

State of the Economy & Industry

*Dr. Michael W. Tretheway
InterVISTAS Consulting Inc.*



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InterVISTAS Consulting

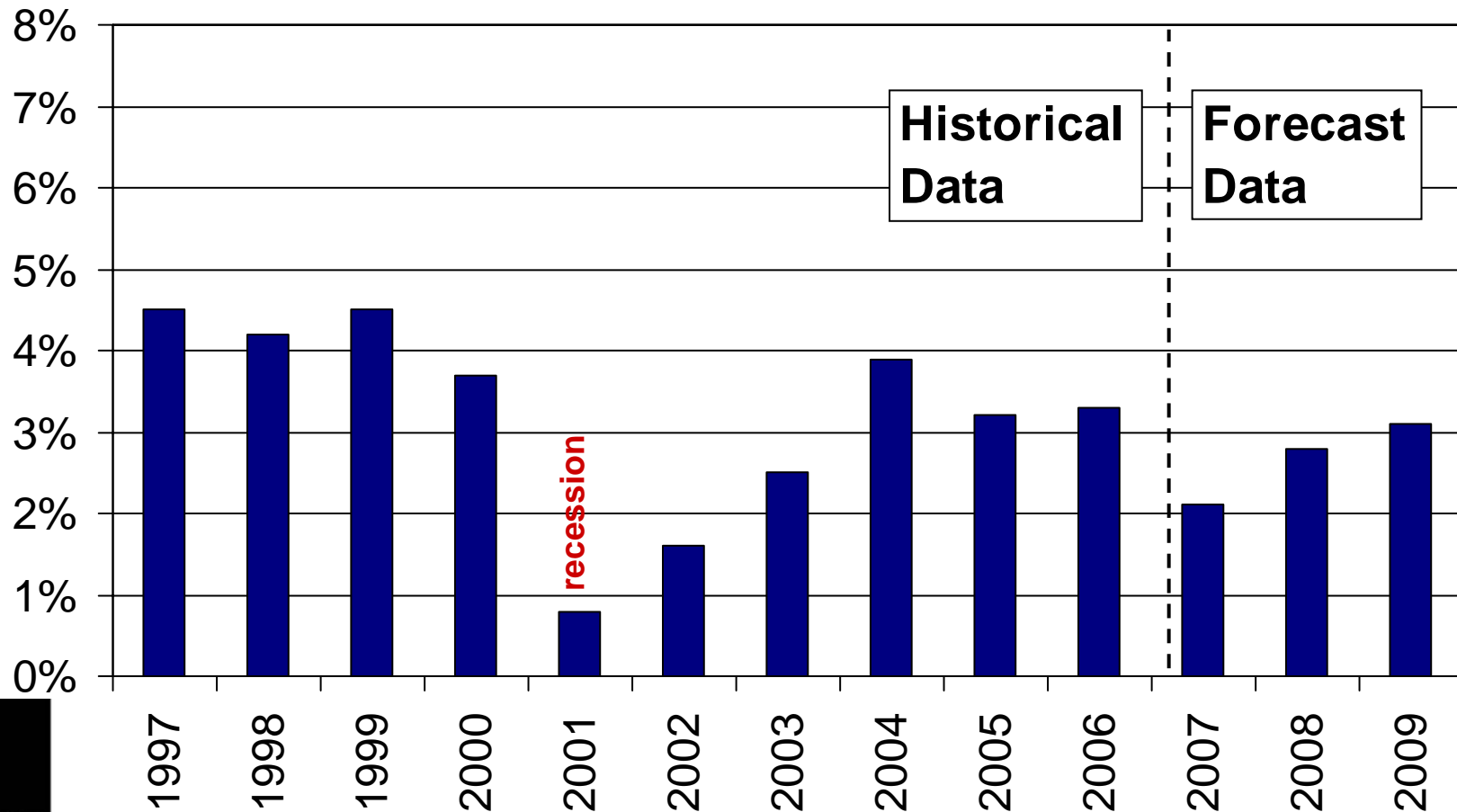
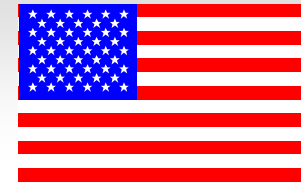
- Transportation & tourism consulting practice
- Offices
 - Washington DC, Chicago
 - Vancouver, Ottawa, Winnipeg, Montreal
 - Puerto Rico, London UK
- 65 team members
- Leading practice in
 - Economic Analysis
 - Border & Security facilitation
 - Air Service Development



