

Virus-hit Hertz declares bankruptcy in US and Canada

May 23 2020



Established in 1918 with only a dozen cars, the global car rental giant had survived the Great Depression and numerous American recessions

Global car rental company Hertz became the latest economic casualty of the coronavirus pandemic Friday, filing for bankruptcy in the US and Canada after more than a century in business.

"The impact of COVID-19 on travel demand was sudden and dramatic, causing an abrupt decline in the Company's revenue and future bookings," Hertz said in a press release.

Hertz said it took "immediate action" to prioritize the health and safety of employees and customers and eliminate "all non-essential spending".

"However, uncertainty remains as to when revenue will return and when the used-car market will fully re-open for sales, which necessitated today's action," it said.

Its main international operating regions, including Europe, Australia and New Zealand, were not included in the US Chapter 11 filing.

Hertz had already cut 10,000 jobs in North America, or 26.3 percent of its global workforce, to save money after the coronavirus shutdowns paralyzed travel and crippled the economy.

Chapter 11 is a mechanism that allows a [company](#) that is no longer able to repay its debt to restructure itself without creditors.

The Wall Street Journal reported Friday that Hertz held debts of roughly \$19 billion, in addition to nearly 700,000 vehicles sitting idle because of the coronavirus.



Hertz's main international operating regions, including Europe, Australia and New Zealand, were not included in the US Chapter 11 filing

"The financial reorganization will provide Hertz a path toward a more robust financial structure that best positions the Company for the future as it navigates what could be a prolonged travel and overall global economic recovery," the Hertz statement said.

Hertz' franchise sites, which are not owned by the company, are also not included in the Chapter 11 proceeding.

Established in 1918 with only a dozen cars, the global car rental giant had survived the Great Depression and numerous American recessions.

But in recent years the company has struggled with competition—including Avis Budget and carpooling services such as Uber.

Hertz suffered a fourth consecutive annual net loss in 2019. But 2020 had started well with an increase in turnover of six percent in January and eight percent in February compared to the same months of last year.

The chapter 11 filing follows that of another well-known American business, retailer J. Crew, and illustrates the extent of the damage to the economy from the deadly disease.

More than 38 million people have applied for US unemployment benefits since the shutdown began in March.

Federal Reserve chief Jerome Powell recently spoke of a likely 20 to 25 percent unemployment spike, after climbing to 14.7 percent in April.

More than 1.6 million people have been infected with the coronavirus in the US and the pandemic has killed over 96,000 people, according to the Johns Hopkins University.

© 2020 AFP

Citation: Virus-hit Hertz declares bankruptcy in US and Canada (2020, May 23) retrieved 25 April 2024 from

<https://techxplore.com/news/2020-05-virus-hit-hertz-declares-bankruptcy-canada.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.