Global airlines slash almost all flights as virus spreads wings
16 March 2020, by Roland Jackson

Airlines are axing flights and shares are plummeting

Major world airlines on Monday axed almost all flights on a temporary basis as the worsening coronavirus crisis sparks travel bans, ravages demand and sends shares into freefall, triggering pleas to help carriers survive.

IAG, owner of British Airways and Spanish carrier Iberia, announced it would slash flight capacity by 75 percent during April and May owing to the COVID-19 outbreak.

The London-based carrier's share price crashed nearly 27 percent in mid-afternoon deals.

Other airlines tumbled, with Germany's Lufthansa erasing almost 11 percent in value and Air France wiping out 17 percent on similar announcements.

Britain's Virgin Atlantic added that it has decided to park 75 percent of its total fleet—and in April this will rise as high as 85 percent.

Virgin has reportedly called upon the UK government to inject emergency support totalling 7.5 billion pounds ($9.2 billion, 8.3 billion euros) to help keep Britain's aviation industry flying.

In Germany, Lufthansa has been forced to scrap around two thirds of its flights in coming weeks as several countries including the United States ban travellers from Europe.

'Deteriorating at pace'

"Last week saw a rapid acceleration of the impact of COVID-19 on global aviation and tourism," Virgin Atlantic warned in a statement.

"The situation is deteriorating at pace and the airline has seen several days of negative bookings, driven by a huge volume of cancellations as customers choose to stay at home."

British no-frills carrier EasyJet warned it may have to ground "the majority" of its fleet, urging governments across Europe to help their airlines maintain access to liquidity.

A 'precarious future' is looming

EasyJet CEO Johan Lundgren added: "European aviation faces a precarious future and it is clear that
coordinated government backing will be required to ensure the industry survives and is able to continue to operate when the crisis is over."

Irish budget carrier Ryanair meanwhile did not rule out a full grounding as it unveiled stinging flight cutbacks.

As part of its drastic action, IAG said it was "cutting non-essential and non-cyber related IT spend, freezing recruitment and discretionary spending, implementing voluntary leave options, temporarily suspending employment contracts and reducing working hours".

IAG added that a management shake-up had been put on hold, noting that Willie Walsh would remain as chief executive.

Walsh had been due to step down on March 26, to be replaced by Iberia CEO Luis Gallego.

Air France will meanwhile slash flight capacity by 70-90 percent over the next two months, while Austrian Airlines will suspend all flights from Thursday, and Finnair is cutting 90 percent of capacity until the situation improves.

The German government on Monday said it is planning to shield companies from going under because of the pandemic, by suspending legal obligations for firms facing acute liquidity problems to file for bankruptcy.

German tourism and hotel group TUI said it was applying for state aid to keep it afloat, as it suspended the "majority" of its operations.

"This is not 2008"

Back in London, a spokesman for British Prime Minister Boris Johnson signalled that the government would examine help for affected businesses, not just airlines, via Her Majesty's Revenue and Customs (HMRC)—which is Britain's tax authority.

"HMRC is ready to help all businesses including airlines experiencing temporary financial difficulties due to coronavirus," Johnson's spokesman told AFP.

And it's not just the airlines that are in trouble

Stephen Innes, markets strategist at AxiCorp, drew a contrast with the global financial crisis which sparked bank bailouts.

However, as G7 finance ministers prepare to discuss the crisis later Monday, Innes argued that airlines were not the only strategic companies calling for assistance this time.

"This is not 2008. Back then it was the banks, this time the banks' balance sheets are fine," Innes said.

"But this is a global economic crisis which needs swap lines to airline companies, oil companies and retailers .

"Airlines might be at the top of the list for directed fiscal help, but virtually every global industry is facing pressure without a government bailout," he added.

US cutbacks

US airlines have also announced drastic reductions in flights after President Donald Trump's administration banned foreign travellers arriving from Europe.
United Airlines said it would announce a cut in capacity of around 50 percent for April and May, as the United States ramps up restrictions to try and contain the spread of the coronavirus.

"We also now expect these deep cuts to extend into the summer travel period," said United chief executive Oscar Munoz in a letter to employees published Sunday.

American Airlines said it would reduce all international capacity by 75 percent, while competitors Delta and Southwest Airlines plan to strip back flights.

© 2020 AFP

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.