State of the Airline Industry

Virtual Reality

Subhas Menon
Director General
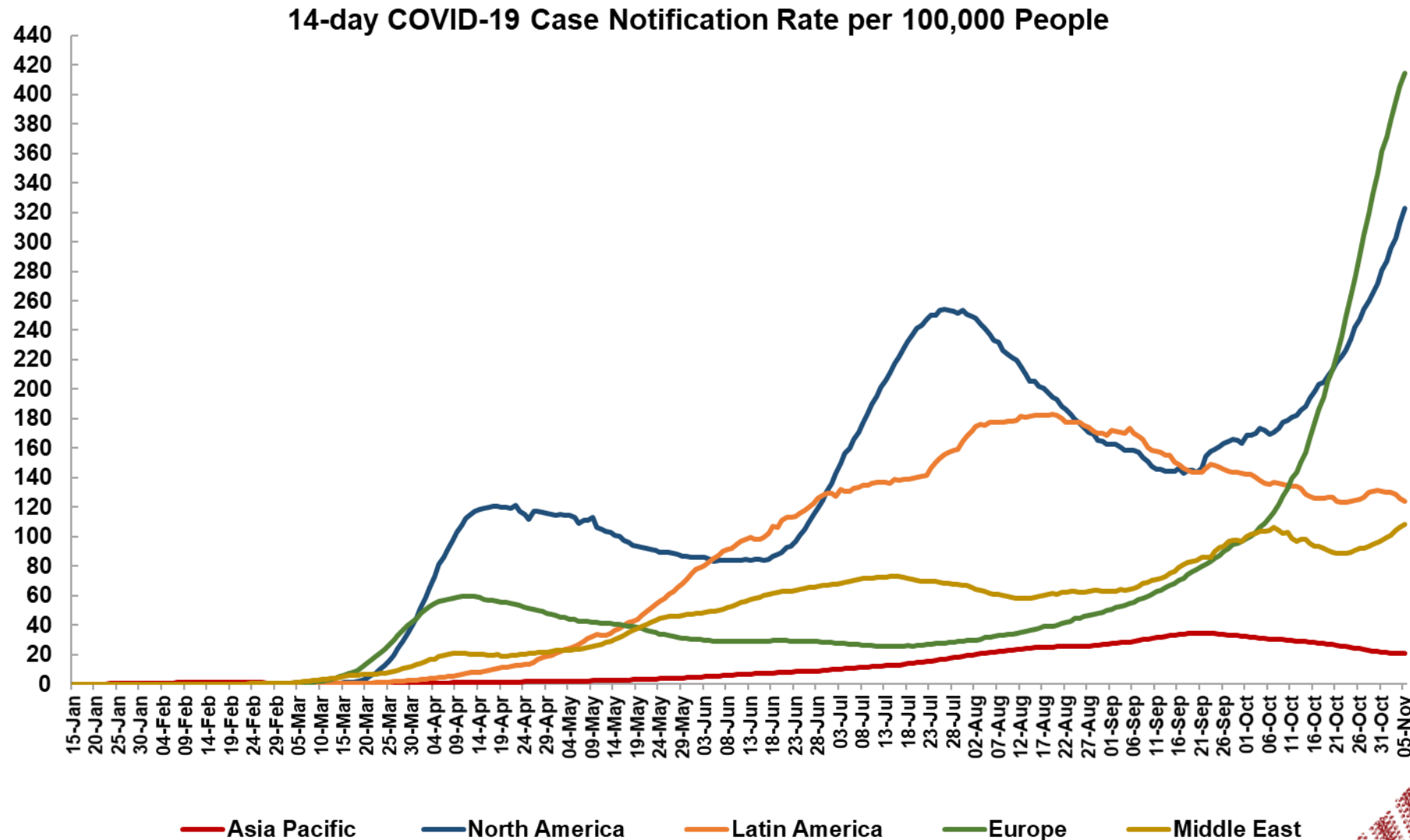**Association of Asia Pacific Airlines**

