Market Structure Minute:
When Will Then Be Now?

Reopening. Return to 'normal.' Recovery. Many of us are trying to understand the path ahead – and when productivity, consumer activity and different parts of life resume levels witnessed in February of this year. In many ways, this crisis lacks precedent. When the Spanish Flu wended its way across the world – we were still nearly a decade away from true, broad based commercial aviation. But we do have some precedent for part of a "return" (at least from an aviation perspective) – the months and years following 9/11. Below we explore the return to 'normal' flight frequency and capacity.

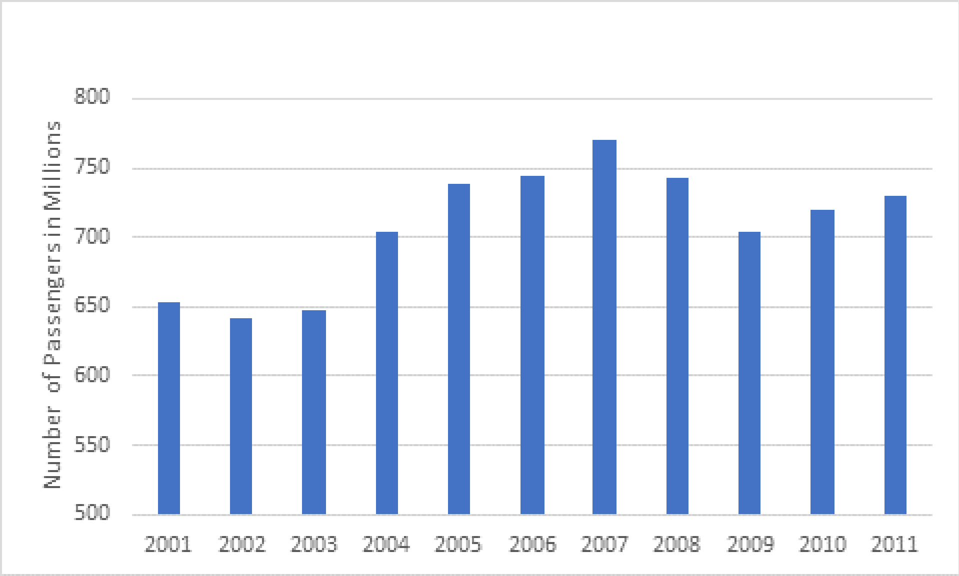
In August of 2001, commercial air travel was soaring. That month, more than 65 million passengers took to the air, notching all time highs. Then came the exogenous shock of 9/11 and flights, capacity and passengers all plummeted. How long did it take to resume August 2001 numbers? **About three years. And not only that – it reshaped the landscape of the airline industry in the U.S. We explore below.**

In the wake of 9/11 – essentially everything changed for the airline industry. We had fewer flights, fewer seats, fewer passengers and fewer employees. It took years for levels to approach those witnessed in August 2001 – and even then, the terrain of the industry changed substantially. Employment types and levels shifted across network and low-cost carriers. Low cost carriers grew in size and scope. Looking at air travel and passenger enplanements post 2008 shows something similar, with passenger totals returning to pre-08 levels about three years later.

