Coronavirus economic impact

EasyJet latest to call on government for support

Low-cost carrier heads for first annual loss in 25-year history as UK industry braces for hard Covid winter

Aviation has been one of the hardest-hit sectors during the pandemic, with flights grounded, staff furloughed and aggressive quarantines imposed to contain the outbreak © REUTERS

Philip Georgiadis and Daniel Thomas YESTERDAY

EasyJet’s losses soared to more than £800m this year, sending the low-cost airline into the red for the first time in its 25-year history, as the coronavirus pandemic continues to threaten the future of companies across the global travel industry.

In a sign of increasing desperation for airlines, easyJet chief executive Johan Lundgren urged the British government to prop up the sector further as the company slashes winter flight schedules because of plunging passenger demand.

“The UK government urgently needs to step up with a bespoke package of measures to ensure airlines are able to support economic recovery when it comes,” he said.

Aviation is the latest industry to demand more support from government, joining hospitality, leisure and the arts. It has been one of the hardest-hit sectors during the pandemic, with flights grounded and staff furloughed as governments have been forced into aggressive international quarantines to contain the outbreak.

On Wednesday, Stansted, Manchester and East Midlands airports warned that almost 900 jobs were at risk after a 90 per cent cut in demand for travel since March, following similar warnings at other main airports.
“Along with other airlines, the company now has to look to summer 2021 for at least a partial recovery in demand. Absent this, the industry will face an existential threat,” said Daniel Roeska, a Bernstein analyst.

British businesses are preparing for a hard winter as the second spike of coronavirus forces a further shutdown, in particular in areas of local lockdown where many companies are struggling to survive.

Business leaders in hospitality have warned that hundreds of thousands of jobs are at risk this month as the government changes the furlough scheme that has paid the wages of millions of workers since March.

Chancellor Rishi Sunak has admitted that he cannot save all jobs, although he has sought to protect those seen as “viable” with a scheme that allows the government to share the cost with their employer.

Mr Lundgren has previously called for the abolition of air passenger duty and airport testing to help tempt passengers back into the skies.

The spectre of huge losses prompted Stelios Haji-Ioannou, easyJet’s founder, to renew his long-running attacks on the company’s management. The airline’s largest shareholder, who lost his attempt to oust four directors including Mr Lundgren this year, wants the company to cancel a multibillion contract with Airbus for new planes. “The easyJet scoundrels must stop squandering shareholders’ money,” he said.

EasyJet shares closed more than 2 per cent higher as analysts had already factored in the losses. The company’s share price has lost about 60 per cent of its value this year.

The carrier will fly only 25 per cent of last year’s capacity in the final three months of this year, down from just under 40 per cent in its most recent quarter, as passenger demand slumps amid rising coronavirus cases and shifting quarantine curbs.

The coronavirus crisis has forced airlines across Europe to cut costs and raise cash to see them through the winter, a lean period even in normal times.

IAG, owner of British Airways, tapped shareholders for €2.75bn in a steeply discounted rights issue to shore up its balance sheet, while low-cost carrier Ryanair warned this winter would be a “write-off” and has slashed its schedules.
With few signs that the industry-wide crisis will improve until well into next year at the earliest, easyJet said it would keep its finances under review and consider further opportunities including the sale and leaseback of more of its aircraft. About half of its fleet of 337 aircraft are owned by the company.

The FTSE 250 group has raised more than £2.4bn in cash since the beginning of the pandemic, including tapping shareholders for just over £400m. It has also launched a big restructuring programme that will involve shedding about 30 per cent of its workforce.

It expects to report a pre-tax loss of between £815m and £845m in the year to September 30, slightly worse than analysts had forecast. The airline said it burnt through less than £700m in cash in its fourth quarter, lower than in the previous three months but more than the £620m in revenue it brought in. It had £1.1bn in net debt as of the end of September.

Mr Lundgren was one of several airline chiefs to cautiously welcome the UK’s launch of a travel task force on Wednesday to explore ways to introduce Covid-19 testing for people arriving at airports, although some industry figures were disappointed that no concrete changes were announced.