

U.S. airlines have cut 21,710 jobs so far this year and additional layoffs in the last half of the year will make 2008 the worst for the industry since 2001, industry analysts say.

But with oil prices hitting new highs almost daily, capacity cuts and layoffs may not be sufficient to rescue a network airline model that is obsolete, officials said.

"Nobody right now has a viable long-term business plan," said Darryl Jenkins, a Virginia-based author and airline industry observer. "We all hope the cutbacks will stop the bleeding, but it's a mess. The cuts should have been made years ago."

Jenkins, author of "Financial Stress in the Airline Industry" and "The Savvy Business Traveler," said the capacity and job cuts and fee increases announced by American Airlines, Continental Airlines, United Airlines and others may not be enough to counter the billion-dollar fuel price increases or permit the airlines to be profitable.

A merger between Delta Air Lines and Northwest Airlines might be the future business model for the legacy carriers, Jenkins said.

"Delta and Northwest will be close to being a global airline," Jenkins said in a telephone interview. "A company with offices all over the world can bid on contracts to fly anywhere in the world. It allows you to bid on contracts you would never have an opportunity to otherwise."

From March through May, U.S. airlines cut an average of 5,500 jobs per month, according to global outplacement firm Challenger Gray & Christmas Inc., which tracks industry employment figures daily.

If the pace of the last three months continues through the end of the year, the airline industry will lose more than 60,000 jobs in 2008, second only to the 99,969 jobs lost in 2001 in the wake of the Sept. 11 terrorist attacks, said John A. Challenger, CEO of the Chicago-based firm.

On June 1, the U.S. airline industry employed 421,463 people, according to the Bureau of Transportation Statistics.

"The only reason we will not surpass the 2001 record is because the airlines never returned to pre-9/11 employment levels," Challenger said in a prepared statement. "Job cuts are likely to remain heavy, however, for the remainder of the year. There is no end in sight for high fuel prices and now that these costs are being passed along to flyers ... we will probably see a drop off in the demand for air travel."

At American Airlines, which employs 7,000 people in Tulsa, a decrease in air travel could compound the company's problems managing a fuel bill that has cost it more than \$2 billion over the past two months.

In May, American CEO Gerard Arpey said the company in the fourth quarter will cut at least 300 flights a day from the 4,300 flights that it and its regional affiliate, American Eagle, offer daily. American and American Eagle also could cut more than 6,000 jobs, American executives said.

But those cuts and the cuts announced by the other airlines are not nearly enough, said Raphael Bejar, CEO of Airsavings, a Paris-based airline consulting firm.



Bejar, speaking in a telephone interview, said the airlines should cut another 5 percent of capacity and overhaul their business models.

"Forty to 50 percent of airline ticket sales are on the Internet so they are e-commerce companies, not airlines," Bejar said. "They should behave as e-commerce companies. They should increase the number of services they offer online, such as travel insurance, hotel reservations and rental cars, all services available to passengers after booking a ticket.

"This is what we have done in Europe in the last year or so. It broadens the revenue base. You could buy everything from sunglasses to clothing. Once you have attracted the passenger to your Web site, try to keep him as long as you can."

Bejar said Las Vegas-based Allegiant Air is leading the way toward a new U.S. airline model.

Allegiant Air flies from small cities to U.S. leisure destinations, such as Las Vegas, Phoenix, Fort Lauderdale, Orlando and Tampa/St. Petersburg, Fla.

Allegiant Air, its Web site says, "operates a low-cost, high-efficiency, all-jet passenger airline offering air travel both on a stand-alone basis and bundled with hotel rooms, rental cars and other travel related services.

The Las Vegas carrier's colorful Web site allows passengers to book flights, rental cars, hotel rooms and golf course reservations. It has weekly golf specials and golf course reviews by people who have played the courses.

"JetBlue, Spirit and Allegiant Air are U.S. low cost carriers leading the way in the industry," Bejar said.