Number of Months to Return to Passenger Levels Post 9/11

Source: Bureau of Transportation Statistics

Change in Passenger Levels | 2000 - 2011



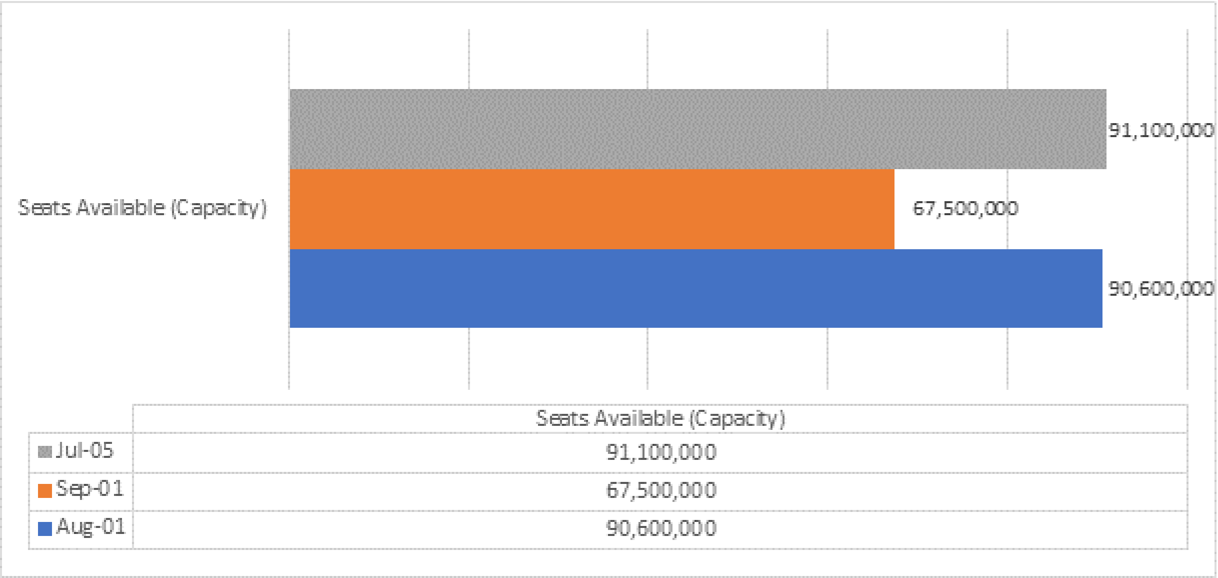
Source: Bureau of Transportation Statistics, Jefferies

Number of Employees in July for Passenger Airlines | 2001–2005

July	Network Carriers	Low-cost carriers	Total (excluding regional and other carriers)	Regional Carriers	Other Carriers	Total
2001	465,198	69,569	534,767	-	-	-
2002	394,686	71,263	465,949	-	-	-
2003	332,376	74,025	406,401	44,280	8,277	458,958
2004	325,436	75,994	401,430	58,038	12,668	472,136
2005	308,714	75,145	383,859	60,738	13,631	458,228

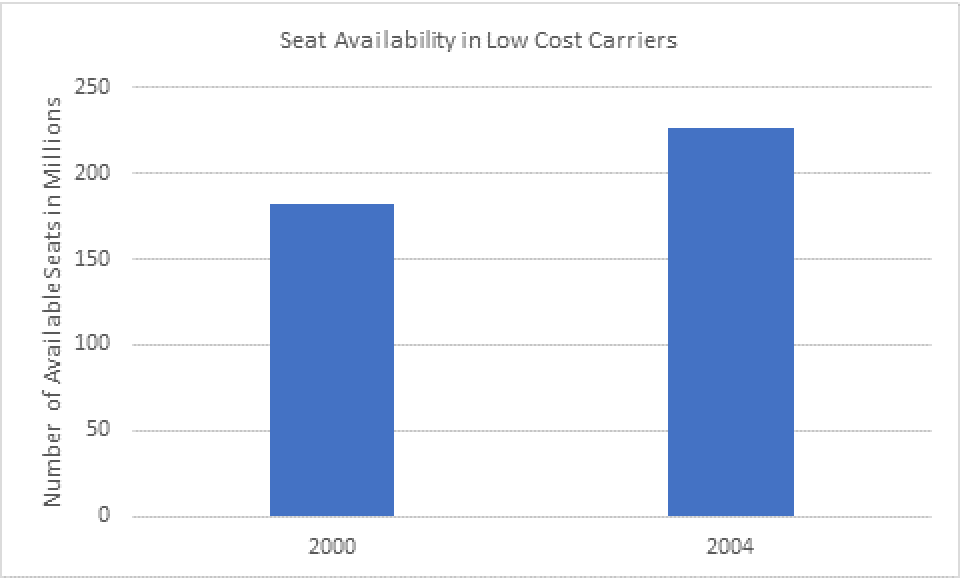
Source: Bureau of Transportation Statistics, Jefferies

Seat Capacity: August 2001 vs. September 2001 vs. July 2005 (Monthly, All Carriers)



Source: Bureau of Transportation Statistics, Jefferies

Seat Capacity For Low Cost Carriers | 2000 vs. 2004 (Annual, Low Cost Carriers only)



Source: Bureau of Transportation Statistics, Jefferies

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