BRIEFING ON AIR TRANSPORT AND THE RESPONSE TO THE CHALLENGES OF COVID-19
The Air Transport Industry

Air Passenger and Air Freight Volumes

Billions per month

Source: IATA Monthly Statistics
IMPACT OF THE COVID-19 PANDEMIC
INITIAL IMPACT OF THE PANDEMIC

The impact of the novel coronavirus on air travel demand

Daily China Passenger Traffic (Domestic+International)

Index (January 1st, 2019 = 100)

Days before and after the start of the Chinese New Year Holiday

Start of the Chinese New Year Holiday

Jan 31st 2020: Daily passenger traffic down ~40% vs Feb 11th 2019

Source: IATA Economics using DDS data
EXAMPLE ANALYSIS OF IMPACT (WB)
International bookings take a sharp halt

Bookings made for international travel by departure region
6 January to 5 April, Year on Year variations

- More cancellations than new bookings
- Introduction of travel restrictions in China
- Lombardy COVID-19 outbreak

Bookings made in Q1^ YoY % change

<table>
<thead>
<tr>
<th>Region</th>
<th>YoY % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>-98.2%</td>
</tr>
<tr>
<td>Europe</td>
<td>-75.9%</td>
</tr>
<tr>
<td>Americas</td>
<td>-66.9%</td>
</tr>
<tr>
<td>Africa &amp; Middle East</td>
<td>-64.8%</td>
</tr>
<tr>
<td>Total Global</td>
<td>-80.4%</td>
</tr>
</tbody>
</table>

*Bookings made from 6 January to 5 April
International arrivals dive worldwide in Q1 2020

Arrivals to world regions Jan-Mar 2020*
1 January to 31 March 2020; Market shares by region and Year-on-Year variations

<table>
<thead>
<tr>
<th>Subregion</th>
<th>YoY variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>South America</td>
<td>-29.1%</td>
</tr>
<tr>
<td>Central America</td>
<td>-23.2%</td>
</tr>
<tr>
<td>Caribbean</td>
<td>-25.4%</td>
</tr>
<tr>
<td>North America</td>
<td>-26.2%</td>
</tr>
<tr>
<td>Middle East</td>
<td>-32.2%</td>
</tr>
<tr>
<td>North Africa</td>
<td>-29.4%</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>-21.1%</td>
</tr>
<tr>
<td>Americas</td>
<td></td>
</tr>
<tr>
<td>YoY Var: -26.7%</td>
<td></td>
</tr>
<tr>
<td>Total Inbound</td>
<td></td>
</tr>
<tr>
<td>YoY Var: -38.2%</td>
<td></td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>-35.2%</td>
</tr>
<tr>
<td>Southern Europe</td>
<td>-39.2%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>-37.4%</td>
</tr>
<tr>
<td>Northern Europe</td>
<td>-31.8%</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
</tr>
<tr>
<td>YoY Var: -36.4%</td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td>-32.1%</td>
</tr>
<tr>
<td>North East Asia</td>
<td>-63.6%</td>
</tr>
<tr>
<td>South East Asia</td>
<td>-40.2%</td>
</tr>
<tr>
<td>Oceania</td>
<td>-29.8%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td></td>
</tr>
<tr>
<td>YoY Var: -48.7%</td>
<td></td>
</tr>
</tbody>
</table>

* excluding domestic

Source: ForwardKeys air reservation data

Arrivals from 1 January to 31 March 2020 vs same period in 2019
Only considered pax staying 1 to 21 nights at destinations.
Air Cargo and COVID-19: Challenge for supply chains a blessing for airlines

- Typically 50 to 70% of cargo is transported in the belly of airlines - capacity is missing
- Initially a shortage of cargo capacity resulted in a sharp increase of tariffs
- Overall demand for air cargo down
- Airlines are crating capacity by converting passenger aircraft -> special regulations

Over 80,000 flowers transported
100,000 planes take off
20 million parcels sent
140,000 tonnes of cargo carried
1.1 million smartphones transported
Over 200 race horses transported
6,849 lives saved!
898 million letters sent
IATA’s forecasts Air Passengers to end 2020 at -48% with all regions affected in a very similar way, except North America

