

Resilience and investing during COVID-19

By **Jane Hobson** on May, 11 2020 | Airline & Terminal News



During a crisis as unprecedented as the one that faces the airline industry now, there are three main characteristics that make up a resilient airline, said aerospace consultant and investor Christoph Mueller during [FlightPlan](#), sponsored by [Inmarsat](#) and the [Airline Passenger Experience Association](#) (APEX).

Decisions, finances and communication

The first is the speed in which airlines make and execute decisions. Mueller, who held positions in his career as Chief Executive Officer of [Aer Lingus](#) and [Malaysia Airlines](#), said airlines reacted extremely swiftly to the crisis, not waiting around for the next board meeting.

The second is the strength of finances. This can be cash or assets that can be used as collateral in case the airline needs to raise funds. That ability will set successful airlines apart as the crisis continues and when it ends, Mueller said.

The third factor – perhaps the most underestimated, Mueller added – is communication. It is critical that airlines communicate with staff and employees as well as with its passengers. In comparison to some other crises that the industry has faced, such as 9/11, Mueller said airlines have done well in this regard.

However, Muller made the point that while these three characteristics are important for airlines, there is no specific winning strategy. Travel restrictions differ based on location, and while he said he thinks flag carriers are presumed to recover sooner, the speed and success of recovery depends on fleet size and mixture of fleet. The main things airlines can do now is make decisions that conserve cash and furlough staff if they are not needed, with communication that they will be needed again.

"It's not caused by a decline of demand where you can simply respond to [it] as an airline management team," he said. "If travel is forbidden, your industry is dead. If you operate a casino and the legislator declares tomorrow that gambling is illegal, you have very little choice to manage that situation."

There are predictions that some airlines will not make it out the other side of the crisis – but this happens even without a coronavirus, Mueller reminded the industry. In 2019, for example, nearly 20 airlines globally went into receivership or straight into bankruptcy, many with good reputations.

"So, it does not even take coronavirus to push airlines over the brink. The mortality rate amongst airlines after the Second World War is 89 percent, measured [by] who will survive the first five years," Mueller said, adding, "If this crisis comes on top, I believe it does not take a lot of fantasy to say without any government assistance, without any emergency programs, definitely we will see a couple of involuntary consolidations in the industry."

An important investment

But, despite it all, Mueller said airlines are still a worthy investment. While most airline stocks have lost between 60 and 80 percent, he said a self-made German entrepreneur bought 10 percent of

[Lufthansa](#) stock a few weeks ago, becoming the airline's largest shareholder. And, billionaire Warren Buffett recently purchased one million [Delta Air Lines](#) shares.

"Some very prominent examples of very careful and very sound investments in airlines," Mueller said. "I have a lot of confidence that... a lot of airlines will come out of this crisis with a new and regained strength... making a good investment."