

**ICAO VIRTUAL MEETING FOR MINISTERS OF HEALTH,
TOURISM AND TRANSPORTATION AND CIVIL AVIATION
AUTHORITIES DIRECTORS GENERAL ON AVIATION
RECOVERY IN THE NORTH AMERICAN, CENTRAL
AMERICAN AND CARIBBEAN STATES**

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WORLD BANK GROUP
Air Transport

Online 28 October 2020

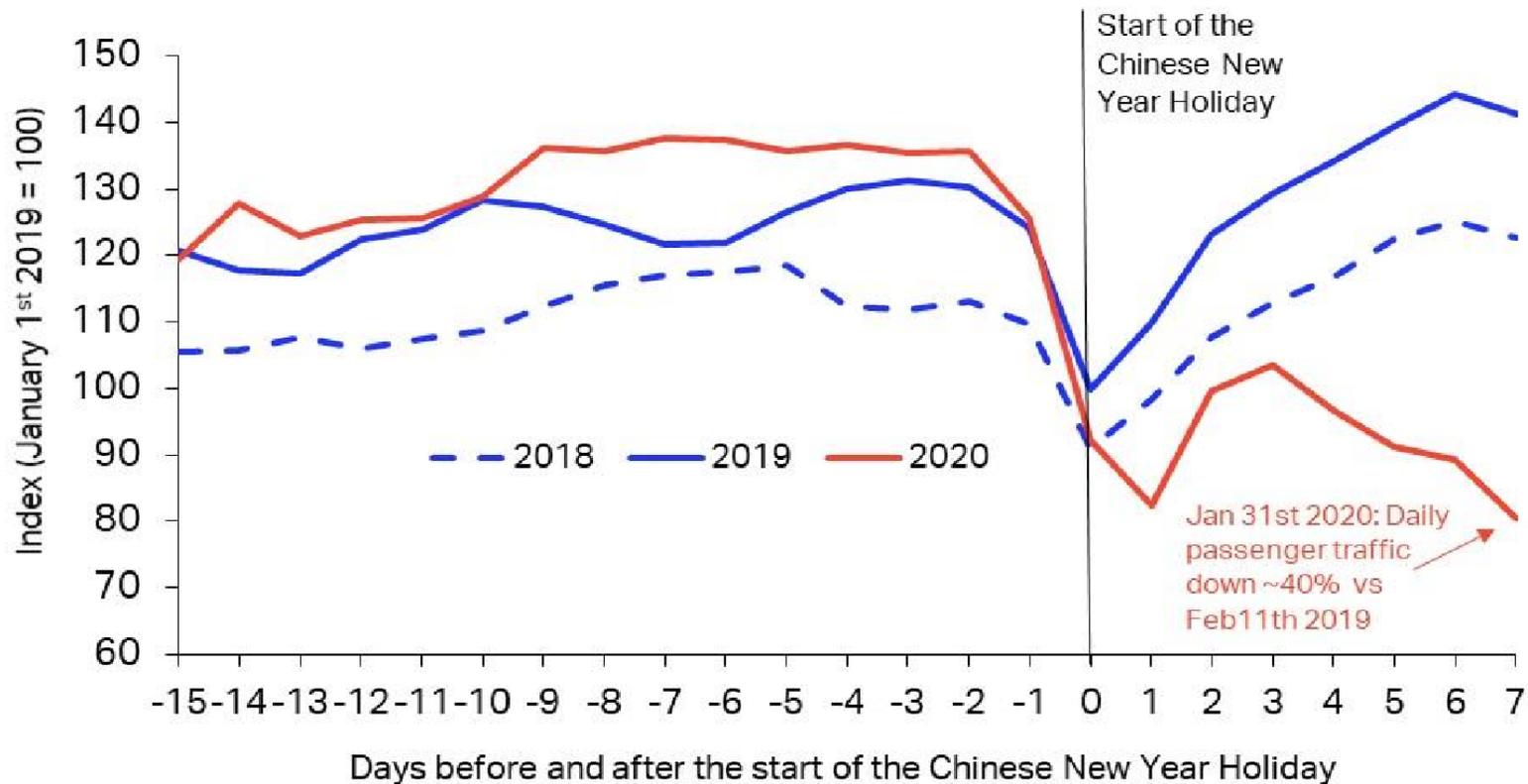
EMERGENCY: COVID-19 PANDEMIC



INITIAL IMPACT OF THE PANDEMIC

The impact of the novel coronavirus on air travel demand

Daily China Passenger Traffic (Domestic+International)

