MRO spend could continue to lag seat capacity once growth returns. 'We expect new aircraft will drive the growth, and the resulting 'honeymoon effect' of low maintenance requirements could keep MRO spend down,' said Casley.

To accompany this report, 15 illustrative charts showing 10 year trends can be accessed at [www.oag.com/graphics/charts.htm](http://www.oag.com/graphics/charts.htm)

This article comes from Hotel News Resource

<http://www.hotelnewsresource.com>

The URL for this story is:

<http://www.hotelnewsresource.com/article33895.html>

© 1998 - 2008 Nevistas and the author.

Brought to you by Hotel News Resource

*Distribute your news on our Network*

See what all the buzz is about at:

[http://www.hotelnewsresource.com/Info-news\\_account\\_info.html](http://www.hotelnewsresource.com/Info-news_account_info.html)