GDP



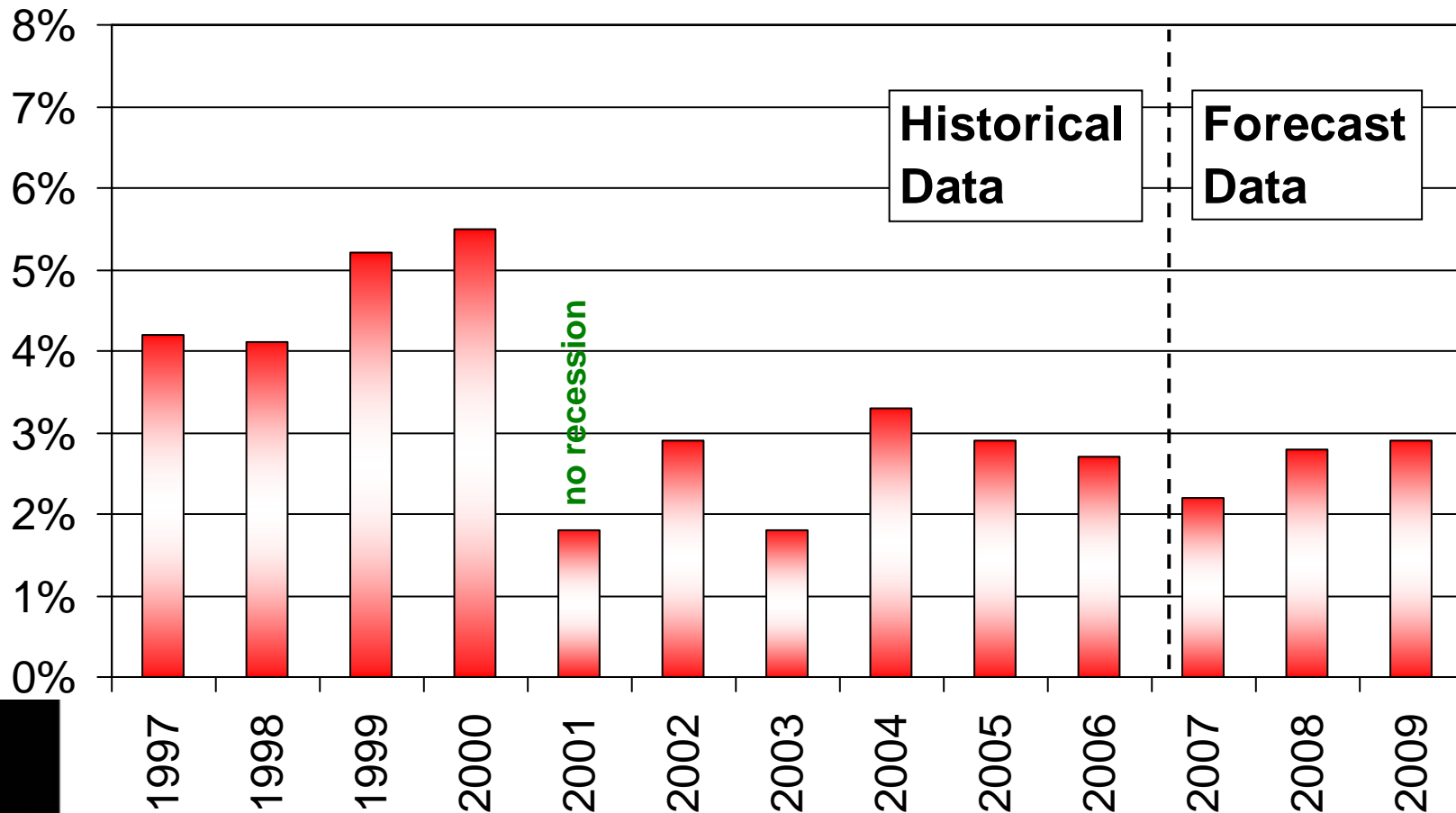
Real GDP Growth – U.S.



Sources:

- Historical Data: U.S.: U.S. Bureau of Economic Analysis
- Forecast Data: U.S.: Bank of Canada

Real GDP Growth - Canada

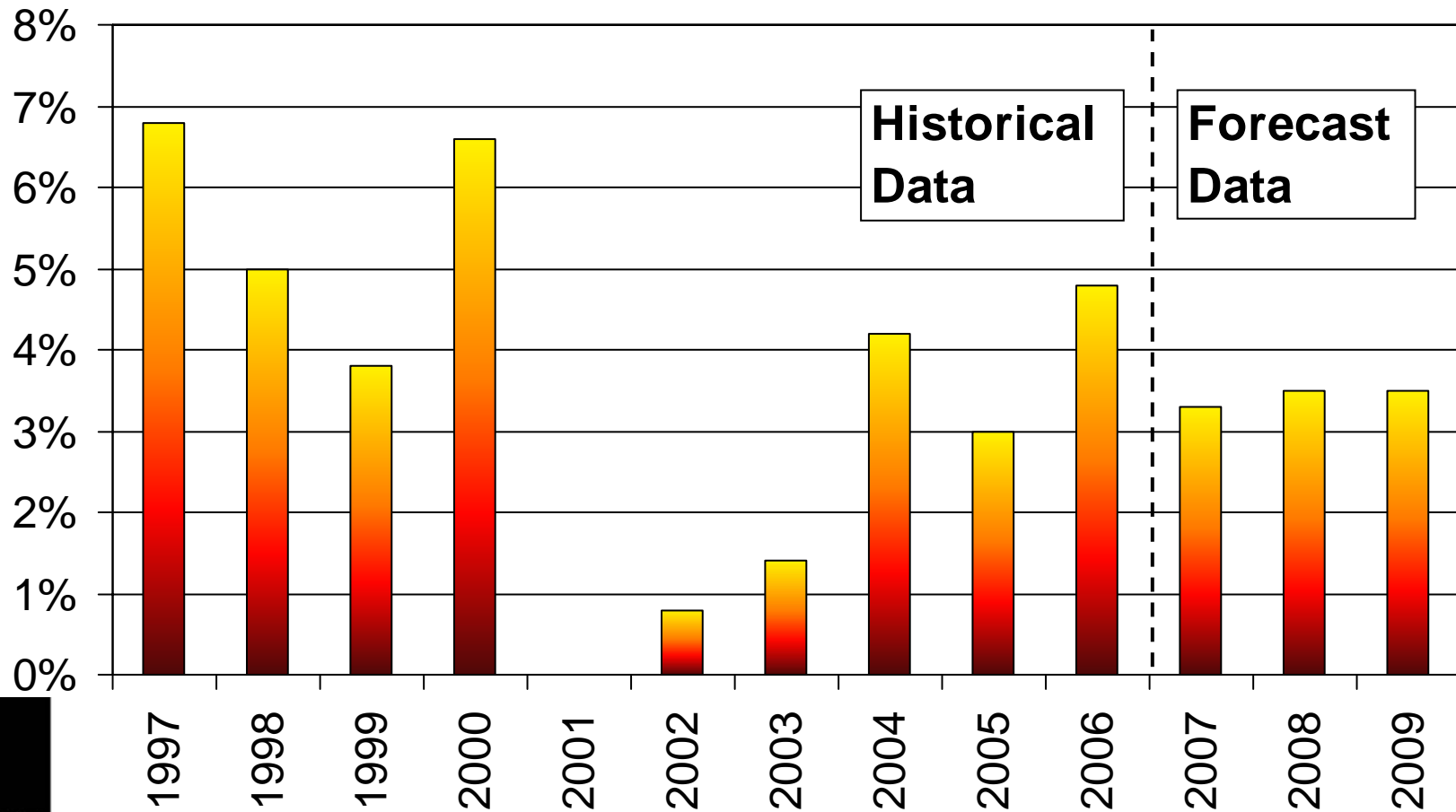


Sources:

- Historical Data: Canada: Statistics Canada
- Forecast Data: Canada: Bank of Canada



Real GDP Growth - Mexico



Sources:

- Historical Data: Mexico: OECD Statistics
- Forecast Data: Mexico: The Economist Intelligence Unit