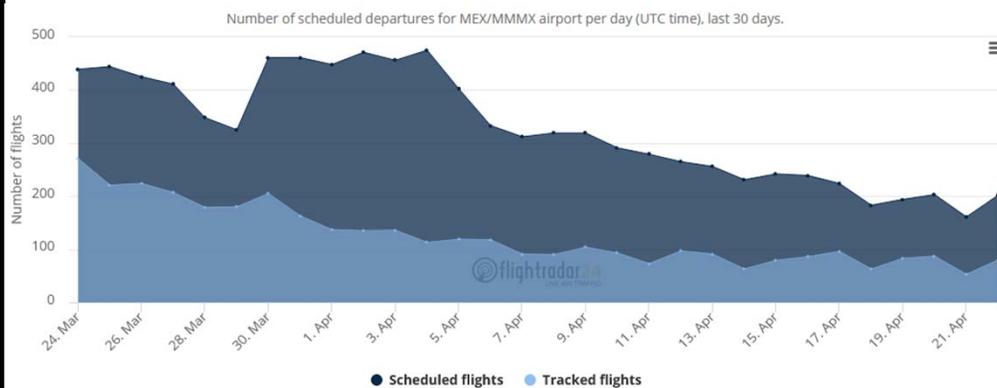


Source: IATA Economics using DDS data

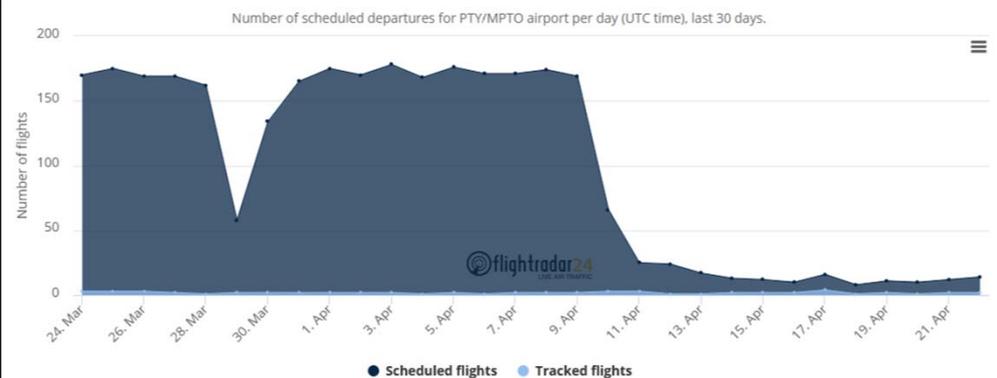
EXAMPLE OF THE IMPACT ON TRAFFIC



Mexico City (MEX)

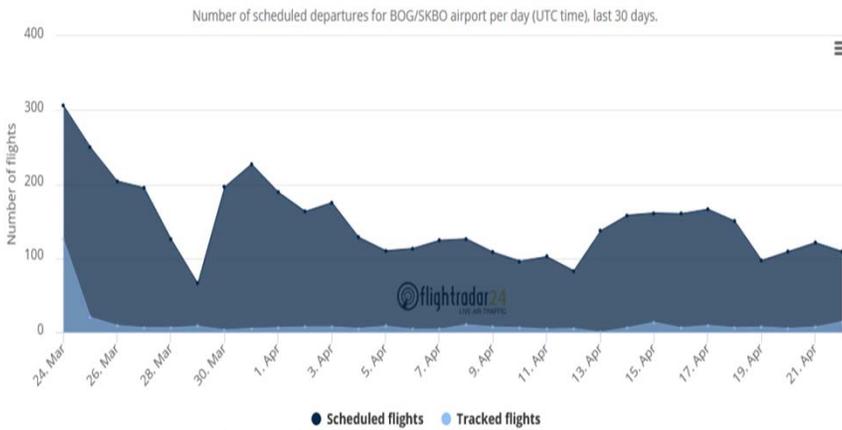


Panama (PTY)

