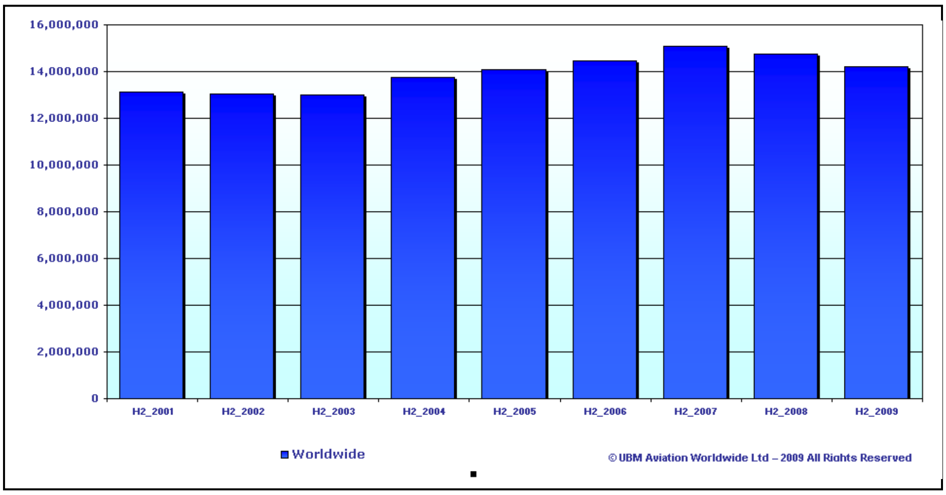
OAG Capacity Outlook for the Next 6 Months: June 2009

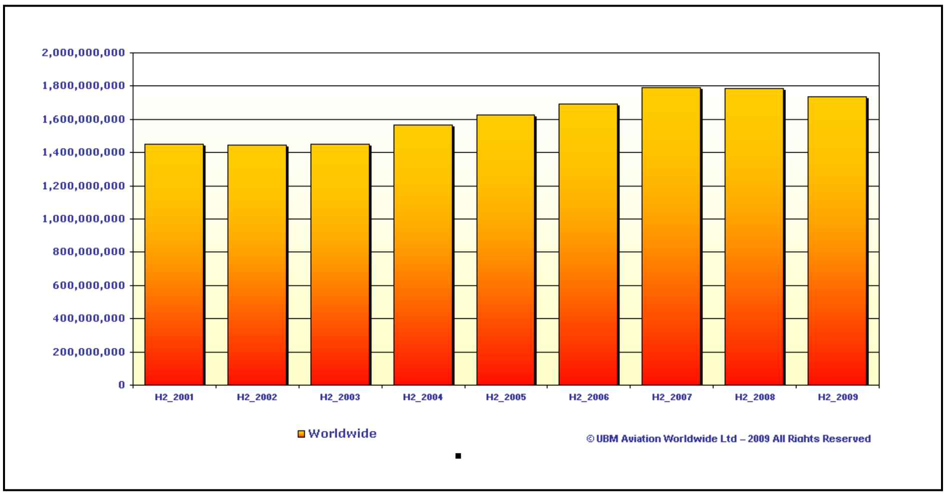
OAG's schedules data for the second half of 2009 (2H09) shows a slight decline in worldwide operations and capacity compared to the same period in 2008. In fact, the total number of flights for 2H09 (14,191,263) will be at the lowest level since the second half of 2005. The numbers reflect the airline industry's attempts to adjust to a weak economic climate, but capacity nevertheless remains almost 20% higher than the levels of the early 2000s.

