

## How bad is it at British Airways?

*Kerry Capell*

Talk about mixed signals. On June 22, the same day British Airways fended off press speculation that it might not survive the recession CEO Willie Walsh confirmed the September launch of a new business-class only service between London and New York will go ahead as planned.

"In the harshest trading environment airlines have experienced, we believe it is more important than ever to embrace the future and innovate. That is what this historic new route is all about," Walsh said in a statement.

There's no doubt times are tough at BA. The airline reported record annual losses in May of \$361 million. But speculation over BA's future has intensified since Walsh asked all employees to follow the lead set of senior executives including himself and work a month without pay.

More recently, some observers question whether BA will shutter or try and sell (good luck) Open Skies, the BA subsidiary which runs flights from Paris and Amsterdam to the United States, just a year after it was created.

Further stoking up investor fear, Virgin Atlantic founder Richard Branson over the weekend in interviews to promote his airline's 25th anniversary said he had looked at making a bid for BA but that "the airline wasn't worth much anymore." Branson then urged the British government not to intervene to save BA. "It would be better to wait for its demise," he told the BBC.

In response, BA has said it has not and will not seek government aid.

Indeed, some analysts speculate that Walsh's negative tone and calls for staff to forgo pay are simply a way to force intransigent unions to cooperate. Analysts say Walsh is desperate to secure concessions on cost cuts from unions before the end of the month to avoid the almost annual summer strikes.

What do you think? Is BA's launch of a business class only service this September the actions of healthy airline with cash in the bank or a carrier in denial?

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