Overview

- **An Industry in Crisis**

- **COVID-19 Impact**

- **Starting Trouble**

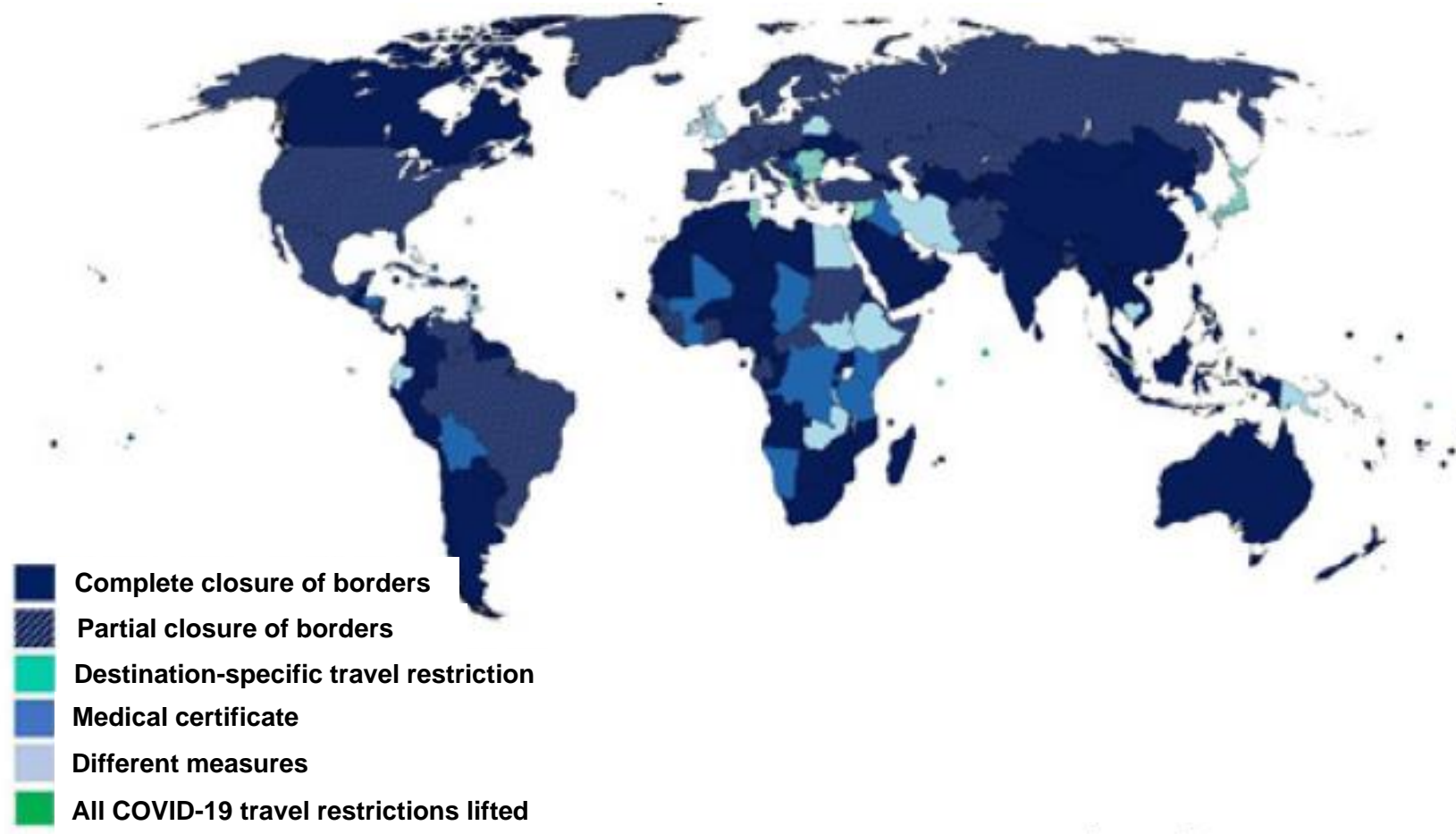- **Industry Outlook**

- **Thoughts for the Future**

Asia Pacific has the lowest infection rates among regions

14-day COVID-19 Case Notification Rate per 100,000 People

Asia Pacific   North America   Latin America   Europe   Middle East

Yet, the region has the most destinations with borders still closed

Destinations with travel restrictions to international tourism

Complete closure of borders

Partial closure of borders

Destination-specific travel restriction

Medical certificate

Different measures

All COVID-19 travel restrictions lifted
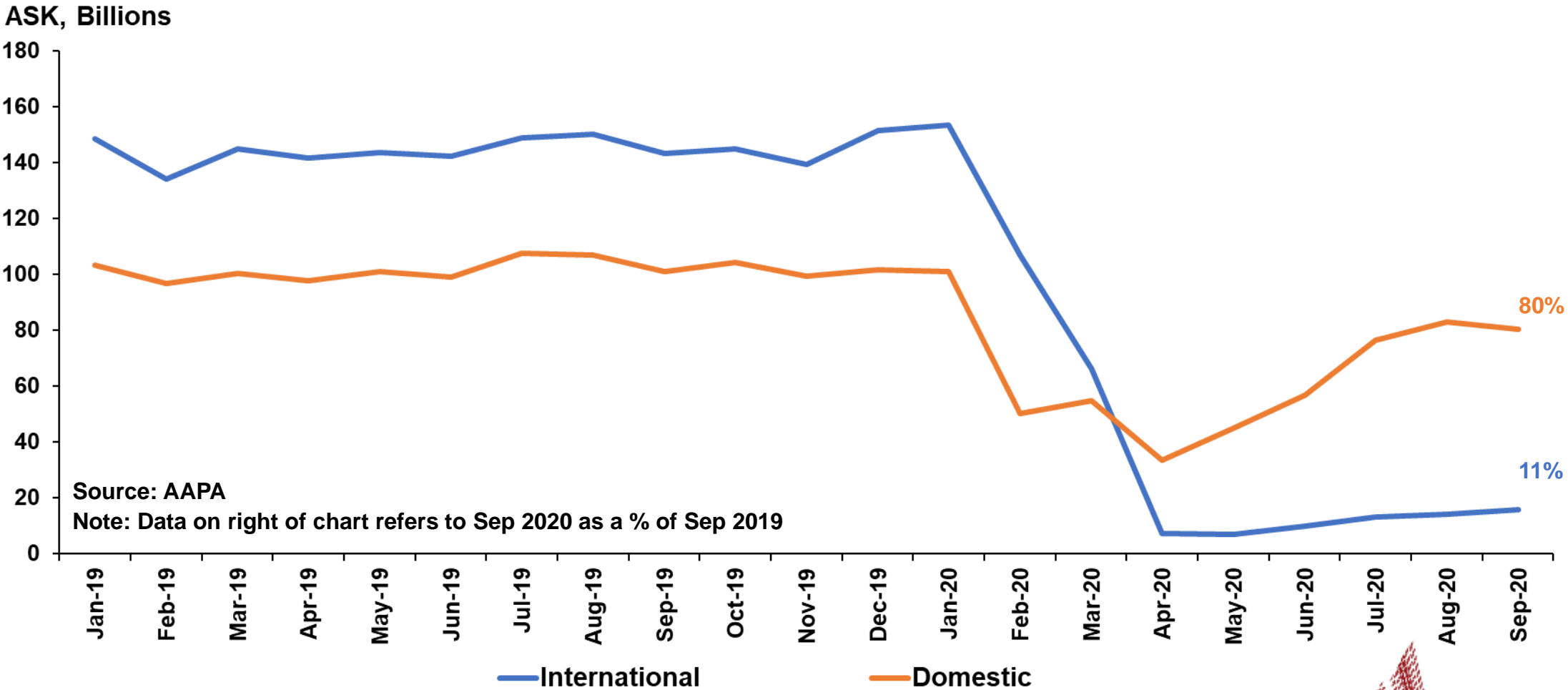
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COVID-19 Impact