Worldwide Half Yearly Frequencies



Countries & Regions
Trend in Number of Operations
2nd Half 2001 – 2nd Half 2009

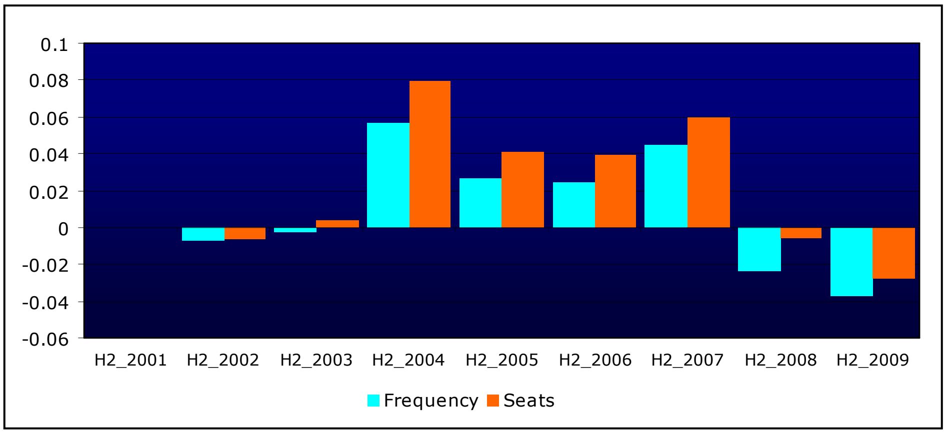
Worldwide Half Yearly Seats



Countries & Regions
Trend in Number of Seats
2nd Half 2001 – 2nd Half 2009

The decline in operations since 2H08 at 3.69% is a little larger than the decline in seats, 2.76%, reflecting the trend towards larger aircraft particularly in the regional market. Nevertheless, as seen in the Periodic Frequency & Capacity Variance chart, the decline in seat capacity was more in line with the decline in operations than was the case in the second half of 2008.

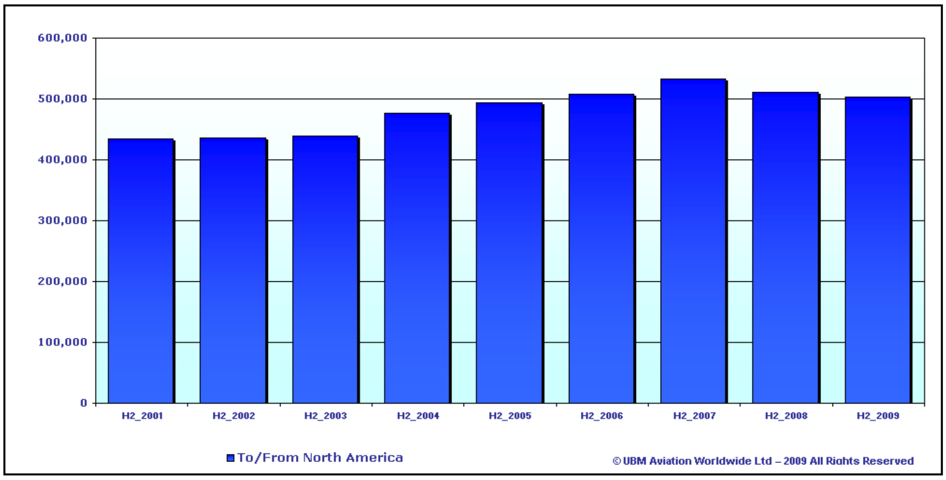
Periodic Variance of Worldwide Frequencies and Seats



Periodic Frequency & Capacity Variance
2nd Half 2001 – 2nd Half 2009

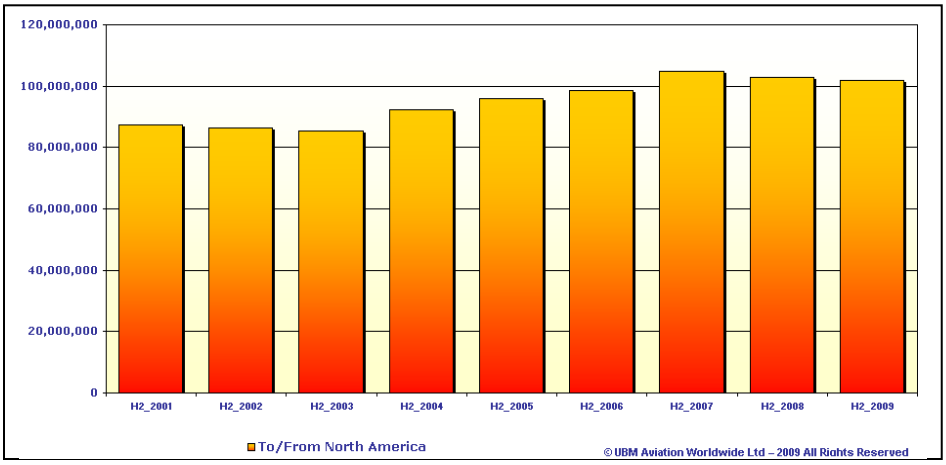
Intra-North America will account for over one third of all operations in 2H09 but just over a quarter of all seat capacity despite a 2.7% decline in operations and a 4.3% drop in seats versus 2H08. The declines reflect not only carriers' adjustments to the economic climate, but also consolidation in the domestic industry particularly with the integration of Northwest Airlines into Delta. The elimination of independently branded flights by regional carrier ExpressJet in the fall of 2008 also contribute to the declines. In intercontinental markets, however, North America's capacity and frequencies are relatively stable.