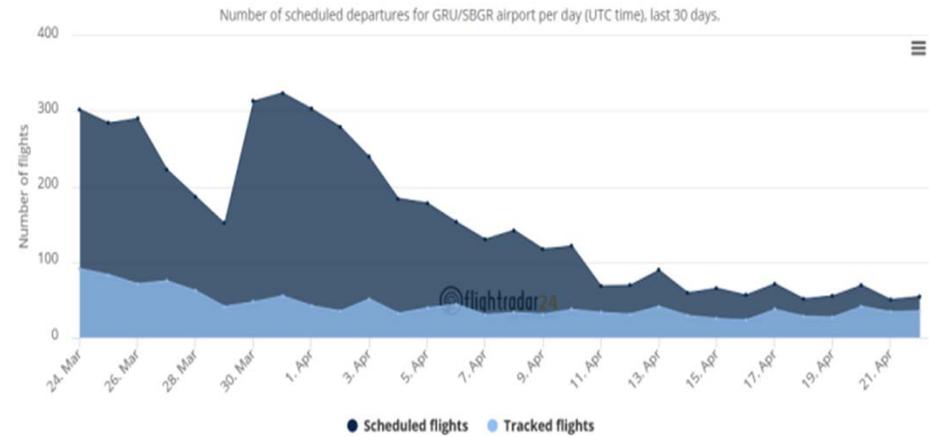


EXAMPLE OF THE IMPACT ON TRAFFIC

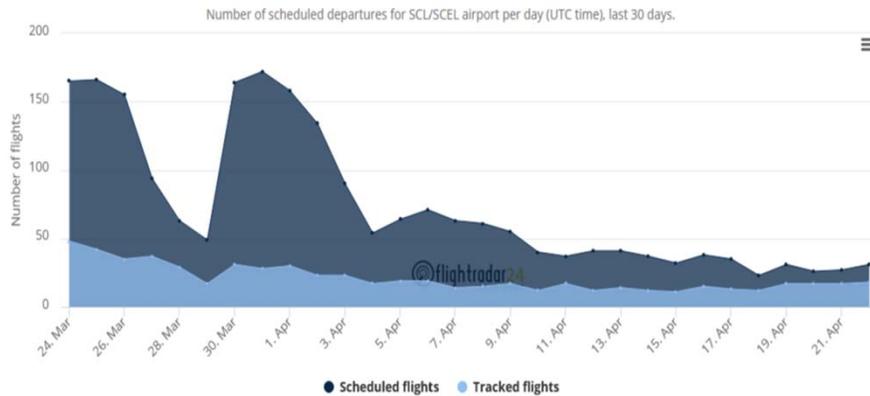
Bogota (BOG)



Sao Paulo (GRU)



Santiago (SCL)