Asia Pacific International & Domestic Air Passenger Traffic
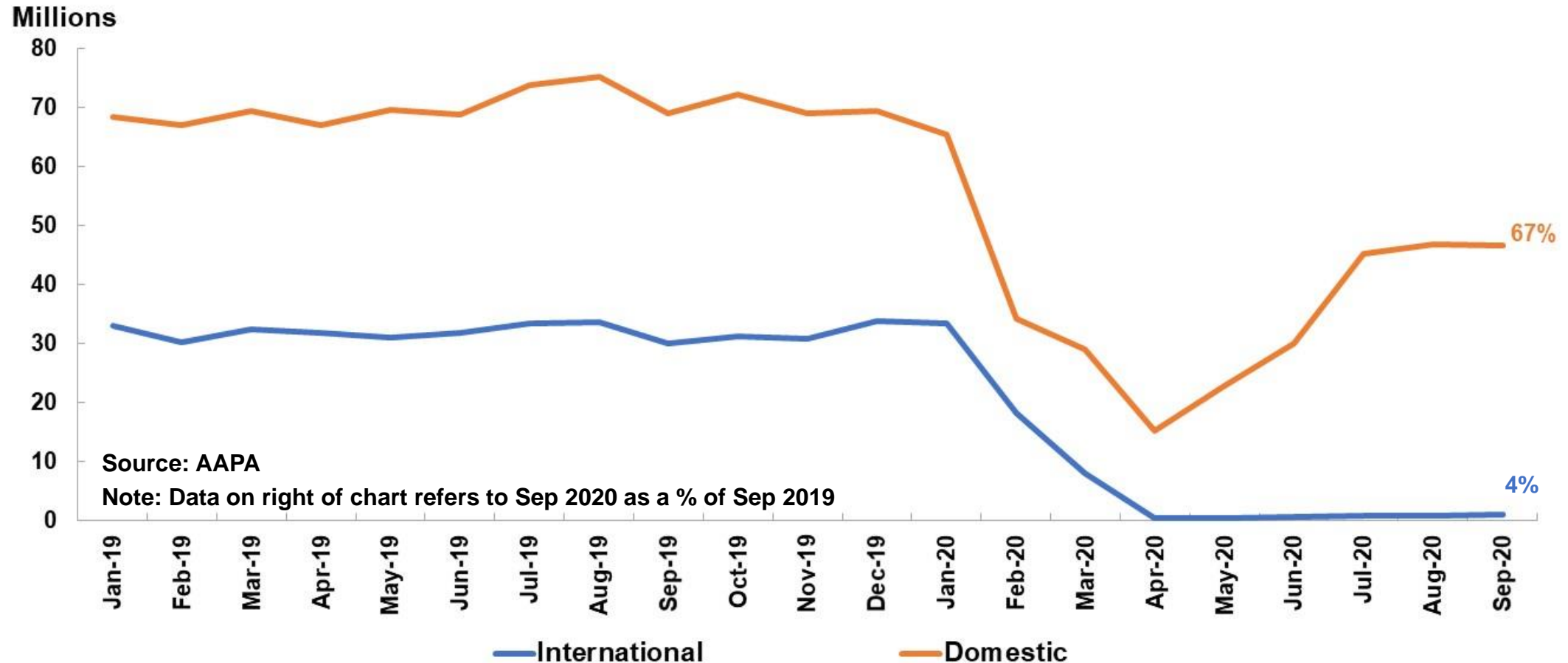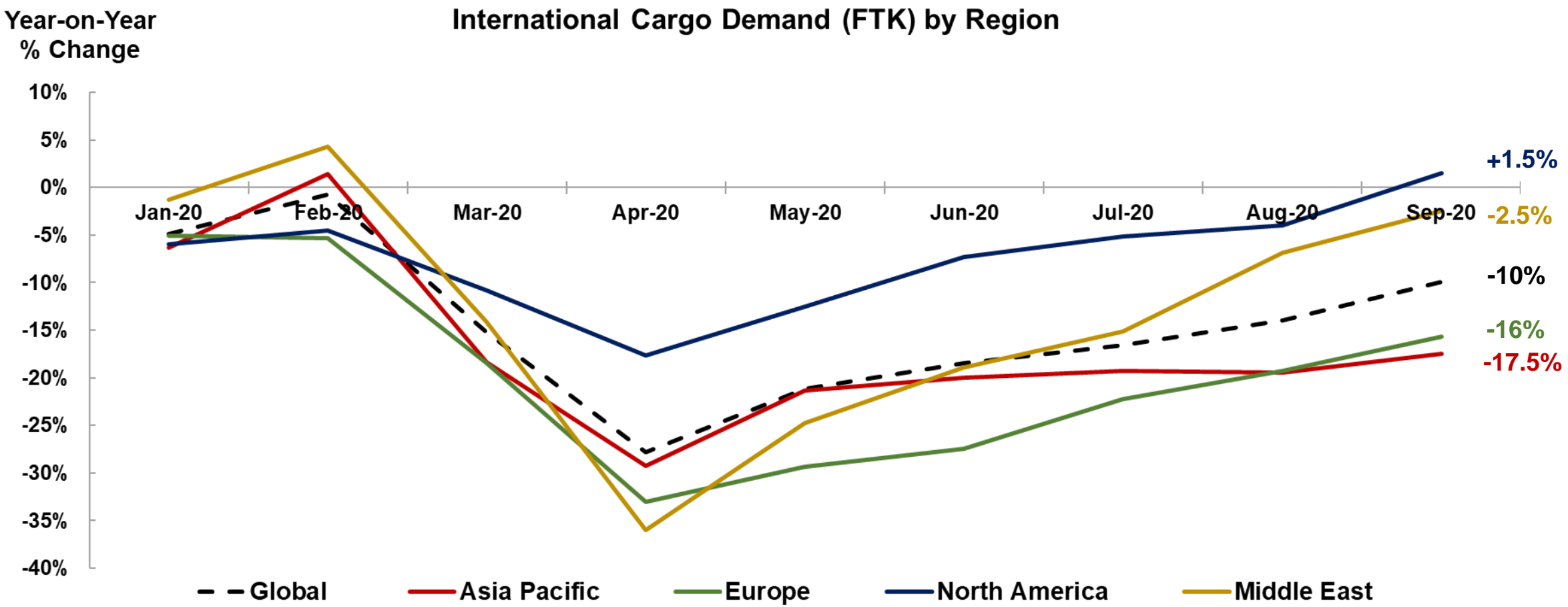

