Aviation industry
EasyJet grounds entire fleet and seeks to cut spending

Jasper Jolly

EasyJet has grounded its entire fleet of aircraft for at least two months and will seek to scale back plans for £4.5bn of spending, including payments for new planes from Airbus, in response to the collapse in demand for air travel because of the coronavirus pandemic.

The budget airline said it could not put a firm date on restarting commercial flights and that 4,000 of its 9,000 UK staff would be furloughed, initially for two months from 1 April.

EasyJet said it would seek to pay less for new aircraft after its founder, Sir Stelios Haji-Ioannou, threatened to call repeated shareholder meetings to remove directors until the airline reconsidered buying 107 new aircraft from Airbus. The new planes are a big part of easyJet’s planned £4.5bn in capital expenditure up to 2023.

Haji-Ioannou, whose family holds 34% of the company’s shares, described the bill for new aircraft as “the main risk to survival of the company”. His demands came in a letter sent to the easyJet chairman, John Barton, on Sunday.

In response to Haji-Ioannou, easyJet said it was “working with suppliers to defer and reduce payments where possible, including on aircraft expenditure”.

The global airline industry is caught up in an unprecedented crisis, with companies laying off workers by the thousand, on the back of strict travel restrictions across most of the main air travel markets.

British Airways’ owner, International Airlines Group, said yesterday that it had extended a $1.38bn (£1.1bn) credit buffer by a year to June 2021. The latest agreement with its lenders meant it had access to €9.3bn (£8.1bn) in cash, cash equivalents and loans,
which it could use to ride out the crisis.

However, the almost total loss of revenues threatens the survival of many airlines. Loganair, the Scottish regional carrier, said yesterday that it would be seeking government assistance beyond that offered to all British companies, despite the government’s insistence that it would not offer an industry-wide bailout.

Loganair’s chief executive, Jonathan Hinkles, told BBC radio: “I do think that, like the vast majority of UK airlines, we will be going back to take up that invite for further conversation with the Treasury in the coming days, because we have to.”

Qatar Airways said it would eventually need state aid, despite being one of the few global airlines continuing to run commercial scheduled flights, mainly to allow people to return home. However, easyJet insisted yesterday that it would not seek “bespoke” state aid after its chief executive, Johan Lundgren, said the airline might seek government loans on commercial terms, although the company did say it might use the government’s Covid-19 corporate finance facility.

Haji-Ioannou added in his letter that he did not support easyJet applying for government loans. He wrote that he would be willing to participate in an equity issue if the airline needed more cash – as long as the Airbus order were cancelled – but added that he would not return the dividend the airline paid shareholders this month.

“The point is that now easyJet needs more equity and all shareholders can decide if they want to invest again in the company to support it in return for new shares,” Haji-Ioannou said in a second statement yesterday. Grounding the fleet removed “significant cost”, easyJet said. It also means furloughed UK staff will be paid 80% of their salaries through the government’s job retention scheme.

### Up in the air

#### How airlines are coping

**Virgin Atlantic**, the airline founded by the billionaire Richard Branson has asked the UK for hundreds of millions of pounds of state aid. It has put most staff on unpaid leave. **British Airways’** owner, IAG, said it would not ask for state aid. IAG, which also runs Spain’s Iberia and Aer Lingus, officially complained over the rescue deal offered to Flybe. **Loganair**, the Glasgow-based airline, with 650 staff, said its role in vital services to remote Scottish Highlands and island meant it could not shut and needed aid. **Ryanair** joined IAG in criticising aid for Flybe and said it had €4bn cash to tide it over. The EU’s largest low-cost carrier has grounded all its flights and cut all salaries by 50%. **Jet2’s** owner, Dart Group, halted all flights until 1 May and is in talks with lenders. It refused to confirm yesterday if it would seek state aid. **Flybe**, the EU’s largest regional carrier collapsed as the Covid-19 crisis hit demand with the loss of 2,000 jobs. This led to job losses in suppliers such as Swissport.

![Stelios Haji-Ioannou has objected to easyJet’s plans to buy 107 planes](image)

![EasyJet has cancelled all flights for at least two months. The airline says it cannot put a firm date on when they will resume](image)
EasyJet has cancelled all flights for at least two months. The airline says it cannot put a firm date on when they will resume.

PHOTOGRAPH: MARTIN DALTON