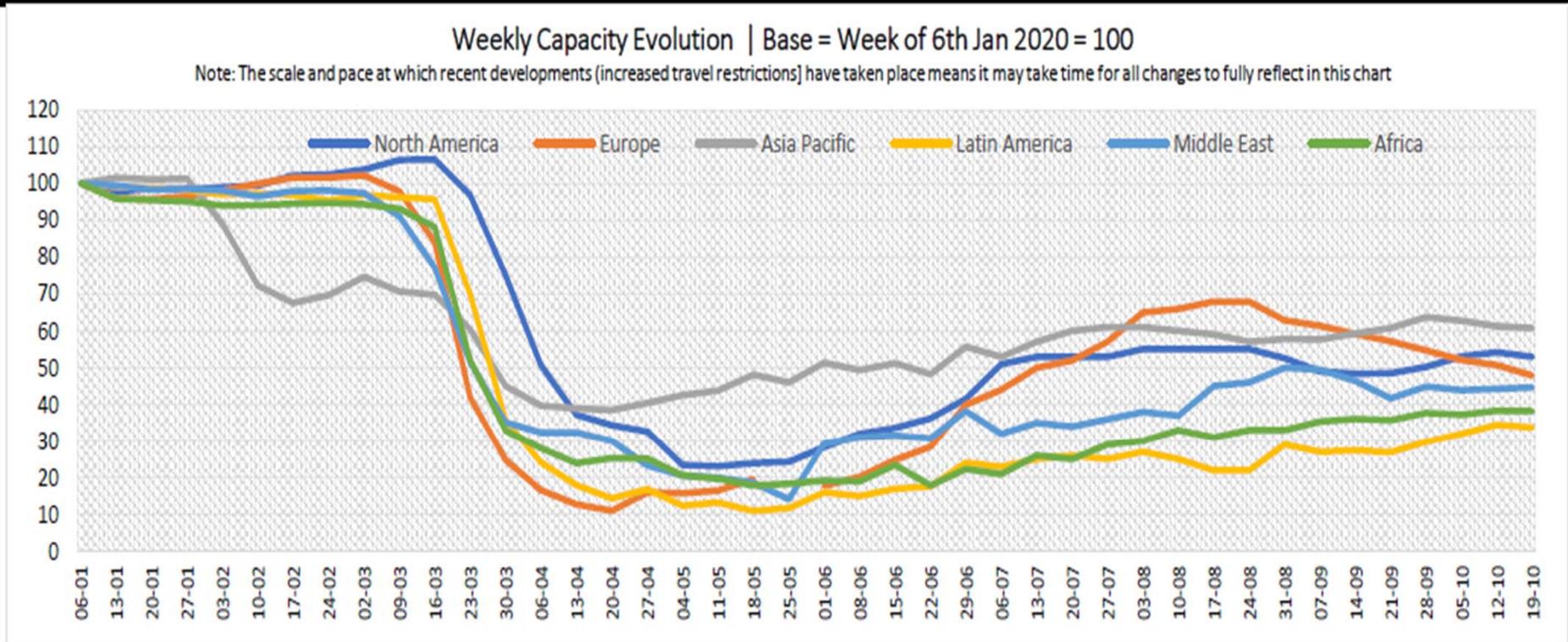


Buenos Aires (EZE)



IMPACT ON THE AIRLINE INDUSTRY

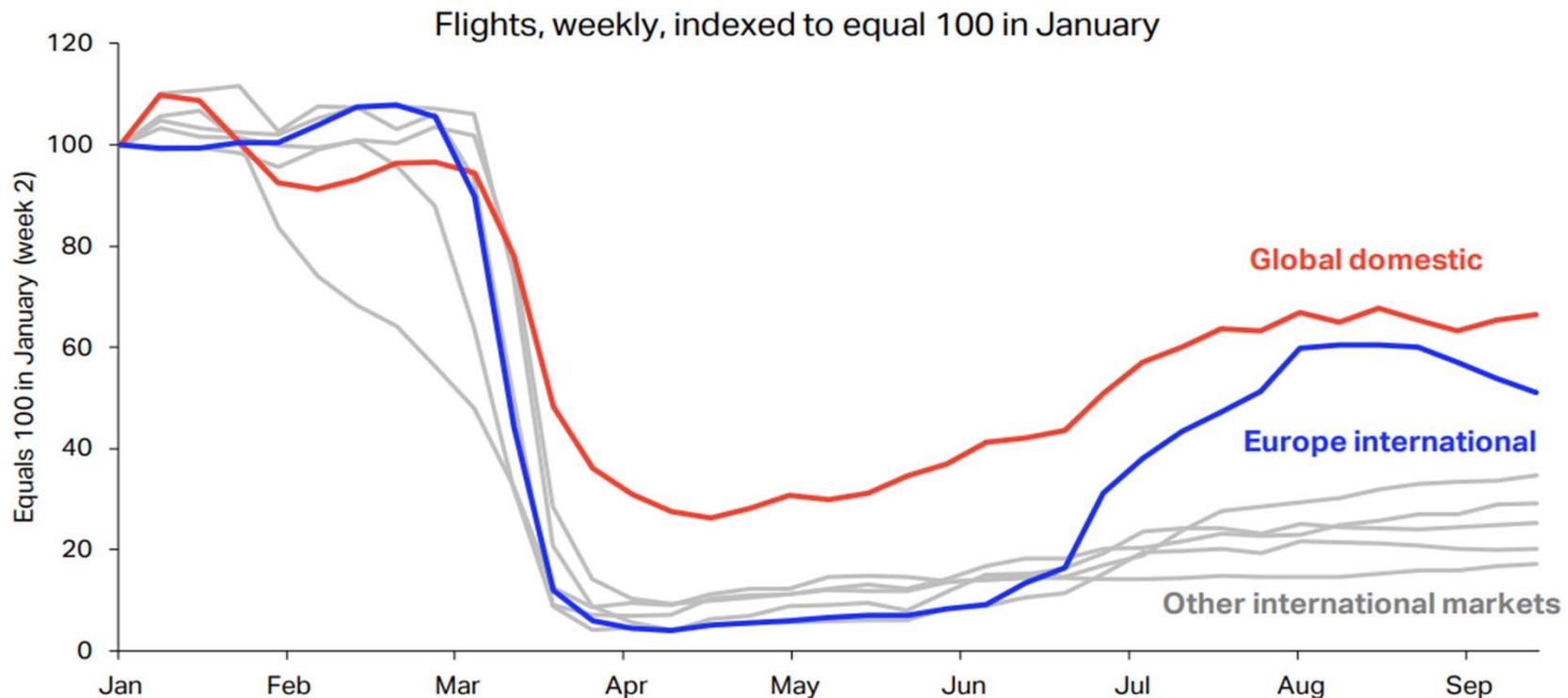
CAPACITY SITUATION - THE WEEK OF 19th October 2020