- *International passenger traffic remained skeletal since April*
- *Domestic markets have recovered at a comparatively faster pace*

Asia Pacific International & Domestic Available Seat Capacity

ASK, Billions

Source: AAPA
Note: Data on right of chart refers to Sep 2020 as a % of Sep 2019

80%

11%

International   Domestic

Recovery in air cargo markets held back by lack of capacity

International Cargo Demand (FTK) by Region

Year-on-Year % Change

Legend: Global, Asia Pacific, Europe, North America, Middle East

Sep 2020 values: +1.5%, -2.5%, -10%, -16%, -17.5%

Note: Data on right of chart refers to Sep 2020 Year-on-Year % Change

Record industry losses this year

US$ billions

Net profit

Global Financial Crisis

-26

-5

Global Health Crisis

-84

-16

■ North America ■ Europe ■ Asia Pacific ■ Middle East ■ Latin America ■ Africa

Source: IATA

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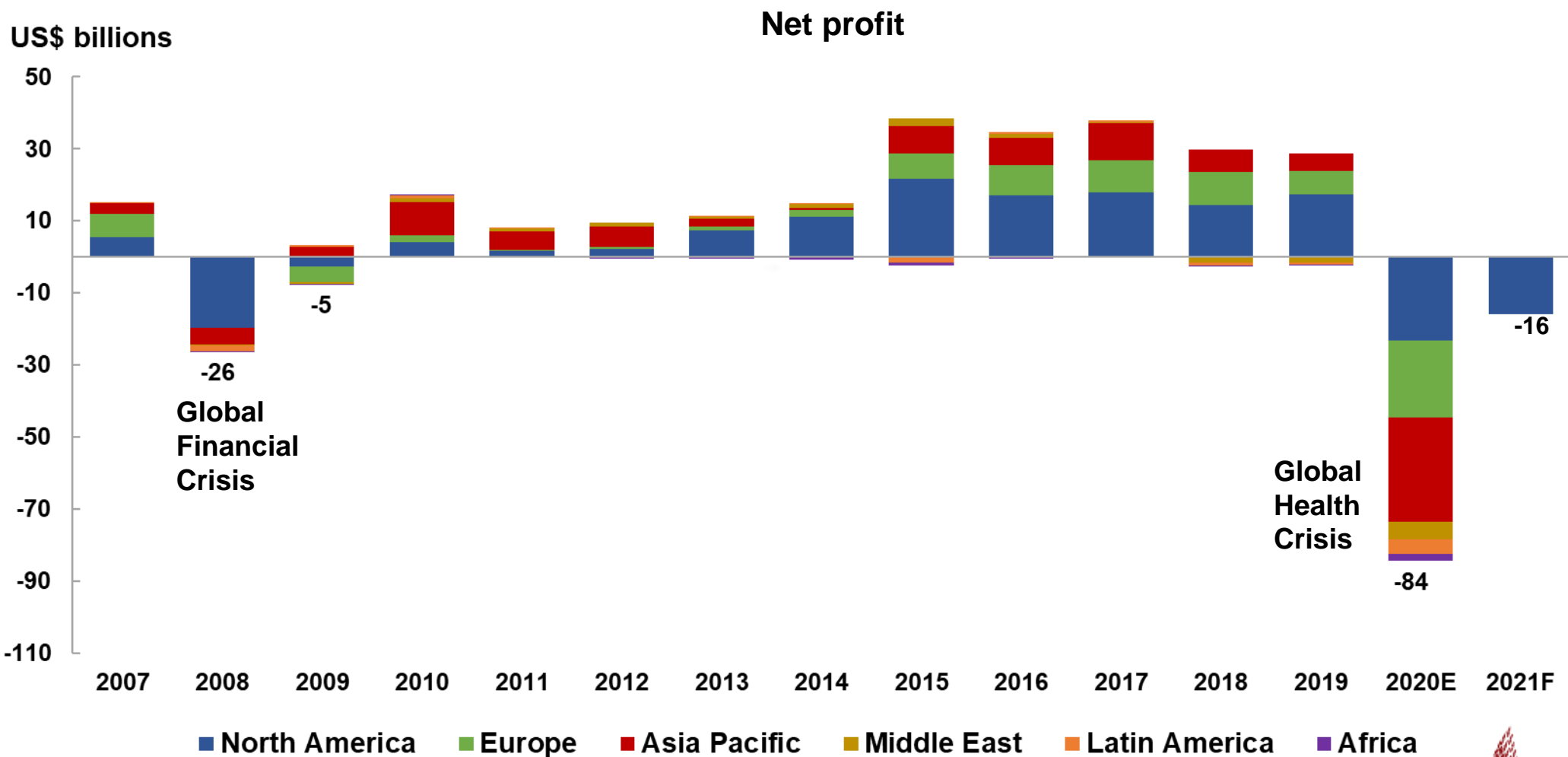
Asia Pacific Airlines Net Earnings Performance

