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Airlines Taxi to Profits

U.S. carriers get a boost as global demand for excess jets helps them cut costs

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Oil, steel, cement: They've all gotten more expensive as China, India, and other surging economies have been devouring the feedstocks of industrialization. That has raised costs for hundreds of American companies and helped fuel a prominent rallying cry: Globalization bad.

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But one U.S. industry should be grateful that voracious foreign firms are gobbling up key assets. Most U.S. airlines are expected to post handsome profits when they report third-quarter earnings this month, marking a long-awaited pullout from five years of painful restructuring and $40 billion in losses since 2000. The turnaround is the result of widespread layoffs and ruthless cost-cutting, not to mention half a dozen major bankruptcies. But U.S. carriers have also been the surprise beneficiaries of soaring overseas demand for modern jets, which has allowed troubled carriers to shed unneeded airplanes and tackle one of the industry's chronic problems: too many seats.

By the end of the year, US Airways will have returned 61 jets to General Electric's aircraft-leasing unit, allowing the resurgent carrier to fly far more efficiently since emerging from bankruptcy last year. Instead of fighting the bankrupt company, GE was happy to have the jets back, because it was able to lease them for more money to carriers in China, India, Latin America, and Europe. The same thing happened when ATA declared bankruptcy in 2005; GE reclaimed 20 narrow-body jets and promptly leased them all to overseas carriers. "For as many planes as we have taken out [of the U.S. system]," says Henry Hubschman, president of GE Commercial Aviation Services, "we wish we could take out more."

That's a dramatic change from the days when the U.S. airline industry was the only real game in town. In the 1970s, for instance, U.S. carriers accounted for about 70 percent