To / From North America Half Yearly Frequencies



Countries & Regions
Trend in Number of Operations
2nd Half 2001 – 2nd Half 2009

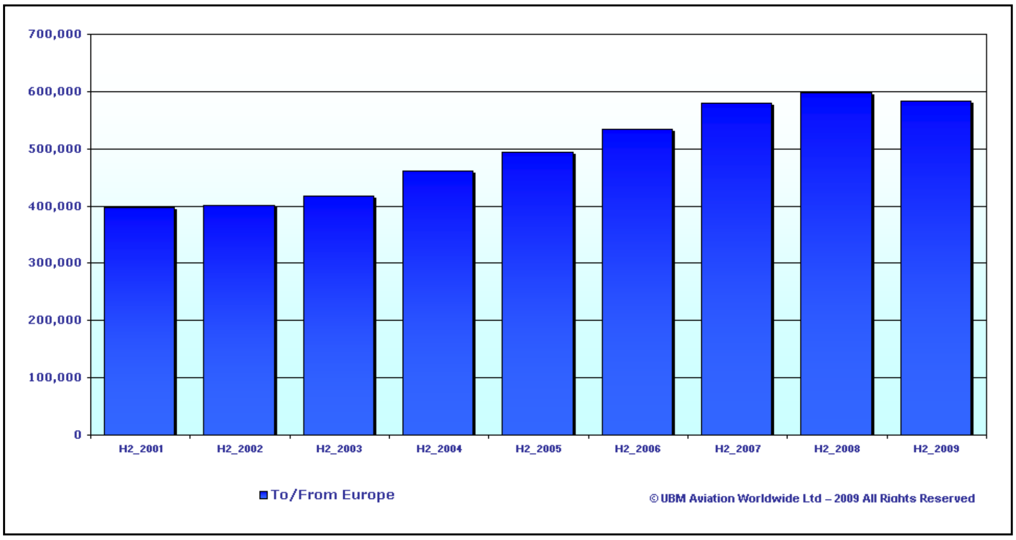
To / From North America Half Yearly Seats



Countries & Regions
Trend in Number of Seats
2nd Half 2001 – 2nd Half 2009

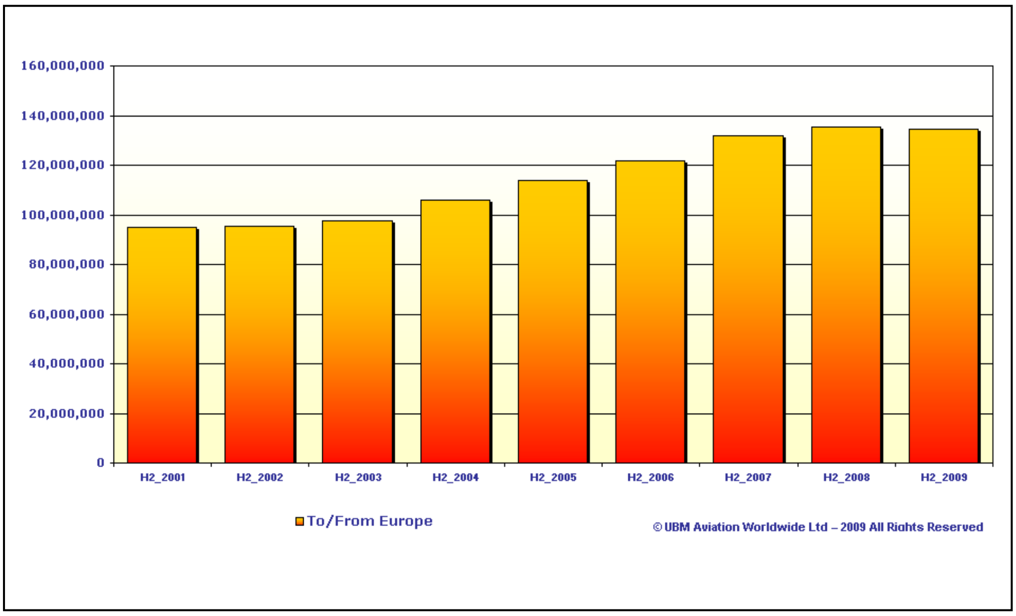
The situation is slightly different in Europe. Capacity to/from the continent is mostly unchanged, but frequencies are down over 2%. Within Europe, the decline in activity is significant. Departures are down 7.3% versus 2H08 and capacity is off by over 6%. The bulk of the decline has been in Eastern Europe (excluding Russia) where carriers have had to pull back on various expansion plans, particularly in the low cost sector. The failure of Sterling Airlines affected both Scandinavian and Eastern European capacity.