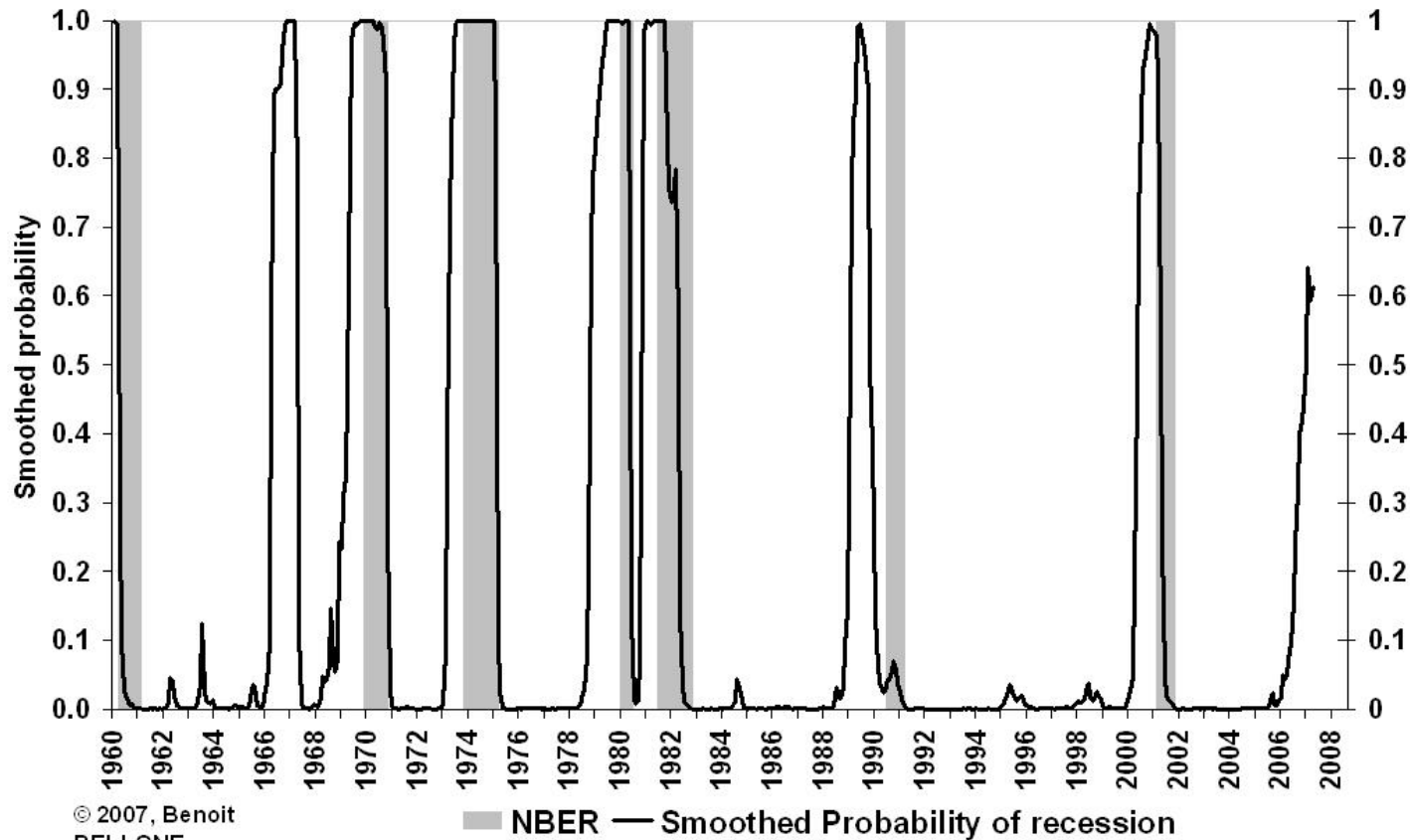
GDP Outlook

- Moderate growth in US, Canada, Mexico
- Mexico
 - positive growth, pace much lower than previously
- Canada
 - exceptionally strong growth in West (BC, AB, SK)
 - **oil, construction, commodities**