Source: OAG Data and Ishika Calculations.

THE AIRLINE INDUSTRY

Air travel growth stalled in mid-August and September
Rising COVID-19 cases stopped further progress

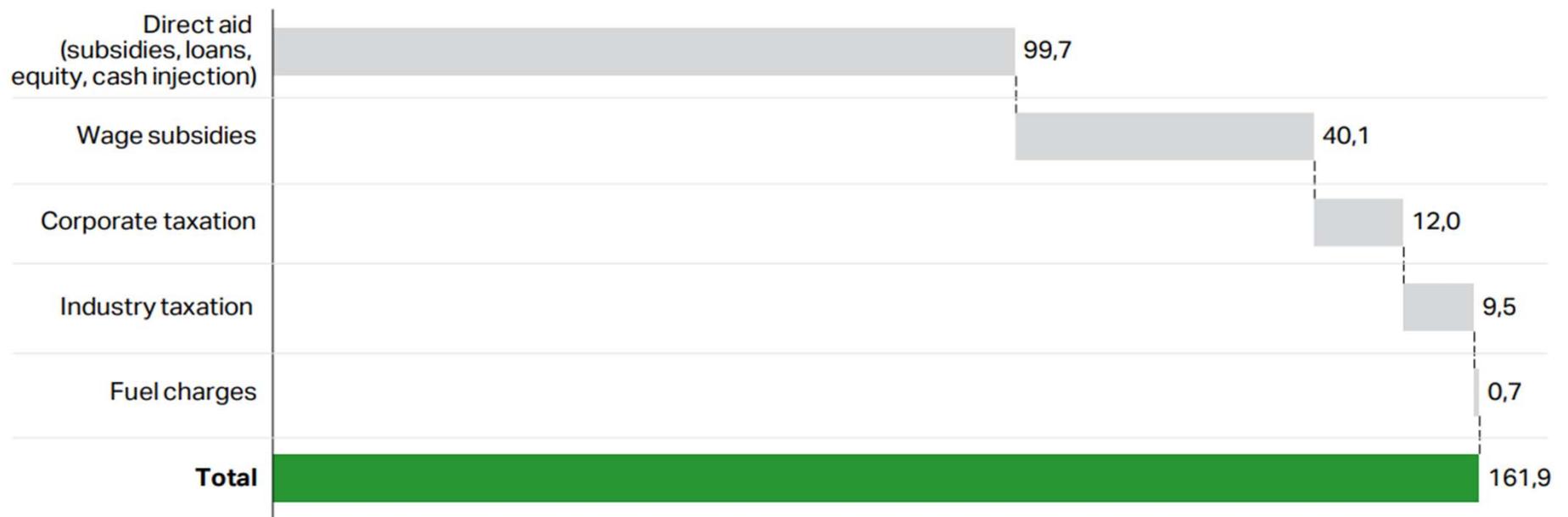


Source: IATA Economics analysis based on data provided under license by FlightRadar 24