US$ billions — Net Margin

Net profit — Net margin

2016, 2017, 2018, 2019, 1H 2019 (1.7), 1H 2020 (-18.4)
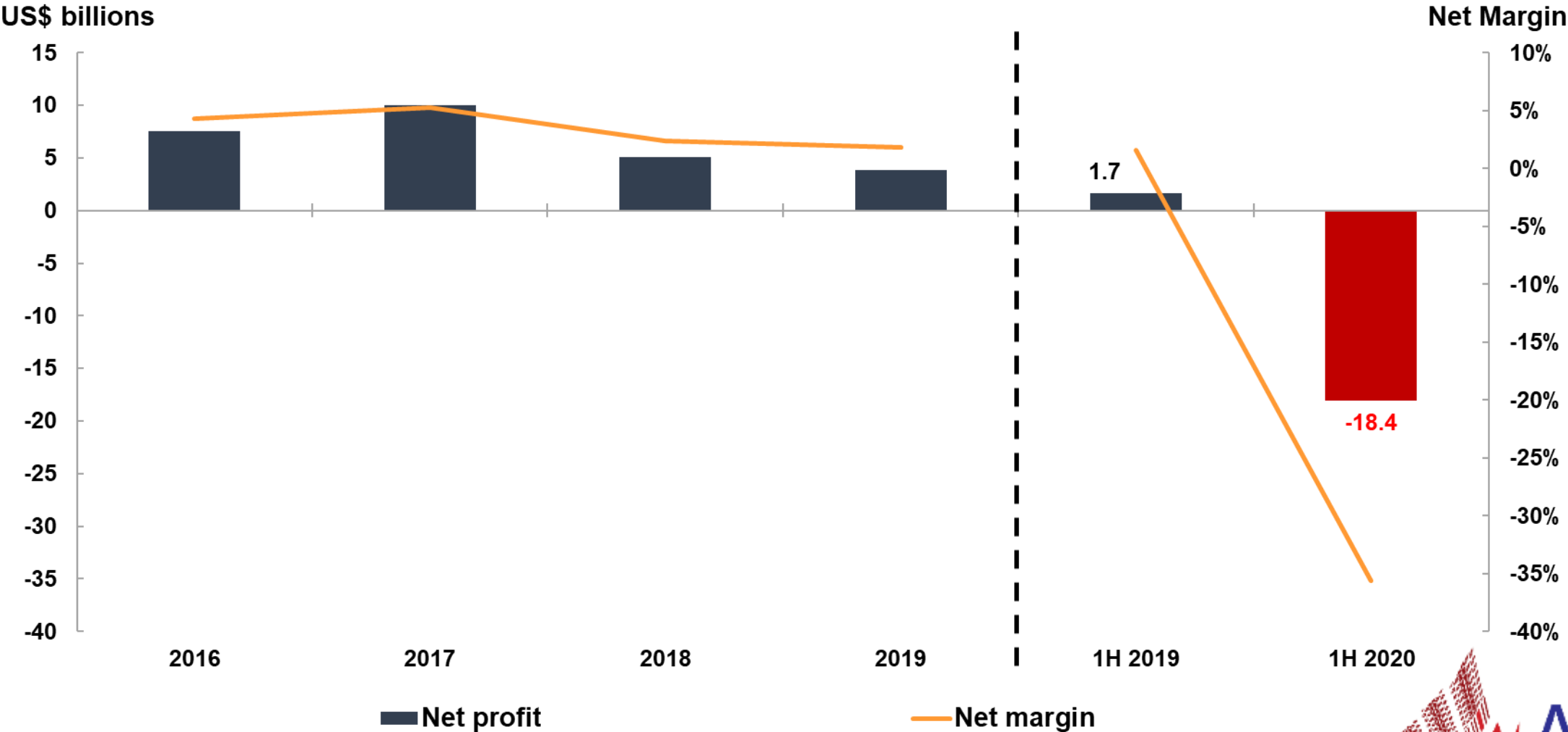
Source: AAPA