Risk to Economy

- Risk of US Recession may be increasing
- **Economy.com rates risk as: 28%**



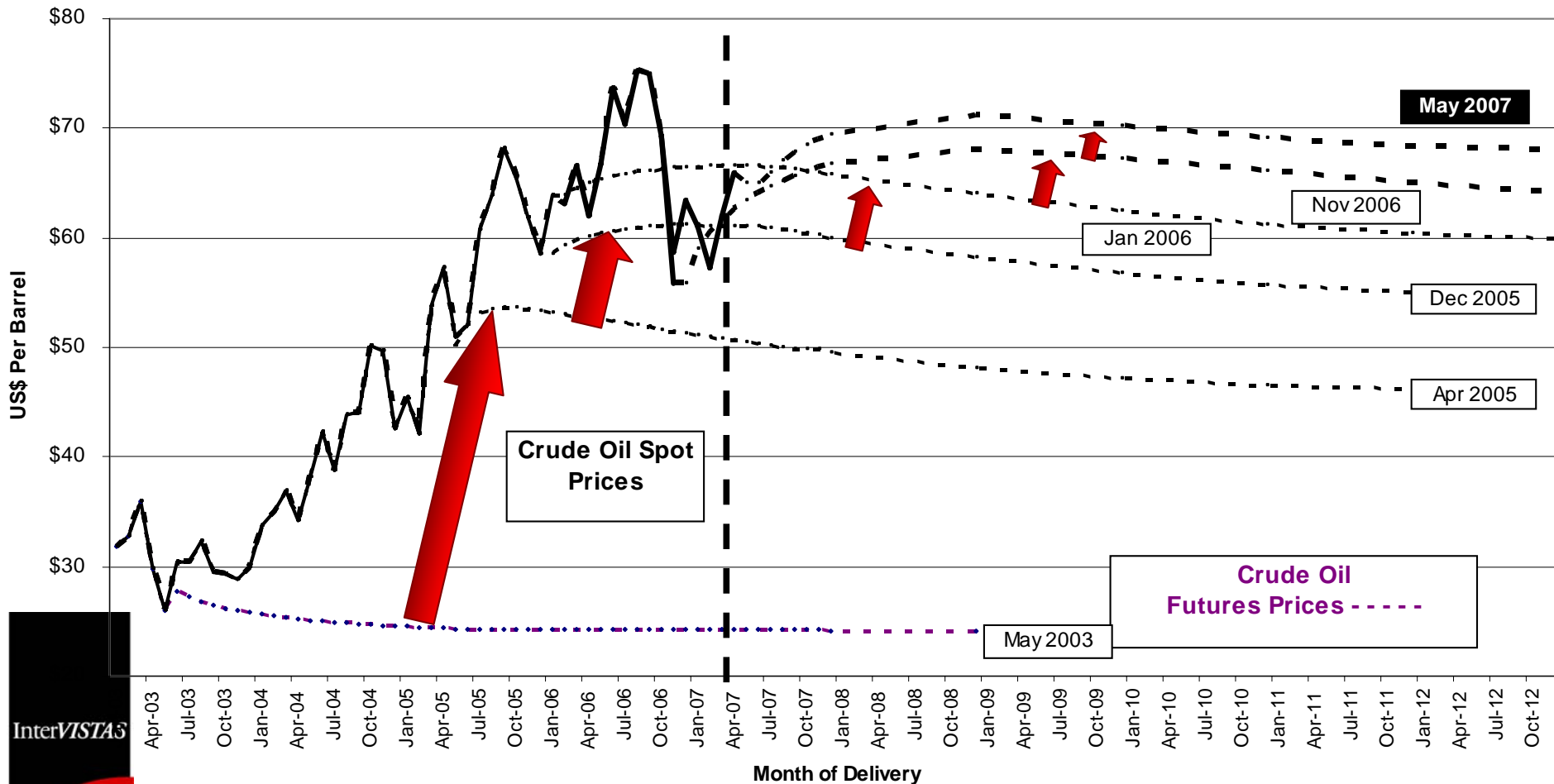
Source: Benoit Bellone

Fuel Prices



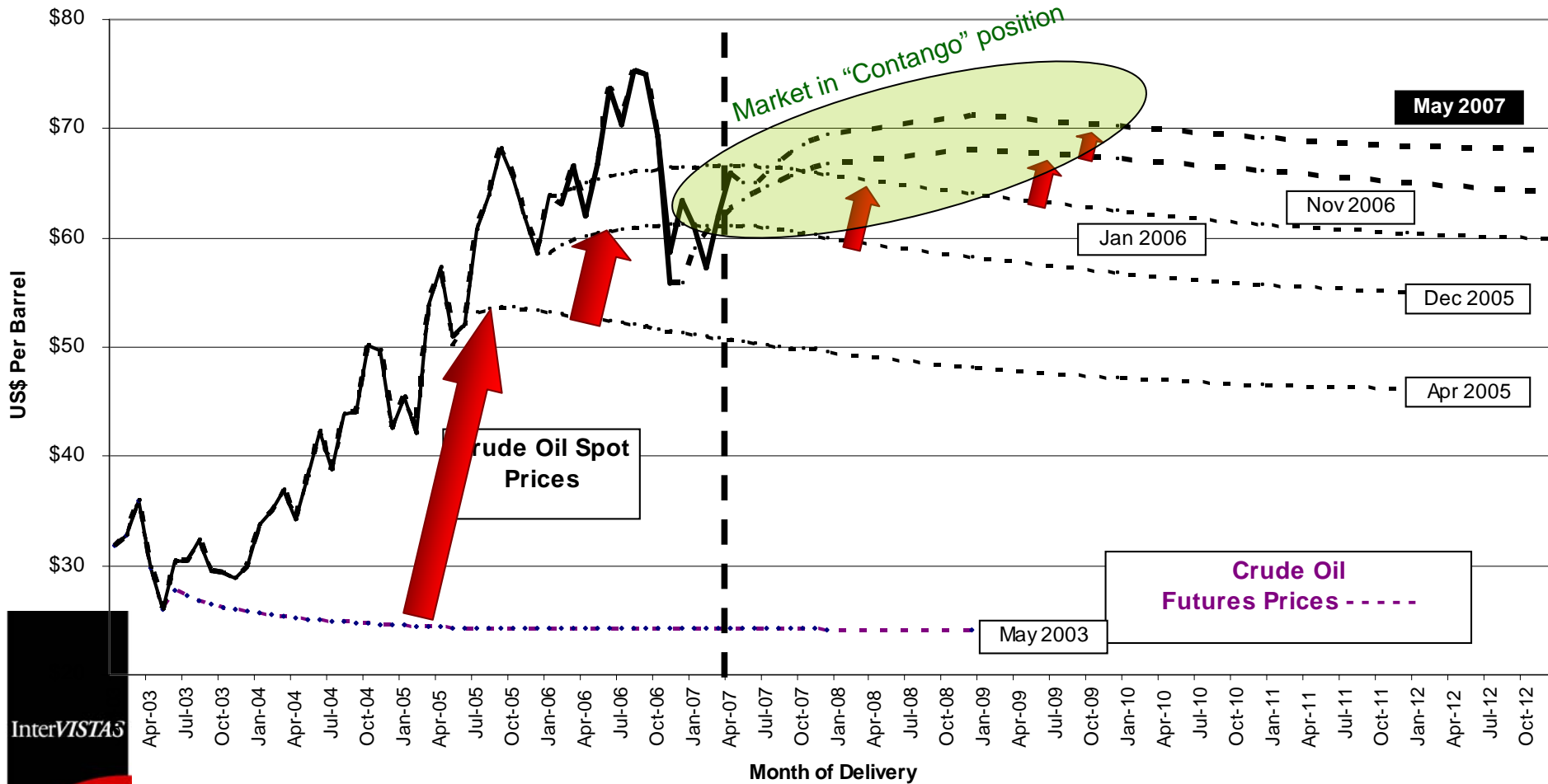
Oil Futures: up but loosing steam

Crude Oil Futures Prices



