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# Alphavid: The airline sector is in denial about its imminent collapse

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By: [Izabella Kaminska](#)

Hubert Horan is an [independent aviation and transport consultant](#) with more than 40 years' worth of experience in the sector. He came to prominence as an early but prescient [critic of Uber's business model](#), arguing it would be impossible for the ride-hailing juggernaut to ever recoup the billions of dollars of losses it had incurred during its expansion phase without becoming a global taxi monopoly. This was due to the fundamental nature of how the taxi market operates. Horan has frequently expressed amazement at the market's ongoing willingness to support Uber's multi-billion valuation, given the company's failure to ever turn a profit and dire outlook.

In recent months, however, Horan has turned his attention back to the aviation sector, which he says is in the grips of a similar sort of suspended reality. He puts this down in part to [duopolistic and monopolistic structures](#) (driven by decades' [worth of industry consolidation](#)) that have reduced any incentive for the sector to properly restructure itself in the face of 85 per cent declines in revenues due to coronavirus.

In his mind, the unexpected hit of coronavirus would have been bad enough in a competitive landscape, but in the current framework the sector is even less capable of absorbing the fallout due its too-big-to fail nature. That ensures a future of government bailouts, not-so-stealth nationalisation and rising ticket prices, with ever poorer accessibility and route choices.

As he [noted in May](#):

The large number of competitors that were critical to all prior industry restructurings are gone. In the US, \$43 billion in desperately needed cash was stripped via extractive stock buybacks and by inflated executive compensation for the managers who believed that that the industry would never face another serious downturn.

Barring the miraculously rapid development of an effective vaccine, no international airline companies are viable going concerns. Bankruptcy-type processes can work when a small percentage of capacity faces liquidity problems but cannot possibly deal with a situation where worldwide demand has totally evaporated.

Airline capacity and employment worldwide will need to shrink far more than anyone had thought possible. This will mean effective nationalization of the industry (including many

suppliers), and the establishment of reorganization processes that convince the taxpayers (who will fund it) that the huge costs and sacrifices will be shared equitably.

FT Alphaville spoke with Horan to get more insight into how he sees things unfolding for the industry. His message, sadly, is not an optimistic one. Nor is he convinced that the pain has been properly priced in by investors.

Here is the full interview:

<https://www.youtube.com/watch?v=Hzig-gnKWTI>

**Related links:**

[Why Consolidation Undermined the Airline Industry's Ability to Recover from the Coronavirus Crisis](#) - ProMarket

[How Alliances Carriers Established a Permanent Cartel](#) - ProMarket

[Hubert Horan: What Will it Take to Save the Airlines?](#) - Naked Capitalism

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