

IATA welcomes government aid offered, says much more is needed to prevent collapse

By **Hibah Noor** on March, 26 2020 | Industry News



The International Air Transport Association (IATA) has been urging governments around the world to act quickly to provide financial relief to airlines before the current crisis shuts the industry. The organization welcomes the support of governments that have provided relief to date and urges others to follow suit.

“Airlines are fighting for survival in every corner of the world. Travel restrictions and evaporating demand mean that, aside from cargo, there is almost no passenger business. For airlines, it’s apocalypse now. And there is a small and shrinking window for governments to provide a lifeline of financial support,” says Alexandre de Juniac, IATA’s Director General and CEO.

As the virus began to take hold around the world and the coming crisis became apparent, the IATA had estimated a loss of US\$113 billion dollars at the low end. This number proved to be less than half of current estimated losses of US\$252 billion if the severe travel restrictions remain in place for three months -- a 44% decline over 2019 and unsustainable.

“We are 100% behind governments in supporting measures to slow the spread of COVID-19. But we need them to understand that without urgent relief, many airlines will not be around to lead the recovery stage. Failure to act now will make this crisis longer and more painful,” says de Juniac. “Some 2.7 million airline jobs are at risk. And each of those jobs supports a further 24 in the travel and tourism value chain.”

The European Central Bank and the United States Congress are expected to offer aid to airlines in their respective jurisdictions as part of a comprehensive strategy, and a number of governments have already offered aid, including the following examples:

Australia has announced an A\$715 million (US\$430 million) aid package comprising refunds and forward waivers on fuel taxes, and domestic air navigation and regional aviation security charges.

Brazil is allowing airlines to postpone payments of air navigation and airport fees.

China has introduced a number of measures, including reductions in landing, parking and air navigation charges as well as subsidies for airlines that continued to mount flights to the country.

Hong Kong Airport Authority (HKAA), with government support, is providing a total relief package valued at HK\$1.6 billion (US\$206 million) for the airport community including waivers on airport and air navigation fees and charges, and certain licensing fees, rent reductions for aviation services providers and other measures.

New Zealand’s government will open a NZ\$900 million (US\$580 million) loan facility to the national

carrier as well as an additional NZ\$600 million relief package for the aviation sector.

Norway's government is providing a conditional state loan-guarantee for its aviation industry totaling Nkr6 billion (US\$533 million).

Qatar's Minister of Finance has issued a statement of support for the national carrier.

Singapore has undertaken relief measures valued at S\$112 million (US\$82 million) including rebates on airport charges, assistance to ground handling agents, and rental rebates at Changi Airport.

Sweden and Denmark announced US\$300m in state loan guarantees for the national carrier.

De Juniac says these commitments demonstrate that governments recognize the critical role aviation plays, but states that much more is needed to make up the US\$200 billion necessary to prevent an industry collapse. "Airlines are an economic and employment engine. This is demonstrated even as passenger operations shrink, as airlines continue to deliver cargo that is keeping the economy going and getting relief supplies where they are needed most. The ability for airlines to be a catalyst for economic activity will be vital in repairing the economic and social damage that COVID-19 is now causing."

IATA is calling for:

1. **Direct financial support** to passenger and cargo carriers to compensate for reduced revenues and liquidity attributable to travel restrictions imposed as a result of COVID-19;
2. **Loans, loan guarantees and support for the corporate bond market by the Government or Central Banks.** The corporate bond market is a vital source of finance, but the eligibility of corporate bonds for central bank support needs to be extended and guaranteed by governments to provide access for a wider range of companies.
3. **Tax relief:** Rebates on payroll taxes paid to date in 2020 and/or an extension of payment terms for the rest of 2020, along with a temporary waiver of ticket taxes and other government-imposed levies.