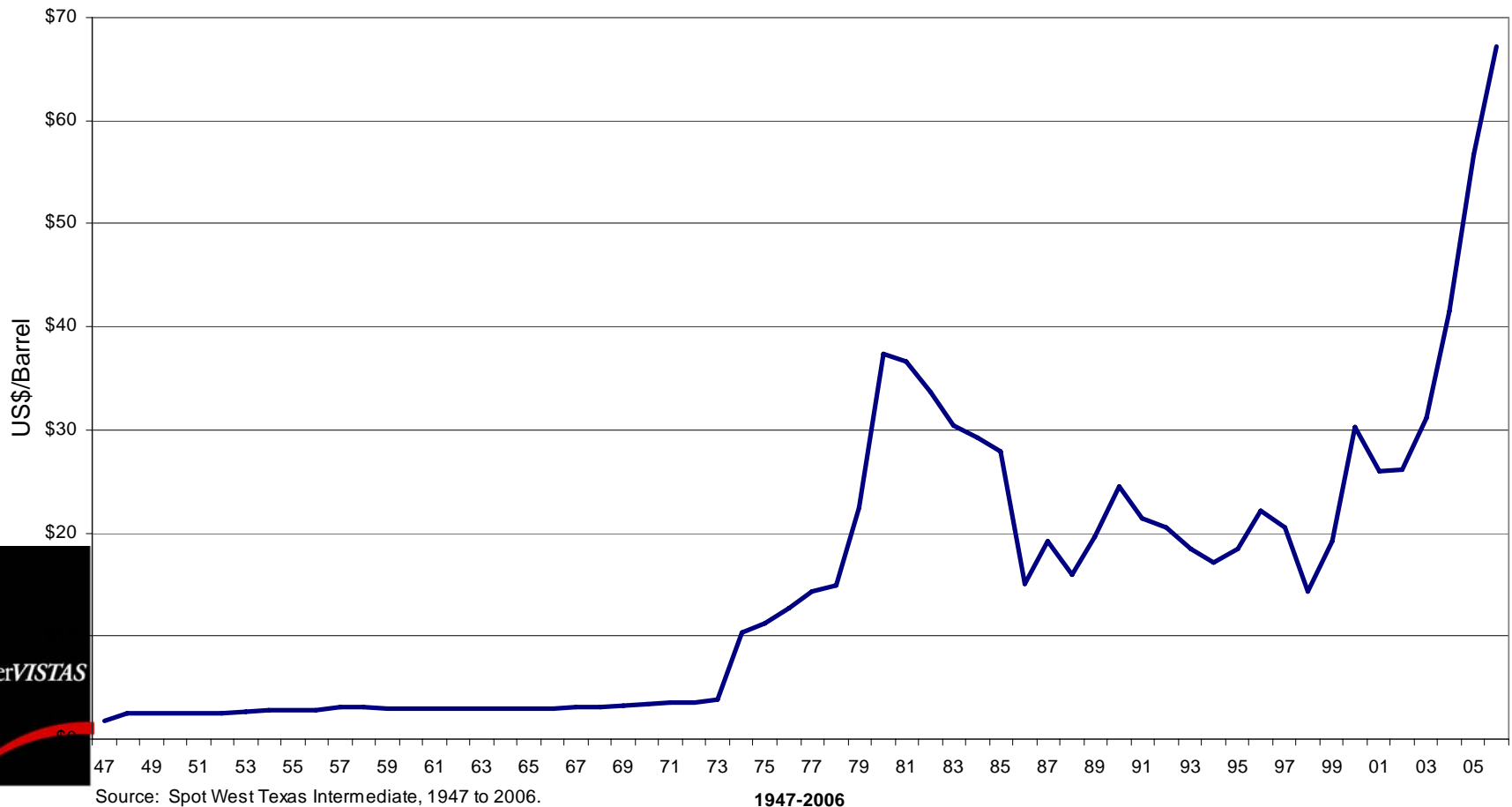
Oil Futures: up but loosing steam

Crude Oil Futures Prices



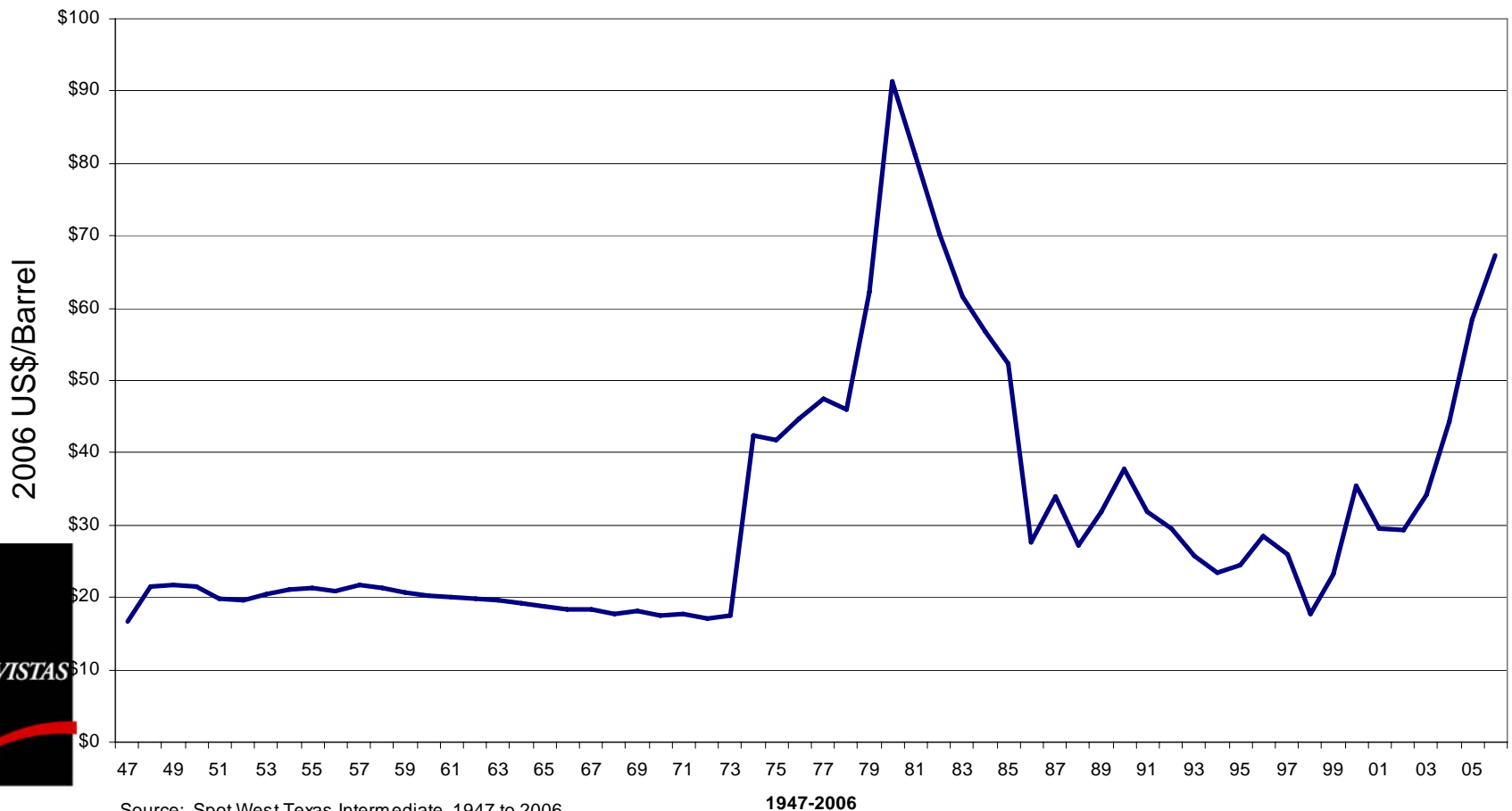
Nominal Fuel prices at record levels

Spot Price West Texas Intermediate, *Nominal Prices*



But Real Fuel Prices *Below* Record

