

AIR TRANSPORT CURRENT REALITY

A YEAR TO FORGET: Since the initial COVID-19 Index Case was first reported in Wuhan, Hubei Province, on Dec 1, 2019, our world has been in an increasing state of turmoil. The global passenger air transport industry has paid a heavy price with further pain undoubtedly yet to come. As we approach the end of 2020, we look at some key data that provides the context for the industry's next steps towards recovery. It's not a pretty picture...

COVID-19 CONFIRMED CASES

62Mn ⁽¹⁾

0.80% of World's Population

AIRLINES IN YEAR LOSSES

\$118Bn ⁽⁴⁾

UNDER-RECOVERED ANSP COSTS

\$11Bn ⁽⁷⁾

COVID-19 REPORTED DEATHS

1.4Mn ⁽²⁾

2.34% of Cases & 0.02% of World's Population

AID PROVIDED TO AIRLINES

\$220Bn ⁽⁵⁾

AIRLINES: <3 MONTHS LIQUIDITY

95% ⁽⁸⁾

AIRLINES RPK'S: 20FY VS 19FY

-66% ⁽³⁾

AIRLINES TOTAL DEBT

\$651Bn ⁽⁶⁾

DIRECT INDUSTRY JOB LOSSES

620K ⁽⁹⁾



(1) WHO COVID-19 Dashboard Nov 30, 2020: Confirmed Cases (2) WHO COVID-19 Dashboard Nov 26, 2020: Deaths (3) IATA COVID-19 Downgrade for Global Air Travel Outlook Sep 29, 2020: Forecast RPK reduction 2020FY vs 2019FY (4) IATA AGM Nov 24, 2020: Total estimated airline net losses (5) IATA AGM Nov 24, 2020: Government Aid & Capital Markets (6) IATA AGM Nov 24, 2020: Debt 2019=\$430Bn, Debt 2020=\$651Bn (7) Navigational Charge Losses by FIR Regions & States <https://data.icao.int/coVID-19/ansp.htm> (8) CTAIRA: percentage of airlines with less than 3 months liquidity on hand (9) Direct job losses reported across the global industry since Feb 2020: Five Aero analysis

AIR TRANSPORT

WHAT NEXT?

2021 & BEYOND: With the current reality in mind, industry-wide, leaders are grappling with profound, existential challenges. How do we: (a) survive the next 12-18 months, (b) attract new capital, and (c) restructure, build back better & best position our organizations to take advantage of emerging future opportunities. Key areas of leadership focus include, how to:

	Potential Opportunities		
	AIRLINES	AIRPORTS	ANSP'S
Protect & Maximize Existing Revenue Streams	<ul style="list-style-type: none"> • Move to demand driven Dispatch • Offer 'associate level' Frequent Flyer Programme benefits (e.g. pay for lounge access) 	<ul style="list-style-type: none"> • Develop new commercial models (e.g. future profit share) • Expand cargo operations • Provide office space on a Pay As You Go basis (e.g. Regus model) 	<ul style="list-style-type: none"> • Secure existing revenue streams where possible
Develop New Sources of Revenue	<ul style="list-style-type: none"> • E-commerce with partners • Domestic holidays (no flights) • Sell experiences (sports tickets, concert ticket packages) 	<ul style="list-style-type: none"> • Utilize terminal facilities for large scale vaccinations • Develop Urban Air Mobility & Drone service offerings • Re-purpose real estate 	<ul style="list-style-type: none"> • Regulated monopoly provider role limits scope • Consider acquisitions if constitutionally permitted
Further Reduce Operating Costs	<ul style="list-style-type: none"> • Pay As You Go at base airports • Increase collaboration with selective technology partners to deliver greater digitalization • Tackle EU261 	<ul style="list-style-type: none"> • Accelerate contactless end to end passenger journey • Re-negotiate all major contracts & capital projects delivery costs 	<ul style="list-style-type: none"> • Consider outsource of any labour activity not directly related to operational service • Agree national forecast traffic, capacity & staff plan
Move Operating Costs From Fixed To Variable Basis	<ul style="list-style-type: none"> • Shift to 'virtual airline' (as per hotel OpCo/PropCo model) • Exploit 'Software As A Service' opportunities • Maximize zero/variable hours 	<ul style="list-style-type: none"> • Outsource non-core activities (e.g. HR, Taxation, Legal) • Maximize zero/variable hours 	<ul style="list-style-type: none"> • Reduce fixed head count • Reduce office space • Move from owned to leased infrastructure cost model
Increase Operational Agility & Resilience	<ul style="list-style-type: none"> • Develop more realistic planning • Budget for "go show" flights • Lengthen rostering windows 	<ul style="list-style-type: none"> • Develop better integrated operational plans with airlines 	<ul style="list-style-type: none"> • Partner with other ANSP's & companies to smooth ability to meet demand peaks/resilience by increased use of remote technology & shared resources

