

Opinion **Lex**

## EasyJet/European airlines: Balkanised bailouts

Airlines are high-profile aid candidates, despite conferring little competitive advantage



EasyJet expects to fly only 20 per cent of planned capacity in the current quarter © Jason Alden/Bloomberg

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European flag carriers have sometimes been derided as pension schemes with airlines attached. Many now look like bailout funds with wings. They will exit the pandemic as they entered it: with too much capacity. That will make life even harder for easyJet, an independent UK low-cost carrier that has just announced an annual [loss of £1.3bn](#).

EasyJet can hardly complain when it depends just as needily on taxpayers' funds. The business has received £600m under the Bank of England's Covid Corporate Financing Facility — as well as furlough funds for 4,000 employees. It says it needs more.

Airlines are high-profile aid candidates, despite conferring little competitive advantage. Globally, they have received \$140bn of state support since the pandemic, according to data firm Ishka Global. Another \$27bn is in the works.

EasyJet has raised about £3.1bn so far. At the end of September it had net debt of £1.1bn and liquidity of £2.3bn. Another £700m or so has subsequently come in from [sale and leasebacks](#). There may be scope to top that up: easyJet owns just over half its fleet, and reckons to have £2bn in unencumbered planes.

But cash carbonises fast when people are not travelling. EasyJet burnt through £651m in the fourth quarter when capacity was running just shy of 40 per cent. It expects to fly only 20 per cent of planned capacity in the current quarter. Losses will mount.

Boss Johan Lundgren is confident travellers will return in droves as vaccinologists tame coronavirus. When the Canary Islands were removed from quarantine measures, he notes, bookings surged 900 per cent.

But even Dr Pangloss would struggle to imagine full flights after Covid-19. That means discounting seats to entice the reticent. EasyJet knows how that goes. Revenues per seat were down by a tenth year on year, or 27.5 per cent in the second half.

Around the world, capacity is at half pre-Covid 19 levels, according to aviation consultancy OAG. Western Europe is particularly badly hit. Corresponding bailouts from national governments for national airlines will ensure a return to uncompetitive business as usual.

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