To / From Europe Half Yearly Frequencies



Countries & Regions
Trend in Number of Operations
2nd Half 2001 – 2nd Half 2009

To / From Europe Half Yearly Seats



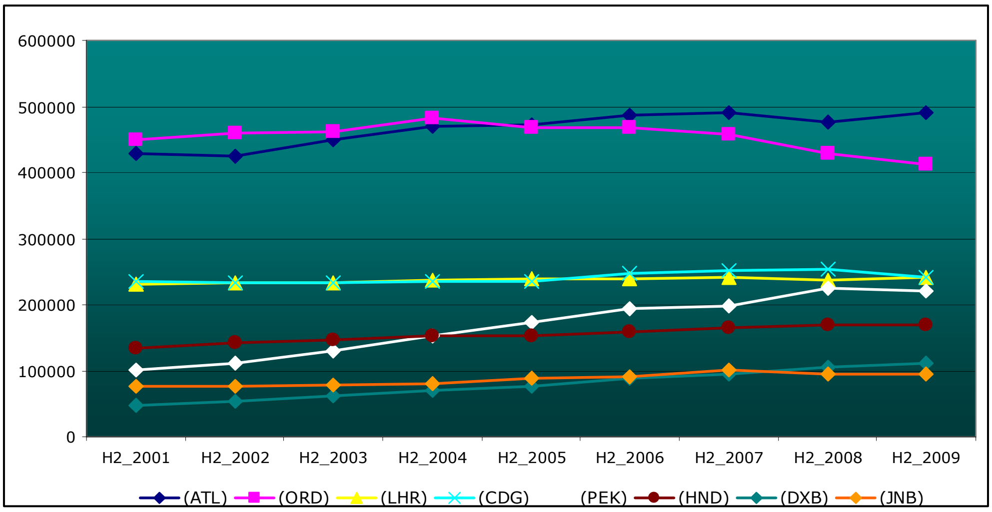
Countries & Regions
Trend in Number of Seats
2nd Half 2001 – 2nd Half 2009

Asia/Pacific is the other region with some notable declines in 2H09 for both capacity and frequency. Flights to/from the region are down 3.1%, but the introduction of larger equipment, notably the A380 at Emirates, Qantas and Singapore Airlines has limited the decline in seat capacity to under a percentage point. Within the Asia/Pacific region, things are a bit tougher. Operations are down for the second half of the year by 4.8% while seat capacity is off by 2.7%.