Spot Prices, West Texas Intermediate Constant 2006 Dollars

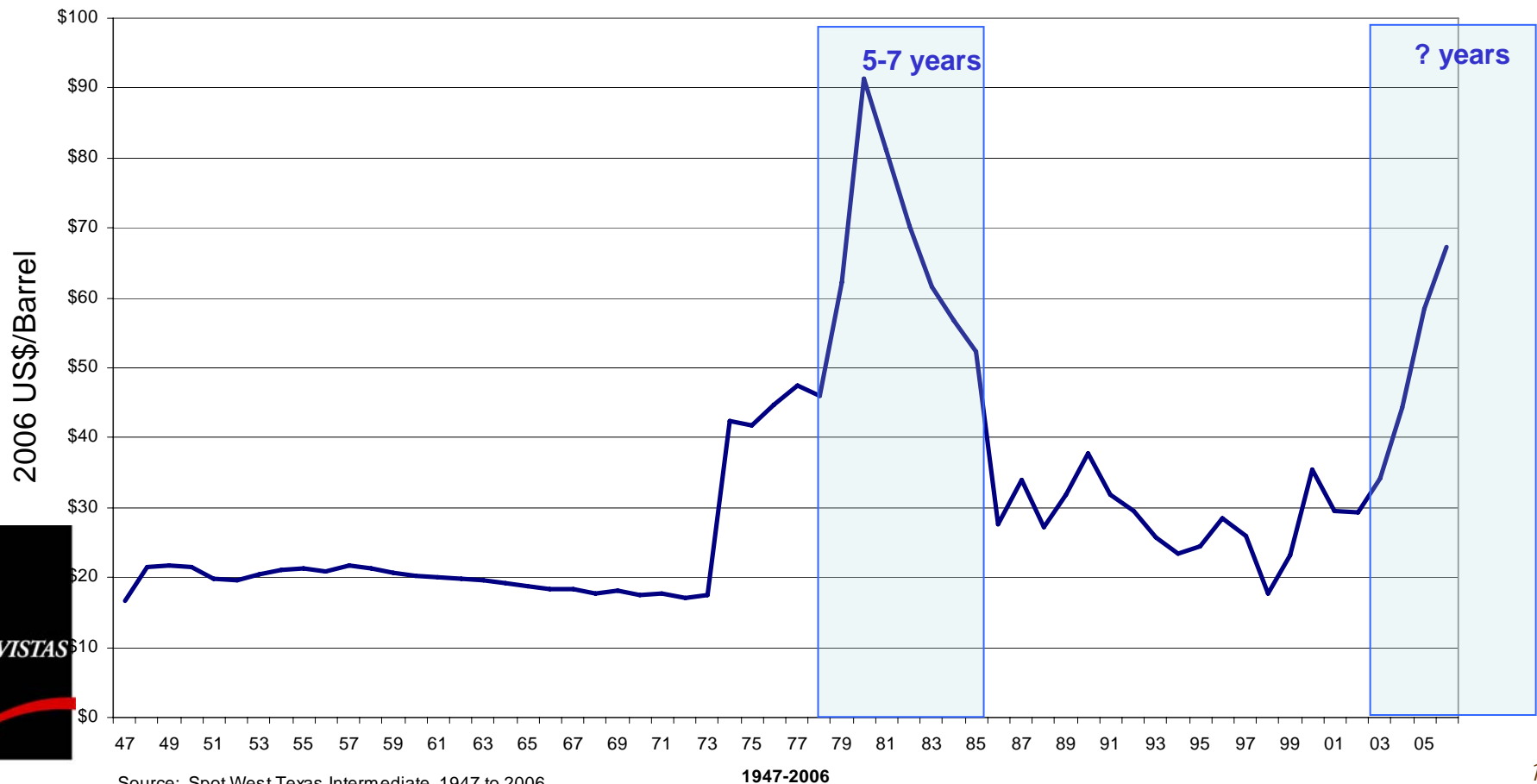


Source: Spot West Texas Intermediate, 1947 to 2006.

1947-2006

When will markets re-balance ?

Spot Prices, West Texas Intermediate Constant 2006 Dollars



Source: Spot West Texas Intermediate, 1947 to 2006.