THE AIRLINE INDUSTRY

Airlines have been kept on life support
\$160bn aid from government and another \$20bn from suppliers

Government aid made available to airlines due to COVID-19, by type (USD bn)



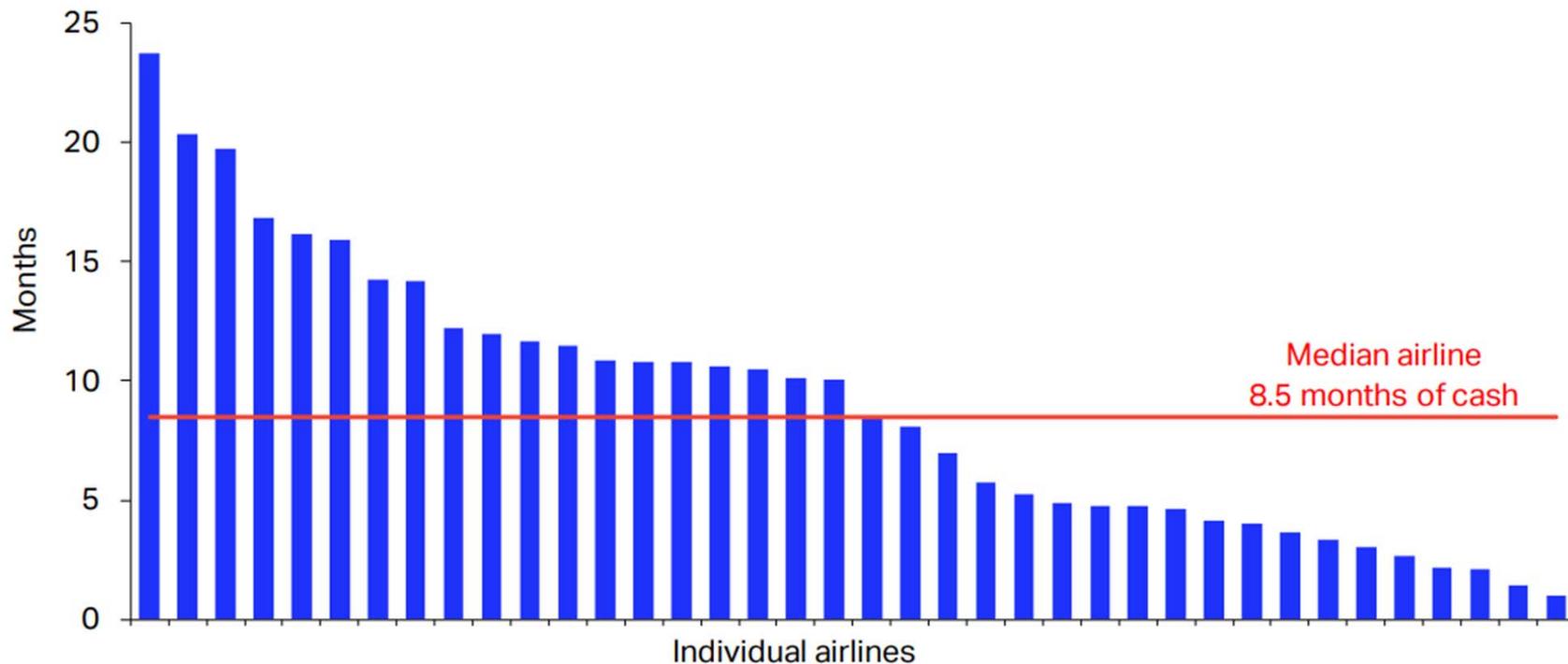
Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Government measure included up until 7 Sep 2020



THE AIRLINE INDUSTRY

Even after large cash raise many airlines at risk
Median airline's cash would last just 8.5 months at H2 rate of cash burn

