British Airways parent firm IAG warns of job cuts as losses hit €1bn

British Airways’ parent company, International Airlines Group, has warned of further job cuts at its flagging Spanish carrier, Iberia, after the aviation giant crashed almost €1bn (£865m) into the red.

Willie Walsh, chief executive of IAG, was yesterday forced to defend the 2011 merger of profit-making BA with Iberia after the group was dragged down by €351m of operating losses at the Spanish airline. Despite a 10.9pc increase in revenue to €18bn, IAG made a €997m pre-tax loss for 2012, down from a €503m profit a year earlier, as it was also forced to swallow €545m of restructuring charges and impairments related to Iberia.

BA, which bought loss-making UK carrier bmi last year, generated a €347m operating profit over the period.

However, investors were encouraged by the result with IAG shares rising 8pc to close at 239.3p.

IAG is slashing more than 3,800 jobs at Iberia and shrinking its route network by 15pc in an effort to stem losses at Spain’s national airline, which has suffered during the country’s deep recession, as well as having to face rising fuel bills and fierce competition from low-cost carriers such as Ryanair.

Staff at Iberia will on Monday embark on another round of damaging strikes in protests at the swingeing job cuts at a time when Spain’s unemployment rate is at a record 26pc.

But Mr Walsh warned that the 3,800 job losses were only the “first part” of IAG’s plans for Iberia. He signalled that the group plans further capacity cuts which “may well” result in more job losses.

“You can’t just take out employees altogether on one day, this is a process that will continue over a period of time,” he said.
Pero el señor Walsh advirtió que la pérdida de 3.800 puestos de trabajo son sólo la primera parte de los planes de IAG para Iberia. Señaló que el grupo planea ulteriores recortes de capacidad que “muy bien” pueden significar más recortes de puestos de trabajo.

“No se puede despedir a todos los empleados juntos el mismo día, este es un proceso que continuará durante un período de tiempo”, dijo.

Strikes by Iberia staff in Spain are costing IAG an estimated €3m a day.

An independent mediator has been appointed to negotiate between Iberia and unions but Mr Walsh said IAG’s “disappointing” results for 2012 was proof that the Spanish carrier “must adapt to survive”.

Some investors and traders have questioned the structure and value of the 2011 £5.3bn all-share deal to tie BA to Iberia, which saw shareholders in the loss-making Spanish airline receive a generous 44pc of the combined group.

“IAG’s full-year results highlight that in the airline business two halves don’t always make a perfect whole,” said Bhaven Patel, a trader at Accendo Markets.

Mr Walsh insisted that BA had benefited from the deal, which was billed as a merger but structured as a takeover in accounting terms as IAG had achieved €313m of cost savings.

“When you are looking at mergers and performance, you can clearly take a different view depending on what time you pick but we are in this for the long haul and I believe consolidation is absolutely the right way forward and I believe the fit between BA and Iberia still works,” he said, adding that the tie-up was approved “overwhelmingly” by shareholders at the time.

“BA is definitely benefiting from this merger. BA is benefiting from the co-ordination that IAG does in relation to the activity of Iberia so Iberia is not competing with BA, it is complementing BA.

“I’m not trying to hide the result, the result is disappointing but the turnaround at Iberia will be successful,” said Mr. Walsh.