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

Source: European Centre for Disease Prevention and Control
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

As of 1 September 2020
Source: UNWTO
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

Source: AAPA
Note: Data on right of chart refers to Sep 2020 as a % of Sep 2019
Asia Pacific International & Domestic Available Seat Capacity

Source: AAPA

Note: Data on right of chart refers to Sep 2020 as a % of Sep 2019
Recovery in air cargo markets held back by lack of capacity

Source: AAPA, IATA

Note: Data on right of chart refers to Sep 2020 Year-on-Year % Change
Record industry losses this year

Net profit

US$ billions

Source: IATA
Asia Pacific Airlines Net Earnings Performance

Source: AAPA
Asia Pacific Airlines Liquidity Position

Asia Pacific airlines estimated cash burn 1H 2020
Average US$3.6 billion / month

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

Employment Supported by Aviation (millions)

Global

46m Jobs at Risk

52% of Total Employment

Note: Jobs in aviation, throughout the supply chain and in the wider economy
Source: ATAG, Aviation Benefits Beyond Borders 2020
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*
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
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*
Industry Outlook
Passenger traffic to return to pre-pandemic volumes only in 2024

Source: IATA

Global RPKs, trillion per year

- Pre-COVID19 baseline forecast
- New baseline forecast
- Range of uncertainty

2019 levels recovered by 2024

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

Source: Aviation Benefits Beyond Borders 2020
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
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
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