2020 end June cash+cash equivalents/2020 H2 monthly cash burn



Median airline
8.5 months of cash



Source: IATA Economics using data from the Airline Analyst

THE AIRLINE INDUSTRY

The Impact at a Glance

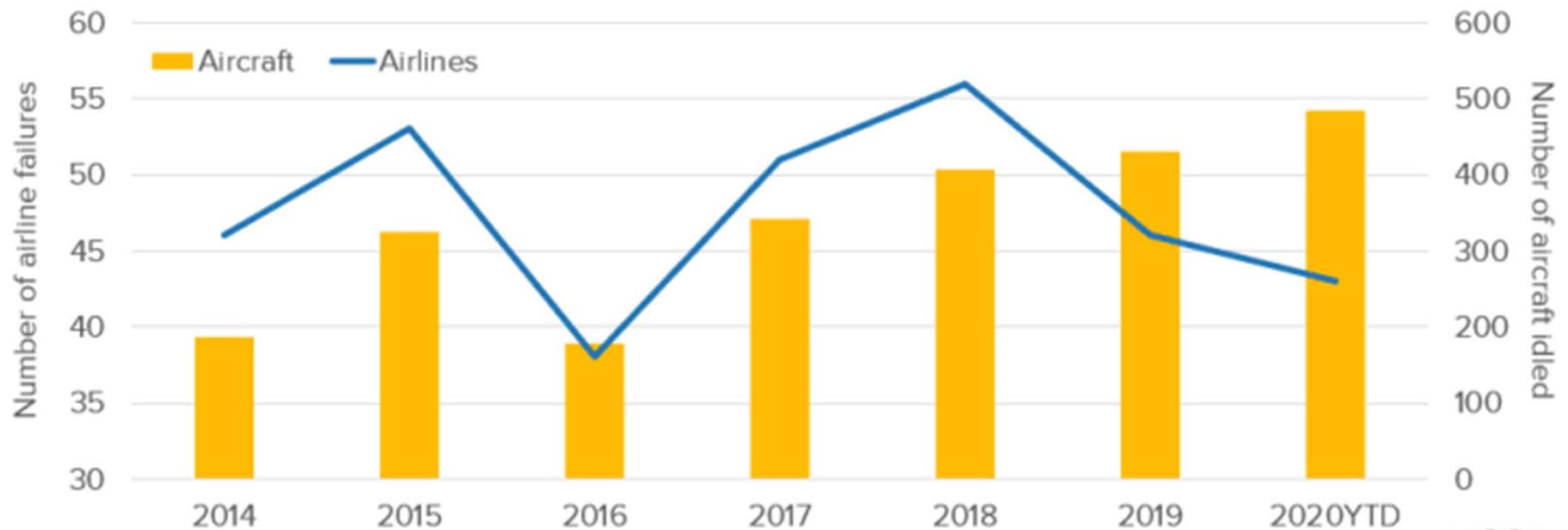
Globally, airlines are forecasted in 2020 to:

- lose USD 84.3 billion, representing a net profit margin of -20.1%,
- have many carriers have already initiating bankruptcy and liquidation procedures,
- highest loss of USD 29 billion is expected to occur in Asia Pacific,
- highest reduction in passenger demand is expected in Africa (-58.5%) and Latin America (-57.1%), and
- the highest reduction in capacity will occur in Africa (-50.4%) and in the Middle East (-46.1%).

THE AIRLINE INDUSTRY

Global airline failures from 2014 to 2020

Fewer airlines have failed in 2020 so far, but more aircraft have stopped operating because larger airlines were affected.



SOURCE: Cirium



AIRLINE SUPPORT BY GOVT

Governments have the following options to support airlines:

- Grants (unconditional or conditional)
- Loans (low interest, and deferred repayment)
- Guarantees to facilitate private financing
- Nationalization (partial or full)
- Indirect support (waiving fees, deferred taxes)
- Restructuring and Privatization
- Liquidation and recreation (e.g. SWISSAIR)

