

'Worse than 9/11': Coronavirus threatens global airline industry

17 March 2020, by Luc Olinga Avec Corentin Dautreppe Et Sonia Wolf À Paris



Many of the world's airlines face possible bankruptcy due to the coronavirus shutdown of the industry

Fears of massive bankruptcies and calls for emergency bailouts swept global airlines Tuesday as a top US official warned the coronavirus crisis threatens the industry even more than the September 11 attacks, which saw US airspace shut down entirely. |

Italy moved to take over insolvent Alitalia while Sweden and Denmark offered 275 million euros in guarantees to help prop up Scandinavian carrier SAS.

In the United States, airlines sought \$50 billion in help from the government as the White House prepared a reportedly \$850 billion plan to support the entire economy.

"This is worse than 9/11 for the [airline industry](#) —they are ground to a halt," US Treasury Secretary Steven Mnuchin said.

Industry officials said most airlines face burning through their [cash reserves](#) in three months or less.

And airlines warned that vital air cargo could be impacted by the shutdown of 185,000 passenger flights around the world.

"Most airlines in the world will be bankrupt" by the end of May, Market intelligence firm CAPA warned.

"If the crisis will continue at that intensity, it's clear we will see a consolidation," Alexandre de Juniac, director general and CEO of the International Air Transport Association, said in Geneva.

Alitalia nationalized

More airlines slashed flights Tuesday as millions of passengers cancelled travel to self-quarantine and countries blocked arrivals to stem the spread of the COVID-19 infection.



The Italian government will take over Alitalia to prevent its collapse during the COVID-19 pandemic

Belgium-based Brussels Airlines, a Lufthansa subsidiary which operates 48 aircraft, suspended all flights for at least a month on Tuesday. Lufthansa has already cut back flights by 90 percent.

In Australia, Qantas slashed international capacity by 90 percent early Tuesday, as the government required that anyone arriving from abroad needs to isolate themselves for 14 days to be sure they are not carrying the virus.

Italy's government said it would take over Alitalia, the former flag carrier already mired in bankruptcy negotiations since 2017.

"At a time like this, a flag carrier gives the government more leeway," said Deputy Economy Minister Laura Castelli. "We all saw the difficulties our compatriots faced in returning to Italy. Our decision stems from this."

Even with the takeover, the plan was to furlough 4,000 of Alitalia's 11,000 employees.

In Russia, Alexander Neradko, head of the federal agency Rosaviation, said their airlines, hit beginning in February with the shutdown of flights to China, the original epicenter of the virus, were also in trouble.

"There is a rising risk of bankruptcies by airlines that are in a tough financial situation," Neradko said.

"The government is actively discussing how to support airlines," said Kremlin spokesperson Dmitry Peskov.

Airports also desperate

Brian Pearce, economist of IATA, said their early March estimate of \$113 billion in losses to the global industry now looks very low.



Most of the world's airlines barely have enough cash to cover the next three months, according to analysts

"Seventy-five percent of the airlines we have looked at have less than three months of cash to pay their fixed costs," Pearce said.

Such numbers put aviation in perhaps the top position of industries requiring a bailout, like banks in the 2008 financial crisis.

"Connectivity is crucial," said the IATA's de Juniac.

"The world will get through this crisis," he said.

"And when it does it will need a functioning air transport sector. Without financial relief that is not guaranteed."

Airports too said they were under threat. The Airports Council International Europe said they were bracing for a "near total collapse" of traffic, wiping out earnings while they hold high fixed costs.

ACI Europe president Jost Lammers called in a letter to the European Union Tuesday for urgent financial support.

"This funding needs to be available under similar conditions as those that will be considered for airlines," Lammers wrote.

In the United States, however, some bristled at again, like in 2008, using taxpayer funds to rescue

industries and well-paid executives who took excessive risks with their companies.

Critics said US airlines, rather than build up cash reserves, used nearly all their profits in recent years to buy back shares to prop up share prices.

According to Bloomberg, over the past decade US airlines used nearly 96 percent of their free cash flow to buy back shares, with American Airlines the most aggressive, paying out \$12.5 billion.

"We cannot permit American and other airlines to use federal assistance, whether labelled a bailout or not, to weather the [coronavirus](#) crisis and then return to business as usual," wrote Columbia Law School professor Tim Wu in The New York Times.

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APA citation: 'Worse than 9/11': Coronavirus threatens global airline industry (2020, March 17) retrieved 6 May 2021 from <https://techxplore.com/news/2020-03-worse-coronavirus-threatens-global-airline.html>

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