Asia Pacific Airlines Liquidity Position

US$ billions

Cash and Cash Equivalents as of June 2020

Asia Pacific airlines estimated cash burn 1H 2020

Average US$3.6 billion / month

Individual airlines
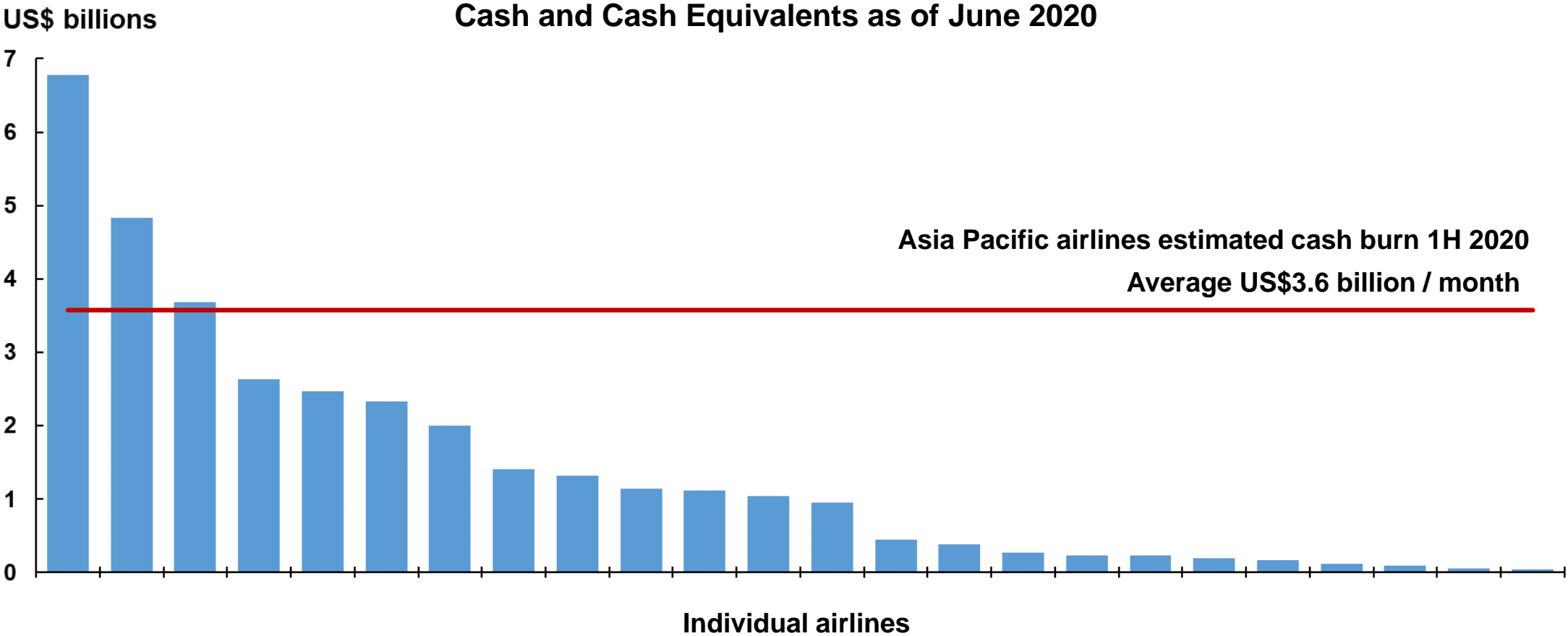
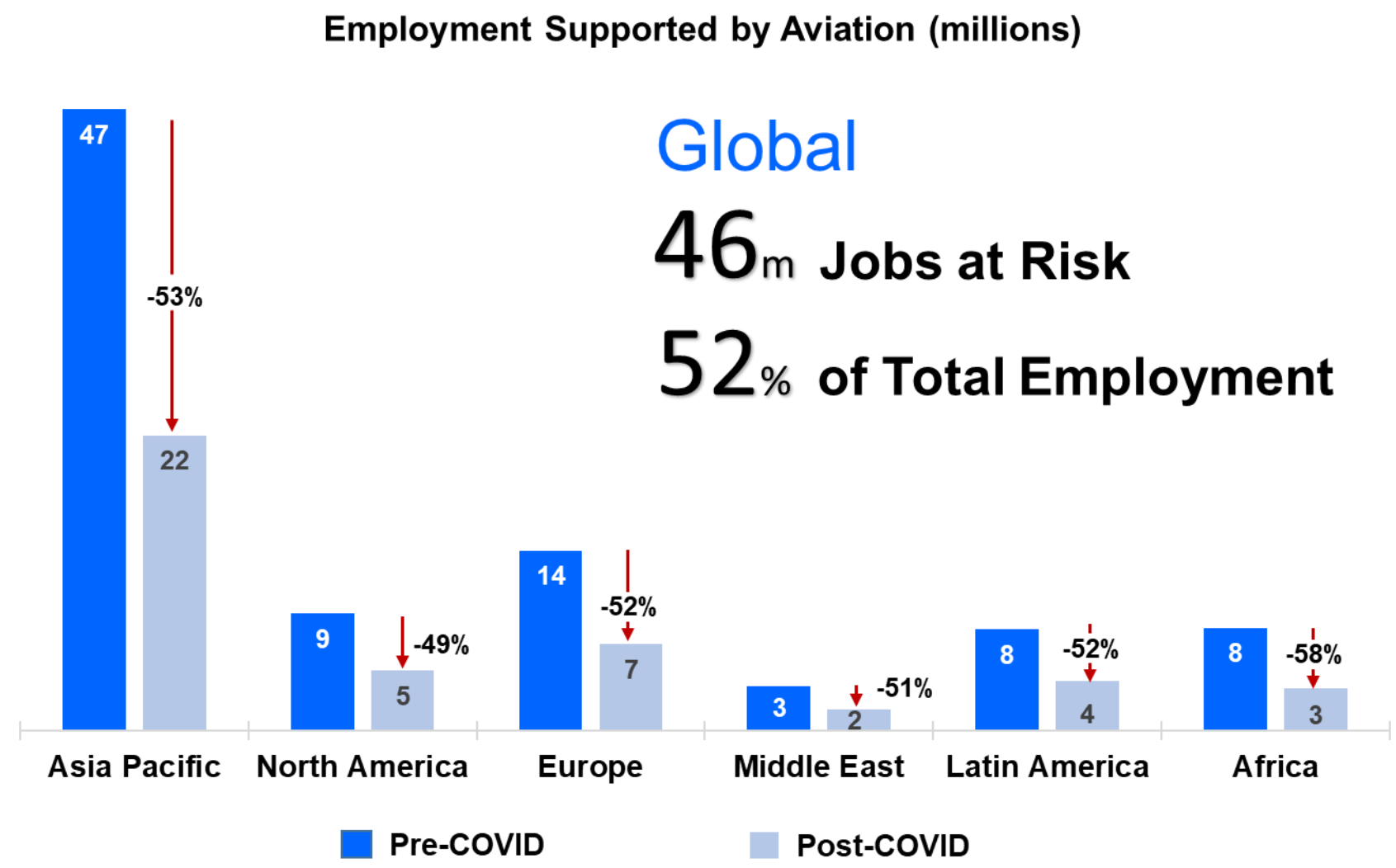*Median airline cash to last 6 months, assuming cash burns at a similar rate in 2H 2020, with some airlines only having an estimated 1-3 months of cash*