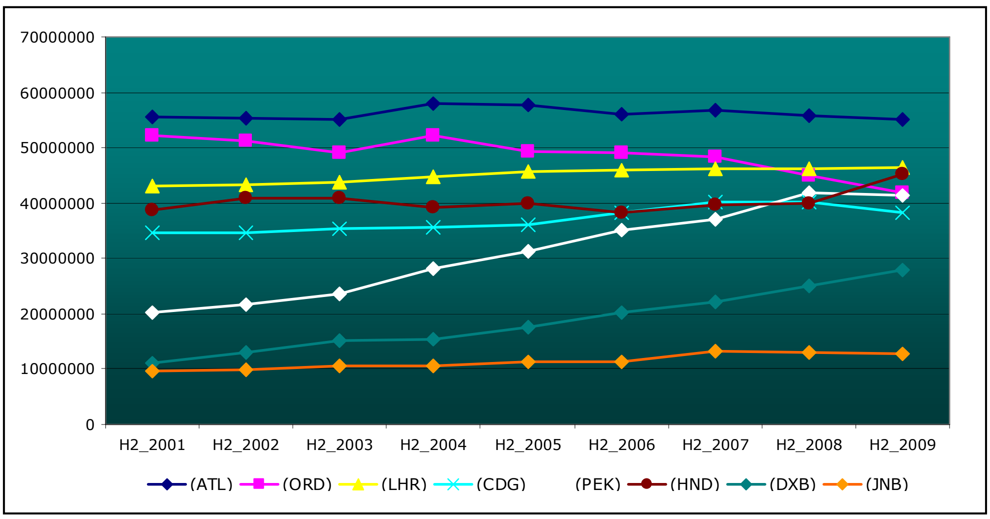
Good news is to be found in South America which is experiencing a significant increase in service. Northern South America has an 18.1% increase in flights and 11.2% increase in seats within the region for 2H09 versus 2H08 while Southern South America will have 8.3% and 9.6% increases, respectively. The addition of service by start-up carrier Azul contributes to the figures. To and from the region, capacity and frequencies are also up, in part due to a more liberalized agreement between the U.S. and Brazil which adds flights by American, Delta and US Airways.

Overall regional activity is an important benchmark, but it is valuable to examine changes at the airport level.

Regional Hubs Frequency Trend



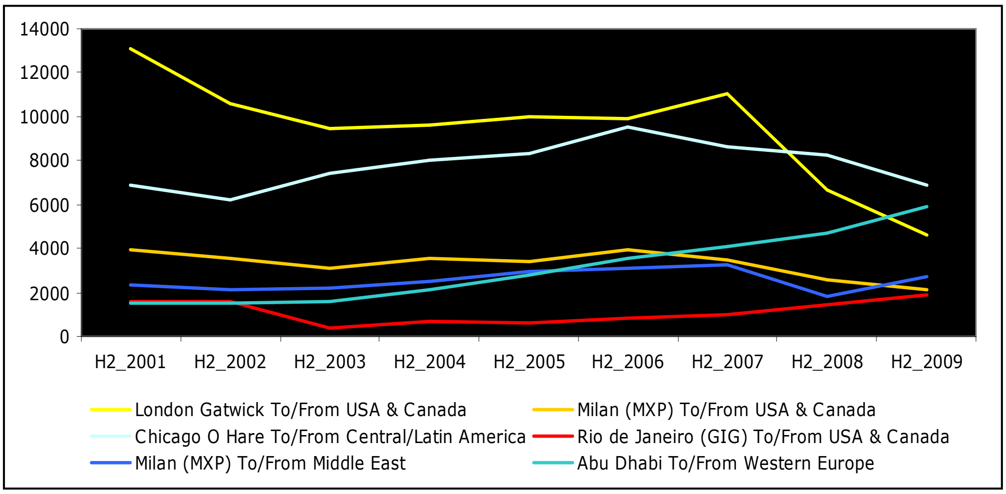
Regional Hubs Seat Trend



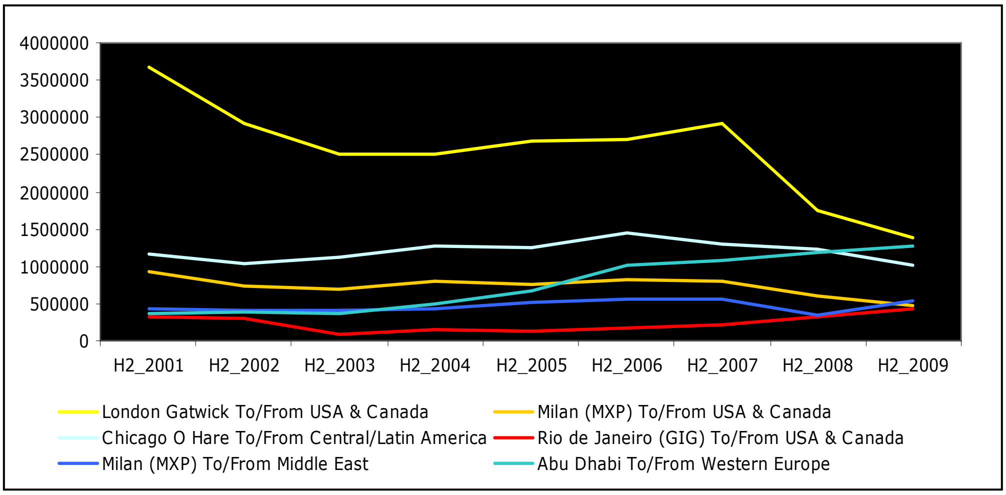
Most hubs have not seen a dramatic shift, but one exception is Dubai (DXB) where departures are up 6.7% in 2H09 but capacity is up by 12.2%. The continuing growth of Emirates and the addition of its A380s drive the figures.