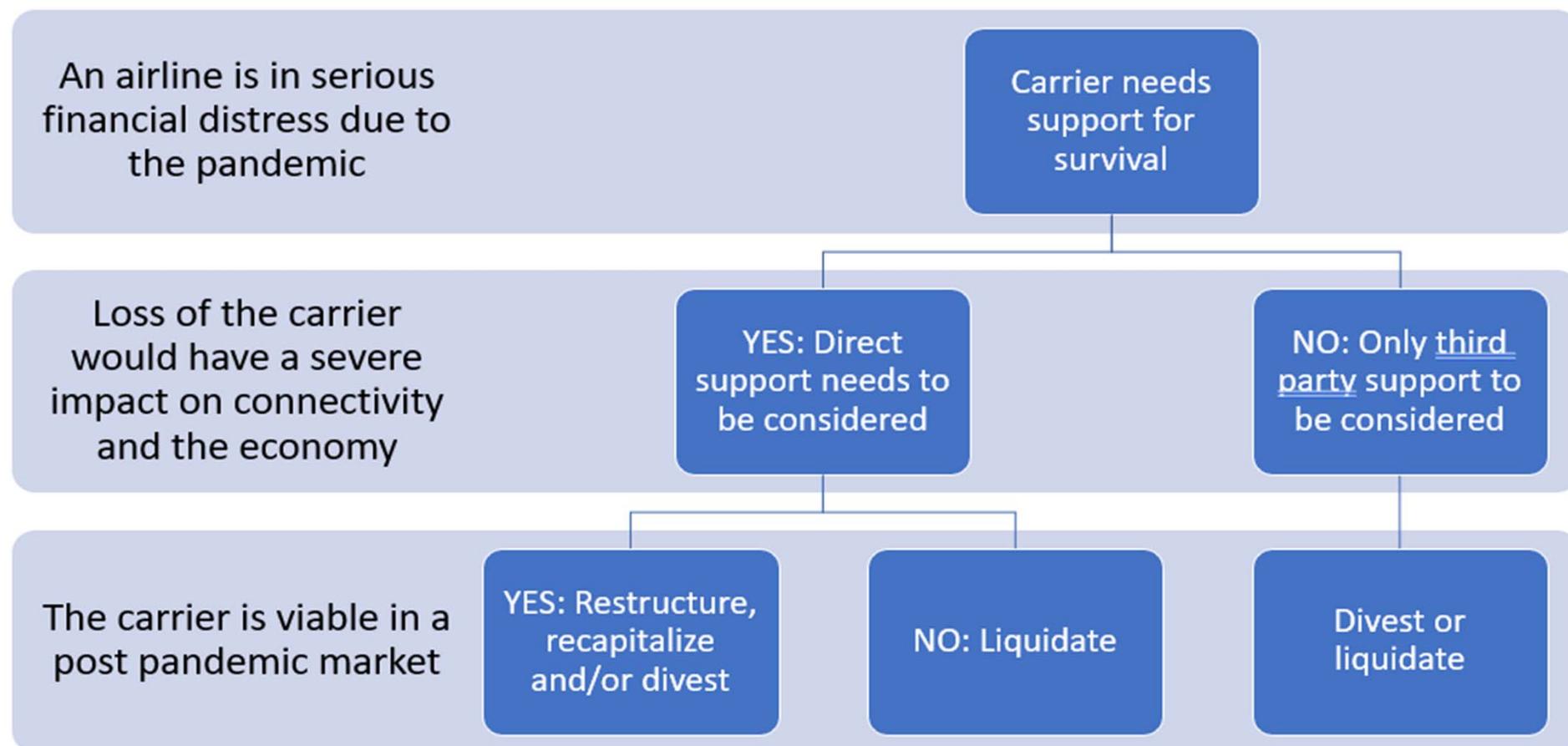
CRITERIA FOR SUPPORT

Support by governments needs to be considered under the following aspects:

- Significance of provided connectivity
- Economic impact of disappearance of carrier
- Viability of carrier before the crisis
- Likelihood of successful restructuring/bailout of carrier
- Liquidation versus going concern
- Opportunity costs (e.g. airline versus health)

CRITERIA FOR SUPPORT

Decision Tree for supporting an Air Carrier



CONCLUSIONS

1. The impact of COVID-19 is catastrophic for the aviation industry – it may take many years to recover (economy?)
2. Loss of connectivity will have a negative economic impact on many developing and emerging countries
3. Airline bailouts are costly and must be weighted against the opportunity cost in other sectors
4. Only viable carriers should be supported
5. The mode of support must be carefully chosen (grant, loan, nationalization, liquidation & recreation)