Source: AAPA

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Asia Pacific accounts for more than half of global aviation jobs at risk

Employment Supported by Aviation (millions)

Asia Pacific: 47 (Pre-COVID) → 22 (Post-COVID), -53%
North America: 9 (Pre-COVID) → 5 (Post-COVID), -49%
Europe: 14 (Pre-COVID) → 7 (Post-COVID), -52%
Middle East: 3 (Pre-COVID) → 2 (Post-COVID), -51%
Latin America: 8 (Pre-COVID) → 4 (Post-COVID), -52%
Africa: 8 (Pre-COVID) → 3 (Post-COVID), -58%

Global
46m Jobs at Risk
52% of Total Employment

■ Pre-COVID   ■ Post-COVID

Note: Jobs in aviation, throughout the supply chain and in the wider economy
Source: ATAG, Aviation Benefits Beyond Borders 2020

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Starting Trouble

Travel Restart

- **Lack concrete multilateral arrangements for restarting air travel**

- **Governments risk-averse yet reluctant to agree on global risk assessment framework i.e. equal risk & response for safe travel between city pairs**

- **Bilateral agreements offer limited but realistic way forward**

- **Green Lanes and Travel Corridors**

  - **Limited success due to onerous requirements**

  - **Quarantine-free bubble a good start**

- **Extended border closures adversely impact economy, livelihoods**

  Mutual trust and recognition by governments vital to reopen borders

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Testing & Quarantine

- **Testing**
  - Strong component of a multi-layered risk mitigation framework
  - Mutually-recognised testing standards urgently needed
  - Affordable, Accessible, Scalable, Efficient
  - Speed & Accuracy should converge

- **Quarantine**
  - Significant deterrent against air travel demand recovery
  - Timely objective review required, proportionate to risk
  - Medically and scientifically supported measures, reduce need for quarantine

Only robust testing framework coupled with comprehensive risk mitigation measures enables meaningful restart of air travel

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Reshaping Passenger Experience

- **ICAO provides guidance for a safe, secure and sustainable restart and recovery of the aviation sector**

- **High adoption by airlines; but low by governments - still inwardly focused**

- **Border entry requirements become more stringent & divergent**

- **Accelerating adoption of new digital, technologies needed also for testing**

- **Harmonised passenger data solutions & standards imperative**

- **Overlapping and contradictory national rules and regulations create confusion for travellers and erode trust in travel**

Delivering consistent and smooth overall passenger experience adapting to the changed travel environment