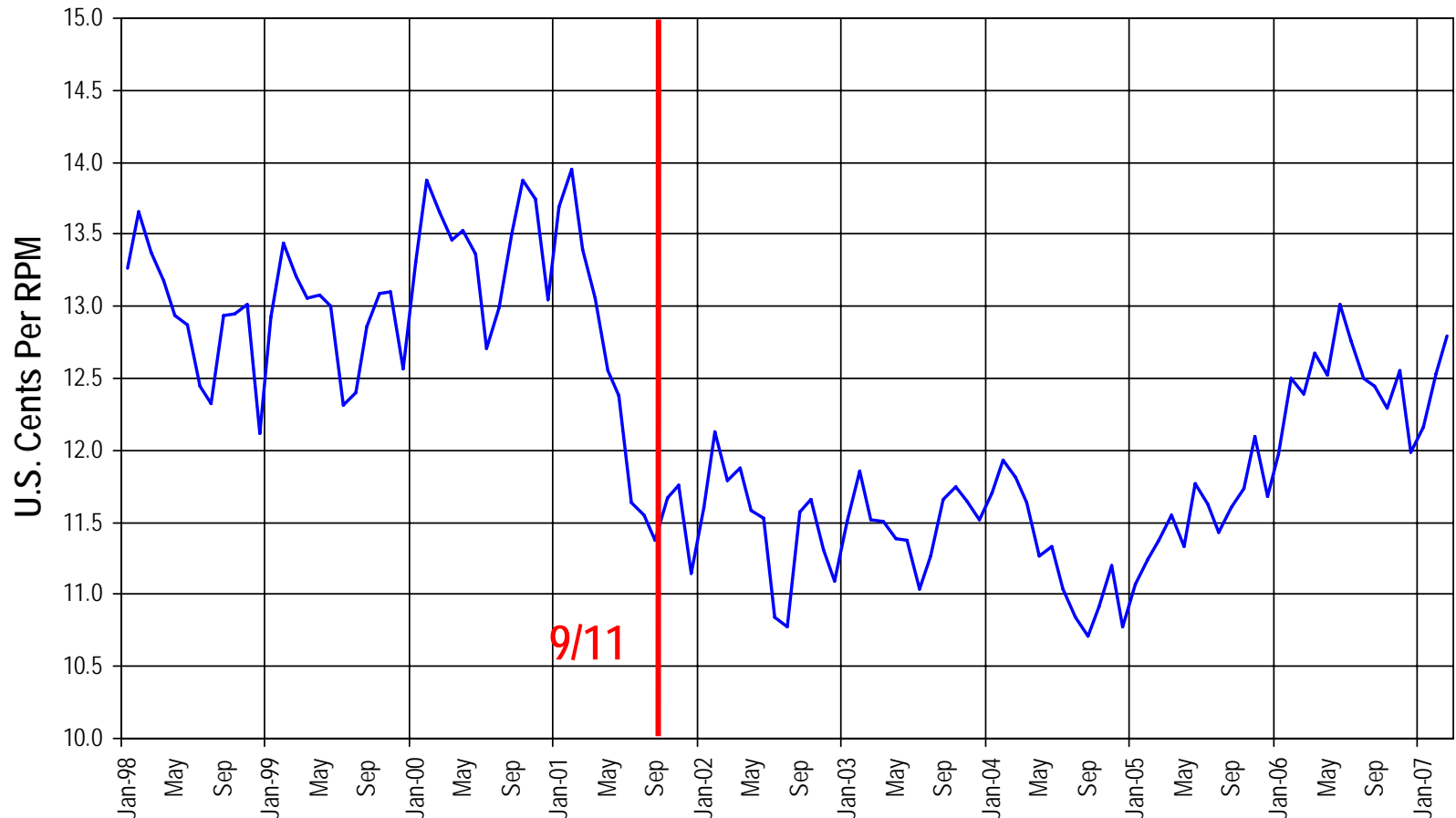
1947-2006

Airline Yields



Airline Yields - System

U.S. Major Carriers Average System Yield
January 1998 to March 2007



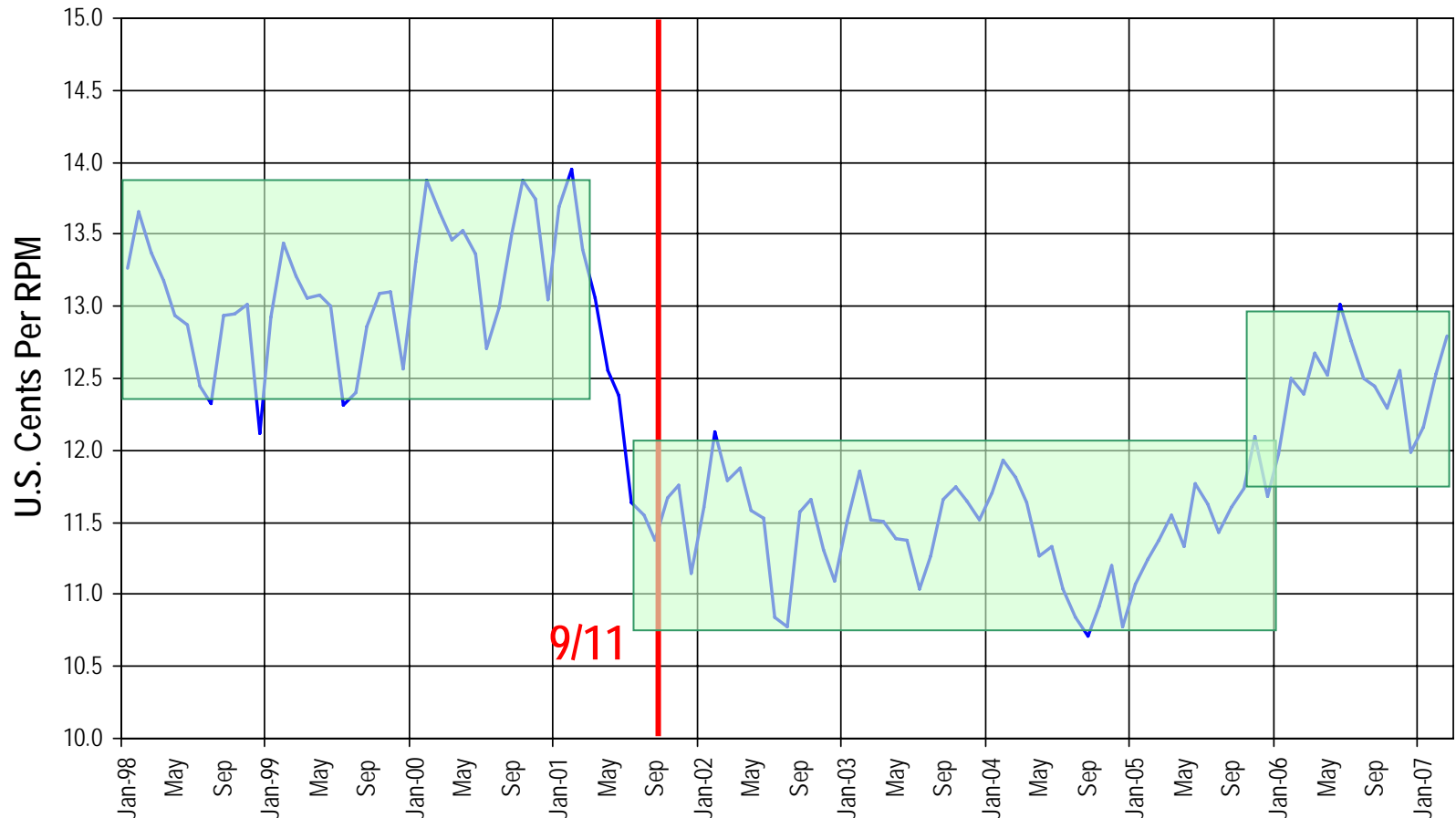
Source: Air Transport Association (<http://www.airlines.org>)

