Travel industry picking up

Earnings reveal recession survival

By Dan Reed
USA TODAY

The U.S. travel industry appears to have survived the recession but has yet to recover from it, earnings results reported from the third-quarter indicate.

Delta, the world's largest airline, and US Airways, the sixth-largest U.S. carrier, reported losses for the quarter last week. But they said they saw signs that travel is beginning to pick up.

Demand, measured against last year, improved in each month in the third quarter, and is up again so far in October. US Airways said advance bookings for flights in the fourth quarter were stronger than expected.

JetBlue, meanwhile, reported a modest third-quarter profit.

Starwood, which owns Sheraton, Westin, W and St. Regis hotels, reported a weak but better-than-expected profit.

Most other big travel companies reported similarly positive results. In most cases, they topped analysts' earnings expectations. Many reported travel demand in September was stronger than had been projected.



AP FILE

A Delta Airlines jet lands at Cincinnati-Northern Kentucky International Airport.

Scott Kirby, president of US Airways, says he sees the potential for a "V-shaped" economic recovery — one in which the rate of recovery after bottoming out roughly equals the rate of decline. "The odds," he says, "are in favor of a quick spiral up."

Leaders at several other airlines say they expect travel to recover more slowly.

"We remain cautious in these early stages of an uncertain recovery," Delta CEO Richard Anderson says.

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One possible stumbling block for airlines' recovery: fast-rising oil prices, which could drive up costs and force higher fares. Oil futures closed Friday at $80.50 on the New York Mercantile Exchange after hitting a high of $81.37 for the year on Wednesday.

Doug Parker, US Airways CEO, says he's less concerned about rising oil prices because airlines are better positioned than last year to raise fares to offset fuel costs. Airlines have cut capacity, or number of seats they're making available, to match the lower demand for travel, he says. Parker says that while all the big airlines have escaped the near-term threat of bankruptcy, they're far from healthy. "The standard can't be just survival," he says. "There's a higher standard out there, which is getting actual returns for investors on their investment."

US Airways posted a net loss of $80 million in the quarter, or 60 cents a share. Excluding one-time accounting items, the loss was $110 million, or 83 cents a share, vs. a $243 million loss on that basis in the same period last year

Delta lost $161 million, or 19 cents a share, in the third quarter, worse than the $50 million it lost in 2008's third quarter. Excluding one-time items, it earned $51 million, or 6 cents a share.

JetBlue posted its third consecutive profitable quarter: $15 million, or 5 cents a share. In the third quarter of last year, it lost $8 million, or 3 cents.

Starwood earned $40 million, or 22 cents, in the third quarter, down from $113 million, or 62 cents, in the same period last year.