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Continental Airlines Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from William Greene from Morgan Stanley.

William Greene - Morgan Stanley

Larry, I have a question for you on your ASM target growth rates. In the past you've said you target 5% to 7% and you're saying that the international now is slowing, and so you're running a little bit lower than that given what's going on in the economy and that makes sense. How fast could you ramp that up if you saw a turn and if international really started to slow in a big way, how fast could you pull more out of international? What's the lead time or I guess the lag time to when you decide and when you can get that in?

Lawrence W. Kellner

Let me break that into a couple of pieces. First, we continue to have a long term goal that we should be growing 5% to 7% a year. We're the fourth largest carrier in what's very much a network business and so it's important that we stay competitive. Having said that, between the delays in the 787 and the economy, it makes sense to put that on hold for not just this year but probably a couple of years.

We need to get the balance lag bodies up on a long term basis. We continue to believe in the international markets over the long term, and so we keep that goal for the long term, but I wouldn't expect to see growth of any substantial amount over the next couple of years based on what we see in the economy or the marketplace and we need to get the 787 to really help us move that plan forward. Clearly we'd expected to take our first 787 next month and so between the delay of those and the economy, that pushes our plan back.

As you look at the other side of your question, which is if things got worse, how fast can we pull stuff out of the international markets, they are clearly more difficult because a lot of the markets you only fly once a day. But we'll continue to look at the markets we fly multiple times, we'll also continue to look at day of week. It doesn't make much sense to take something out without at least a couple of months notice because you've started to sell it to a point where it's very difficult to recon it, so there's clearly a two to three month minimum reaction time to kind of put significant changes in place. If you watched last summer, we announced some stuff in June that we didn't put in until September, and from a booking standpoint, international tends to book a little bit ahead of domestic, especially in some of the back cabin stuff. So you probably have a little longer lead time than you do in domestic, so it's not a year but it's probably a 3 or 4 months on the international front, but again it's tough

because there's not... Our international business is still pretty solid, it's just less profitable than it used to be, and so we'll be very careful at how we look at our adjustments there.

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