

Airlines worldwide looking for survival measures

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By Raquib Siddiqi

Dhaka : It is not an exaggeration to say that the Covid-19 pandemic has thrown the global airline industry into a tailspin. The potent combination of trip cancellations and country-specific restrictions on international flights, has created a staggering impact, on the USD 880 billion global airline industry.

It is no surprise that the industry clobbered hardest, by the Covid-19 pandemic, is the one responsible for helping it spread to the four corners of earth. But the speed and depth of the nosedive which airlines have taken is nevertheless alarming.

Nearly all countries have some type of travel advisory in place, with many encouraging people to avoid non-essential travel even before Covid-19 was officially considered a pandemic by the World Health Organisation (WHO).

Covid-19 has seriously disrupted the airline industry. Most countries have travel advisories - or outright bans - in place to restrict the spread of the virus.

The earliest impacts of these were felt in February, as flight capacity in and out of China dropped sharply around Lunar New Year. Also, the country's sharpest year-over-year drop was recorded on February 17, 2020, with a 71 per cent drop in flights compared to the same date in 2019.

Most of the schedule passenger airlines around the world have cancelled all international flights, but some carriers are still operating flights, often to help stranded travellers return to their home countries.

Broadly speaking, countries around the world are taking similar actions to limit the spread of the virus and "flatten the curve":

World leaders are being forced to take drastic, emergency measures to confront the worsening coronavirus crisis.

They are meant to keep people alive but are killing the global economy. And few industries have been hit as hard as airlines.

The International Air Transport Association says the industry stands to lose more than USD 250 billion in revenue this year, and that is assuming things recover in three months.

An estimated 8,500 aircraft are sitting in storage around the world, according to an information in late March.

Many airlines worldwide face the threat of bankruptcy in coming months, if these declining trends continue. To hedge against these domino effects of the outbreak, US airlines are requesting upwards of USD 60 billion in bailouts and direct assistance from the government.

Covid-19 is throwing everything up in the air-including the fate of airline companies. It's not yet clear when these stringent travel restrictions may be lifted, but one can only hope that these airlines do not have to continue to weather the storm much longer.

The losses for the wider global aviation-related industries from the coronavirus pandemic could exceed USD 2 trillion this year, with millions of jobs at risk in Asia-Pacific alone.

Looking means to survive

The situation is very grim, and all the airlines are looking for measures to survive this unusual and unprecedented crisis.

Hit hard by similar situation, global airlines of different regions, will have differing routes to survival. Access to ample funds of their own is a luxury few of them have in the months ahead.

Cash in hand and having a parent company with the means will be the easiest way for airlines to survive a post-virus business landscape.

There is not an airline on the planet that would be able to hunker down and survive the worst-case scenario for the Covid-19 pandemic - an 18-month-plus shutdown of much of the global aviation industry.

Of the 29 largest carriers by revenue, not a single airline can boast a cash ratio higher than one, meaning they would all run short of money before satisfying their creditors.

Plenty of carriers are also scaling back capital expenditure by deferring the purchase of new aircraft.

Short-term measures

Almost all the airlines have started taking measures to survive the current predicaments and hoping for government support.

In Bangladesh, all the four airlines-both public and private-are now considering various options for survival. Except cancellation of overtime by Biman Bangladesh Airlines, no other action has been made public yet. All the airlines are expecting bailout action by the government.

Moreover, Cathay Pacific workers are being furloughed and stood down in regions where flights have been reduced or halted entirely.

Cathay Pacific, based in Hong Kong, has cut capacity by 65 per cent in March and

April, and anticipates more cuts in May. Korean Air has lopped 80 per cent of its schedule.

Chinese airlines can also count on generous government support. Most of the big ones are state-owned (China Eastern and China Southern. Beijing has already promised bail-outs to make up for their losses, estimated to be around USD 3 billion in February alone.

Thai Airways is cutting salaries as it grounds all flights.

Philippines' largest airlines, including Philippine Airlines and Cebu Pacific, are appealing to the government for fee waivers and an emergency line of credit, among other forms of relief.

Malaysia Airlines is putting some of its grounded planes back in the skies to take stranded travellers home.

Singapore Airlines has secured up to SD19 billion (USD 13 billion) to survive the coronavirus crisis.

Japan's ANA will furlough nearly half its workforce on a rotating basis.

Some Indonesian airlines have begun laying off employees.

AirAsia is grounding most of its fleet.

More than a third of Jetstar workers have taken up temporary jobs elsewhere amid its temporary suspension of flights.

Government support

In different parts of the world, governments are promising bailouts to keep the industry afloat.

The government of Bangladesh has also announced incentive package for the affected aviation industry. But its size and nature is not yet known.

Emirates-the largest airline in the world- is to be given a capital injection by the Dubai government, in the aftermath of the coronavirus outbreak.

Dubai's crown prince Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum said the government is "committed to providing full support" to the airline during the crisis. As part of this support, it will "inject new capital" into the carrier.

In the United States of America, President Trump signed into law, USD 61 billion in relief for the airline industry. The relief package includes a combination of direct grants and loans for the airlines.

India is planning a rescue package worth as much as USD 1.6 billion for the aviation sector, which has been battered after the coronavirus outbreak forced countries to close borders and brought air travel to a near-halt.

The Finance Ministry is considering a proposal that includes temporary suspension of most taxes levied on the sector, including a deferment of aviation fuel tax.

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Looking ahead

Over the next three months, the International Air Transport Association expects airlines to rack up losses of almost USD 40 billion (EUR 32.3 billion). It said carriers were burning through their cash reserves fast, mainly because of the multi-billion-pound cost of refunding tickets for cancelled flights.

The situation is really grim, very grim indeed. But there are people who are optimistic that there will be a full recovery and that virtually all governments will offer support packages for their aviation sectors.