

IATA's Walsh says airline industry will be smaller after crisis

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The head of global airline body IATA expects the industry to emerge from the coronavirus crisis smaller and more cautious, doubting airlines will try to expand through acquisitions.

The airline industry has been crippled by the pandemic, which continues to leave many aircraft around the world grounded or flying near-empty as demand limps towards a recovery.

"It will be a smaller industry. We are not going to recover all the capacity," International Air Transport Association (IATA) Director General Willie Walsh said in a pre-recorded online interview broadcast on Monday. He cited the swathes of aircraft retired and employees laid off or placed on furlough.

"It will be a more cautious industry. I don't expect to see M&A (merger and acquisition) activity, principally because people will be guarded about the cash they have."

Walsh, the former chief executive of British Airways owner IAG, said that spending "valuable cash resources" would be "too risky" but he believes there will be consolidation through airlines shrinking their operations and some failing.

"It's going to take airlines time to repair their balance sheets," he said.

IATA has forecast global travel demand to return to 2019, pre-pandemic levels in 2024.

While those airlines that survive would fill the gaps left by those that fail, they would have to be careful how quickly they rebuild, Walsh said, urging caution.

"Airlines are not going to be able to take the risk of operating unprofitable routes in the short term," he told aviation consultant John Strickland.

However, Walsh does not believe the crisis has undermined airline business models such as those for regional or low-cost carriers among others.

"Nothing has changed the competitive nature of this industry," he said. www.reuters.com