<table>
<thead>
<tr>
<th>Region of airline registration</th>
<th>RPKs 2020 (vs 2019 year-on-year change)</th>
<th>Passenger revenue $ billion 2020 vs. 2019 levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td>-50%</td>
<td>-113</td>
</tr>
<tr>
<td>North America</td>
<td>-36%</td>
<td>-64</td>
</tr>
<tr>
<td>Europe</td>
<td>-55%</td>
<td>-89</td>
</tr>
<tr>
<td>Middle East</td>
<td>-51%</td>
<td>-24</td>
</tr>
<tr>
<td>Africa</td>
<td>-51%</td>
<td>-6</td>
</tr>
<tr>
<td>Latin America</td>
<td>-49%</td>
<td>-18</td>
</tr>
<tr>
<td><strong>Industry</strong></td>
<td><strong>-48%</strong></td>
<td><strong>-314</strong></td>
</tr>
</tbody>
</table>

Source: IATA Economics
THE AIRLINE INDUSTRY CONSOLIDATION

Airlines that stopped flying and/or are insolvent in 2019:

1 - Adria (Slovenia)
2 - Aerolíneas de Antioquia (Colombia)
3 - Aigle Azur (France)
4 - Air Bagan (Burma)
5 - Air Philip (South Korea)
6 - Al Naser Wings Airlines (Iraq)
7 - Asian Express Airline (Tajikistan)
8 - Astra (Greece)
9 - AtlasGlobal (Turkey) - REINSTATED!
10 - Avianca Argentina
11 - Avianca Brasil
12 - Bassaka Air (Cambodia)
13 - Bek Air (Kazakhstan)
14 - California Pacific (US)
15 - Cambodia Bayon Airlines
16 - Ernest Airlines (Italy)
17 - Far Eastern Air Transport (Taiwan)
18 - Fastjet Mozambique
19 - Fly Jamaica Airways (Jamaica)
20 - Flybmi (UK)
21 - Germania (Germany)
22 - Insel Air (Curaçao)
23 - Jet Airways (India)
24 - KC International Airlines (Cambodia)
25 - LC Perú
26 - New Gen Airways (Thailand)
27 - Nextjet (Sweden)
28 - OneJet (US)
29 - Orient Thai Airlines (Thailand)
30 - Peruvian Airlines (Peru)
31 - Saratov Airlines (Russia)
32 - Silverstone Air (Kenya)
33 - Skywork Airlines (Switzerland)
34 - Small Planet Airlines (Lithuania)
35 - Tajik Air (Tajikistan) - REINSTATED!
36 - TAM Bolívia
37 - Taron Avia (Armenia)
38 - Thomas Cook (UK)
39 - Via Airlines (US)
40 - Wisdom Airways (Thailand)
41 - WOW (Iceland)
42 - XL Airways (France)
43 - Zoom Air (India)
The airline industry consolidation

Airlines that stopped flying and/or are insolvent so far in 2020:

1. Nantucket Express (USA)
2. Air Italy (Italy)
3. Atlasglobal (Turkey)
4. Trans States Airlines (USA)
5. Flybe (UK)
6. Compass Airlines (USA)
7. Ravn (USA)
8. Germanwings (Germany)
9. South African Airways
10. German Airways (Luftfahrtgesellschaft Walter) (Germany)
11. Air Mauritius (Mauritius)
12. AVIANCA
Challenges for Air Travel

States must regulate air travel when responding to COVID-19 to ensure recovery by addressing:

- new airport and airline procedures to be put in place to limit the spread of the pandemic,
- new borders crossing requirements, such as health checks, pre-clearance, or quarantines could result in border closing and opening on short notice,
- flight schedules become unpredictable and flights subject to short-notice cancellation or rescheduling,
- social distancing measures by implemented touchless travel automation, contactless and self-service technology, and more space requirements, and
- by increasing security with the use of biometrics to follow passengers through the airport onto the aircraft (contact tracing measures).
POST COVID-19 AIR TRANSPORTATION

Airports must rapidly introduce new procedures and alter infrastructure

A new challenges for airport infrastructure, employees and travelers – a need for global standards
RESPONSE BY GOVERNMENTS

Short-term response to the crisis

Many airlines, airports, and even Air Navigation Service Providers (ANSP), may struggle to survive.