On a route level, the effect of the liberalization of the U.S./U.K. market to allow all U.S. carriers to serve London's Heathrow is reflected in the 31% decline in flights between Gatwick and North America. Meanwhile, Milan has lost some capacity on North America, but gained it to the Middle East.

Route Analysis – Major Shift in Frequencies



Route Analysis – Major Shift in Seats



The industry will be waiting to see how 2010 capacity and frequencies establish themselves, particularly if prospects for economic recovery begin to solidify.

The findings in this report are based on analysis of the OAG airline schedules database – the most comprehensive in the world . The OAG database feeds the world's global distribution systems and travel portals, and drives the internal systems of many airlines, air traffic control systems, aircraft manufacturers, airport planners and government agencies.

If you need customized analysis, or have a question for our analytical team, please contact your local office below.

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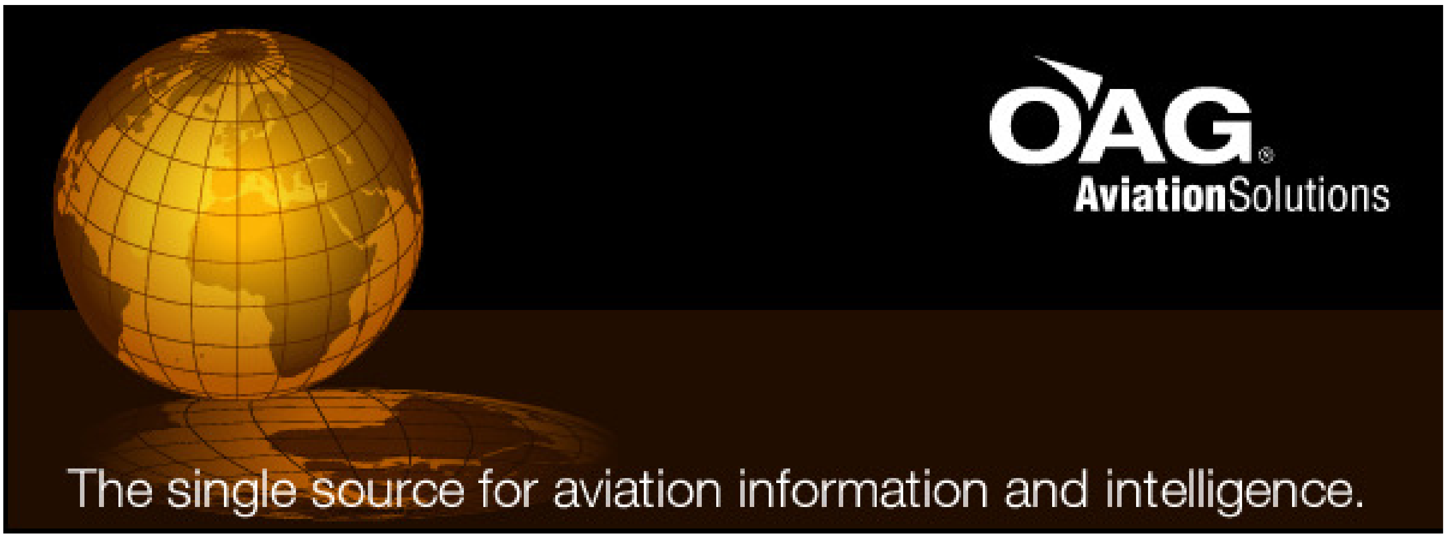

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