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Industry Outlook

Passenger traffic to return to pre-pandemic volumes only in 2024

Global RPKs, trillion per year
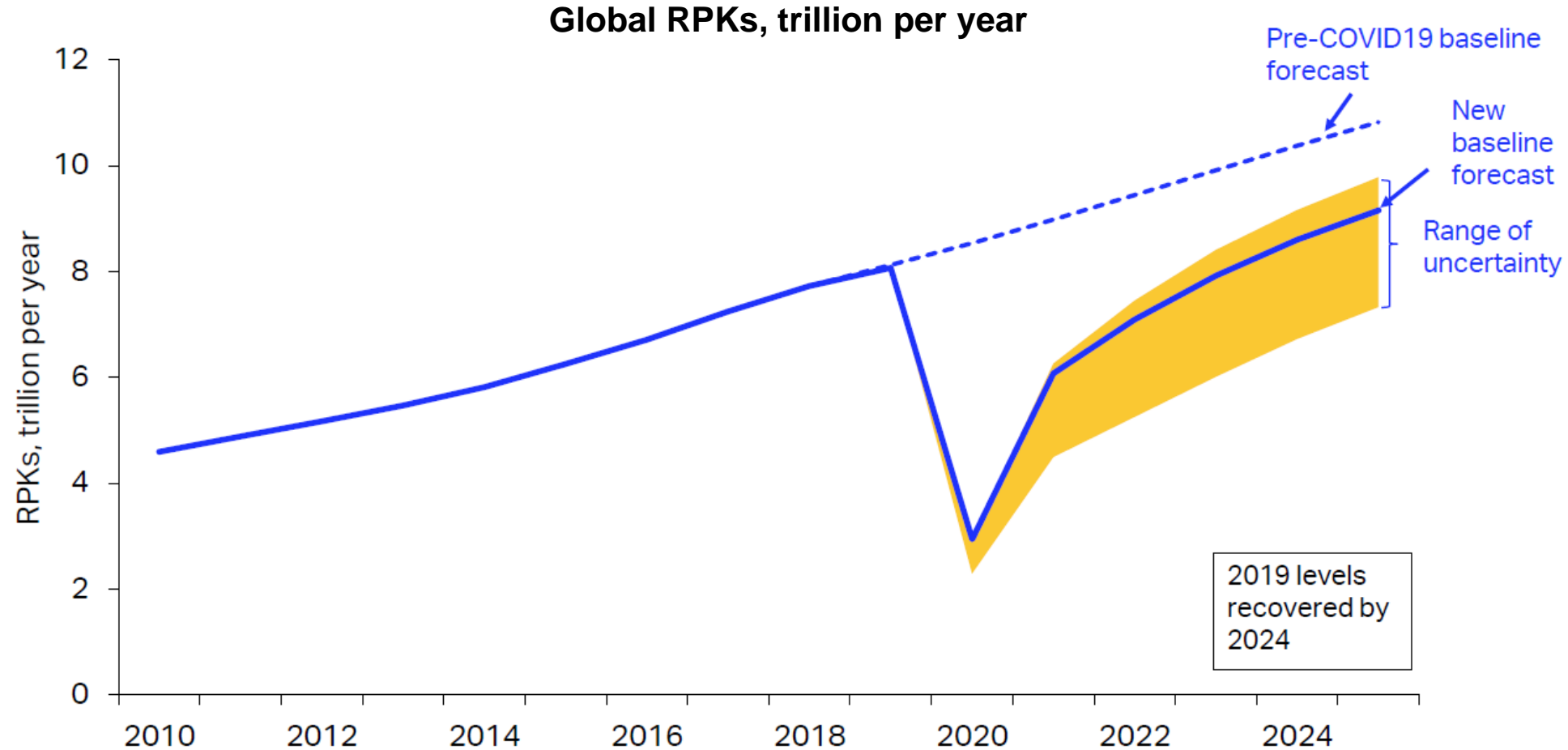
Source: IATA

Aviation: delivering essential services globally

Since March 2020…

39,200
Repatriation flights

5.4 million
Citizens repatriated

46,600
Special cargo flights

1.5 million
Tonnes of cargo, mostly medical equipment

…and more to come

Declaration of Solidarity for Safe Restart

- **Aviation is one**

- **Aviation is safe**

- **Airlines have been doing their part to support basic mobility**

- **Aviation has remained true to ICAO CART Take-Off Guidance**

- **We understand that emergency measures are necessary**

- **But we need coordinated, coherent and consistent measures that stand the test of time and can be reviewed**

- **We will stand together with governments to move forward with harmonisation of travel policy**

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Resolutions – Calling on Governments to…

- **Fully adopt ICAO CART, coordinate & harmonise aviation health measures, support development of mutually recognised testing framework & collaborate with industry to restore traveller trust**

- **Work together & with industry for the effective implementation of CORSIA & to develop alternative fuels that are environmentally sustainable**

- **Refrain from putting further financial strain on industry by increasing burden of aviation levies**

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Thoughts for the Future

- **Aviation is a key connector for global economic and social development**

- **Strong industry solidarity towards safe, sustainable restart & recovery**

- **Penchant for travel will not subside as seen in revival of domestic travel**

- **Strong multilateral collaboration inevitable to revive societies and commerce – staycation & self-sufficiency make the world poorer**

- **Mutually-recognised testing protocol & objective risk assessment are key**

- **Comprehensive adoption of ICAO CART measures to restore public trust**

- **Aviation fully committed to safe and sustainable long term growth**

Asia Pacific airlines firmly committed to the restart, continuity and recovery of global aviation

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