States must take measures to preserve connectivity by:

(A) Airlines

- **Facilitation/regulation:** Emergency regulation to facilitate return of air services
- **State-owned carriers:** if viable, support by an emergency program, if not viable, restructure or liquidate (COVID-19 as opportunity)
- **Private-sector carriers:** Facilitate (tax relieve, lowering fees), financial support (emergency loans/nationalization or let go)

(B) Airports

- **Facilitation/regulation:** Emergency regulation to facilitate return of air services
- **State-owned airports:** Preserve infrastructure, restructure human resources
- **PPP airports:** Review and adapt PPP arrangements, consider lowering fees, if not viable, restructure/cancel PPP arrangements

(C) **ANSP:** Preserve infrastructure, restructure human resources
Medium and long-term measures

New global standards need to be developed to deal with the final stage of COVID-19 and prepare the response to future pandemics.

On the medium-term, States must take measures to:
• preserve the air transport sector by ensuring health and safety and by facilitating air travel (measures until COVID-19 disappears), and
• ensure the survival of key players in the industry (airlines, airports).

On the long-term, States must take measures to:
• establish a sustainable air transport sector, which provides connectivity at its real cost (neither a “cash-cow” nor a permanently subsidized sector), and
• put in place adequate measures to respond quickly at the onset of a future pandemic (regulation, equipment).
Support and cooperation with client countries

(A) Bi- and multi-lateral partners (States, regional organizations)
- **Technical cooperation:** Airline and airport procedures
- **Financial support:** Financing of key infrastructure (airlines, airports, ANSP)
- **Merger/Take-overs:** Airline mergers, airport concessions (PPP)

(B) Multilateral development banks MDB (WBG, EIB, ADB, EBRD, CAF, IADB, AfDB)
- **Technical assistance:** Sector analysis, forecast, airline restructuring, airport operations
- **Regulation & Policy:** Develop sector policy (DPO), implement existing regulation (T/A)
- **Financing/PPP:** Infrastructure financing (airports, airlines), facilitate PPVs

(C) Industry and sector institutions (ICAO, IATA, ACI, CANSO)
- **Technical assistance:** Provision of T/A in cooperation with MDB (financing, T/A)
- **Regulation & Policy:** Review and develop sector policy and regulations (ICAO SARP)
Cooperation between development partners

(A) Sector assessments and research
  • Sector assessments: Connectivity, sustainability
  • Forecast/planning: Forecast and Master Planning
  • Research: Economic, technical, and regulatory research and best practices

(B) Technical, policy, and regulatory advise
  • Technical assistance: airline restructuring, airport operations, ANSP (T/A, RAS)
  • Policy: Development and implementation of sector policy (e.g. fees)
  • Regulation: Compliance with SARP, and implementation of existing regulation

(C) Financing
  • Infrastructure financing: Financing of airlines (IFC), airports, or ASNP
  • Technical assistance: Provision of T/A in investment projects or DPO
(A) Sector assessments and research

- Global assessment of the impact on air transportation
- Regional review of the airline sector in LAC (19 carriers)
- Country analysis on air transport (Morocco, Ethiopia)

(B) Technical, policy, and regulatory advice

- Technical assistance: Existing RAS now include COVID-19 related work on airlines (Uzbekistan) and airports (Bahrain)
- Policy: Policy triggers in discussion on DPOs concerning the restructuring or privatization of state-owned carriers (Tunisia, Cabo Verde)
- Regulation: Technical exchange with ICAO, IATA, ACI on new regulations

(C) Financing

- Infrastructure: Regional Air Transport Project in the Caribbean includes to include equipment and infrastructure for COVID-19
- Private sector: IFC is considering support of viable carriers in Africa
Thank you!

Any questions?

Charles E. Schlumberger
Lead Air Transport Specialist
cschlumberger@worldbank.org

18 May, 2020