Note: Nominal Yield Excluding Taxes



Airline Yields - System

U.S. Major Carriers Average System Yield
January 1998 to March 2007



Source: Air Transport Association (<http://www.airlines.org>)

Note: Nominal Yield Excluding Taxes



Yields Have Strengthened

- **Yields have strengthened**
 - capacity has been shed by full service carriers
 - low cost carrier growth strong but somewhat moderated
- **Future capacity outlook**
 - FSAs are/will order new aircraft
 - much will be replacement capacity
 - LCCs have smaller aircraft order backlogs
 - net result: perhaps higher yields can be maintained

Yields Have Strengthened, But

- There remains significant risk to yields
 - higher probability of recession
 - a major 'event' could collapse yields quickly
 - hopefully industry is better able to weather
- New focus on GHG emissions could reduce demand

Flying as a Sin

"Making selfish choices **such as flying** on holiday or buying a large car are a **symptom of sin.**"

- "Sin is not just a restricted list of moral mistakes. It is living a life turned in on itself where people ignore the consequences of their actions."

» Richard Chartres
Bishop of London

Yields Have Strengthened, But

- There remains significant risk to yields
 - higher probability of recession
 - a major 'event' could collapse yields quickly
- New focus on GHG emissions could reduce demand
- **Some LCCs are likely to enter intercontinental markets**
 - putting pressure on international yields

Intercontinental LCCs are Upon Us

- **Virgin/Pacific Blue**
 - seven 777-300ER on order
 - Australia – North America
- **Ryanair**
 - actively considering transatlantic service
 - within 3-4 years
- **WestJet/Southwest**
 - investing in interline or other capabilities



Full Service Airlines ?

Costs reduced: But

- Some have contracts with wage re-openers or clawbacks
 - will cost gap re-emerge?
 - Mike Levine predicts 2nd round of bankruptcies

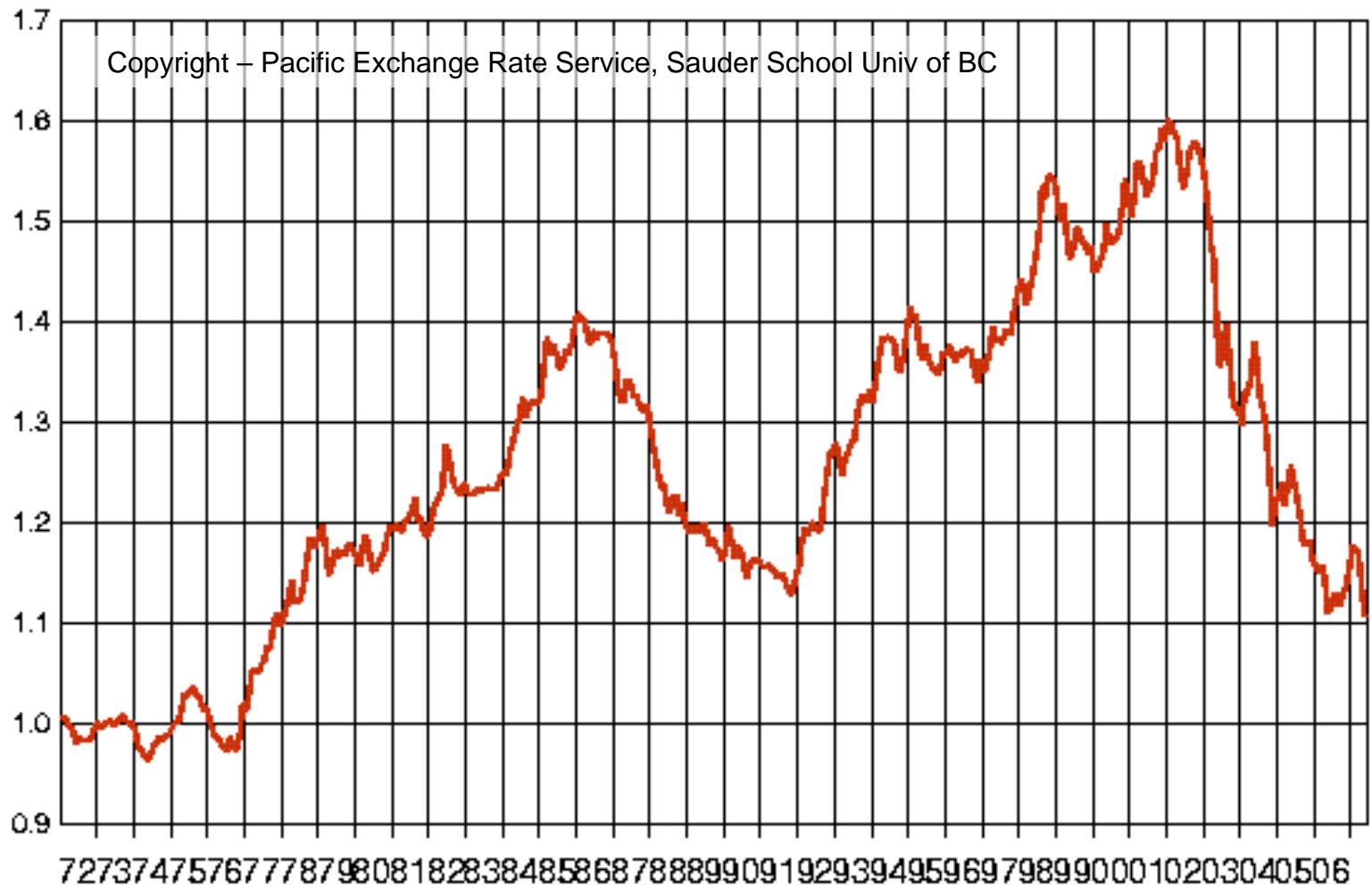
Thank You



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US-Canada Exchange Rate

Monthly Avg. Exchange Rates: Canadian Dollars per U.S. Dollar



US – Mexico Exchange Rate

