

# Deep crisis for the air industry with revenue loss expected to hit \$252 billion

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



On March 5, 2020, as COVID-19 began to develop strongholds around the world, the IATA suggested a pessimistic scenario to be a revenue loss of US\$113 billion. This was before blanket restrictions were put into place as governments and airlines united in an attempt to mitigate the impact of the virus. IATA now estimates that industry passenger revenues could plummet \$252 billion or a 44% loss versus 2019.

“If this lasts for a three-month period, we see a 38% fall in global demand and a US\$252 billion loss of passenger revenue—44% down on 2019. The figures speak for themselves. The air transport industry is in its deepest crisis ever,” says Alexandre de Juniac, Director General and CEO of IATA.

## Important industry

While the airline industry has been hit incredibly hard by this pandemic, de Juniac reminds us that airlines continue to provide important services: repatriating people to their home countries as governments permit and delivering vital goods, including medicines and equipment to fight the virus.

On behalf of its members, IATA is asking governments to provide financial support. “No amount of cost cutting can save the day if no cash is coming in the door,” says de Juniac. “Airlines will go bust, and that could happen en masse. Without immediate government relief measures, there will not be an industry left standing. Airlines need US\$200 billion in liquidity support simply to make it through. Some governments have already stepped forward, but many more need to follow suit.”

## Restricted global recovery without relief

Airlines employ 2.7 million people directly, and 65 million more indirectly. Without government aid and therefore a viable airline industry, restarting the economy will be severely constrained, says de Juniac. “Fortunately, many governments understand the critical role of aviation,” he says. “Among countries committing to financial relief are Singapore, China, Hong Kong, Australia, Brazil, New Zealand, Qatar, Colombia, Sweden and Denmark, Norway, and Finland. Several other governments are in the consideration stage—including a \$58 billion package in the US and significant support measures from the European Central Bank.

De Juniac thanks these governments for leading, and reminds others that every day matters. Help is urgently needed whether through direct financial support, loans or Tax relief.

## Cargo

The world still relies on airlines to transport essential cargo. Their capabilities are restricted, however, because of the reduced capacity due to severe reduction of passenger flights, and because of

challenges created by current government restrictions.

De Juniac offers a few examples:

- One airline ran a repatriation flight for its nationals to a country in Asia. On the return operation the airline wants to make a stop in a third country to pick-up relief supplies. But valuable time is being wasted waiting for approval of traffic rights.
- Cargo crew are being caught up in quarantine measures aimed at commercial passengers. In some cases, they are not being allowed to position on commercial flights. And there are destinations where normal accommodation for crew rest is unavailable and no alternative arrangements have been made.
- Our staff intervened in Somalia and Djibouti where cargo flights fell under the same temporary flight ban as passenger aircraft.

“Cargo operations are vital and time sensitive. I again call on governments to do all that is in their power so that we can get the cargo where it needs to be, fast.” De Juniac requests that governments:

- Exempt crew from quarantine restrictions
- Expedite paperwork to mount special operations
- Do everything possible to reduce or eliminate costs and charges

“Airlines are desperately trying to survive in the most difficult times imaginable,” De Juniac summarizes. “We have the people and the experience to see this through. But, to be perfectly frank, we don’t have the money. And we need governments to bridge us to the point where we can start to recover.”

<b>Region of Airline Registration</b>	<b>% Change in RPKs (2020 vs. 2019)</b>	<b>Est. Impact on Pass. Revenue 2020 vs. 2019 (US\$ billions)</b>
Africa	-32%	-4
Asia Pacific	-37%	-88
Europe	-46%	-76
Latin America	-41%	-15
Middle East	-39%	-19
North America	-27%	-50
Industry	-38%	-252