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Continental Airlines, Inc. Q1 2009 Financial Results Call Transcript

Question-and-Answer Session

Operator

Thank you; we will now begin the question and answer session (Operator Instructions). Our first question is from William Greene from Morgan Stanley; please go ahead.

William Greene – Morgan Stanley

I'm wondering if we can talk a little bit about international capacity? I don't see much in the way of cuts and in fact as we go forward they actually are even less, particularly by the time we get to the fourth quarter and yet if I understood your commentary correctly there's a lot of headwinds from FX and fuel on the capacity front. So it's not clear to me why we wouldn't be revisiting that at this point because I would think if you wanted cuts in the fall you need to start thinking about those now.

Jeff Smisek

Well, we are adjusting our international capacity with some frequency engage reductions. We are doing that now. There have been some headwinds certainly in Europe in terms of foreign exchange, although the opposite of that in the Pacific in terms of our yen exposure there. We take a look at every single route and make sure and we do a pretty thorough analysis making sure that our flying is always cash positive and we're making reductions where we think they make sense. To the extent that we see continued revenue degradation we'll take actions that are appropriate.

Larry Kellner

Bill, the other thing I'd add, this is Larry; is that our international business was profitable in the first quarter while our domestic business lost a lot of money. So as we look at how we focus our capacity going forward obviously we're going to make the right fine-tuning adjustments on frequency and day of week but our international business, even in this tough environment, continues to be profitable.

William Greene – Morgan Stanley

Larry, you, I think, have done a really good job over the last few years sort of outlining a long-term growth plan if you will particularly on the capacity side for the company. But over the last let's say five or seven years, maybe even longer, we've had some costs of debt that were quite a bit lower than they may be going forward. So when you think about this long-term growth plan, say 5% to 7% capacity, if the debt costs are a few hundred basis points higher at a minimum is that realistic? Do we have to rethink the level of that growth plan? Can you still make the math work if debt costs are actually higher for a longer period of time?

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