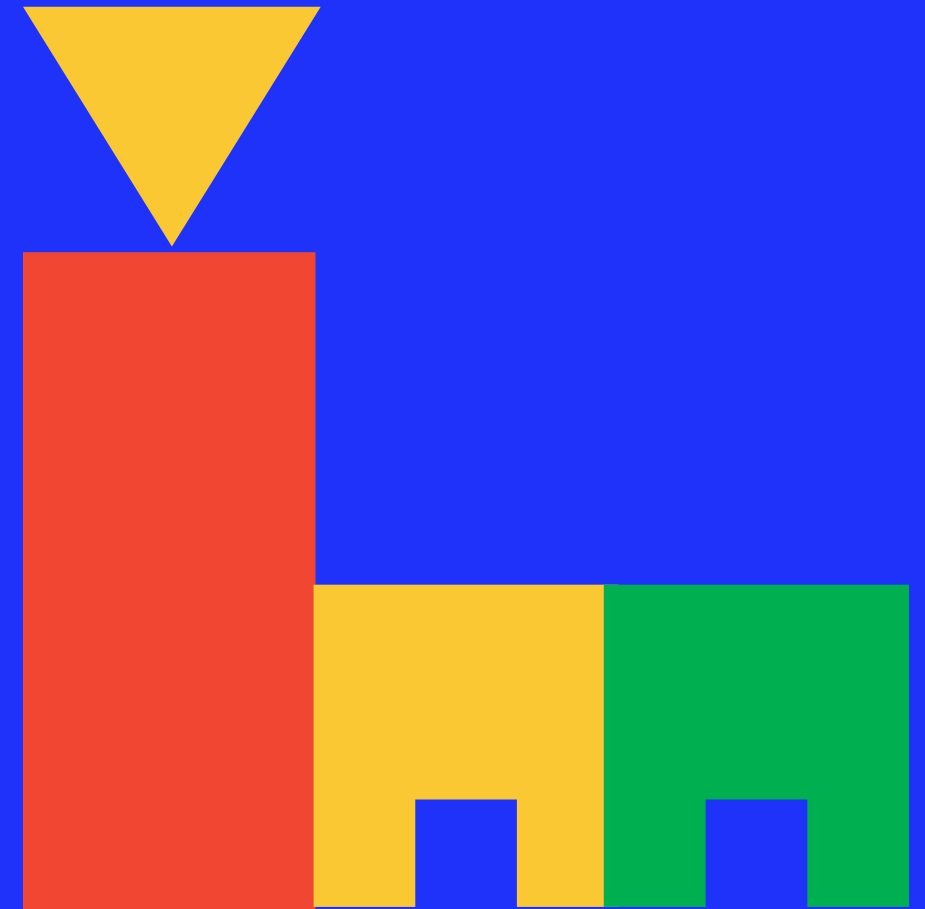


IARO Webinar

The Impact of the Covid-19 Pandemic Year on Aviation

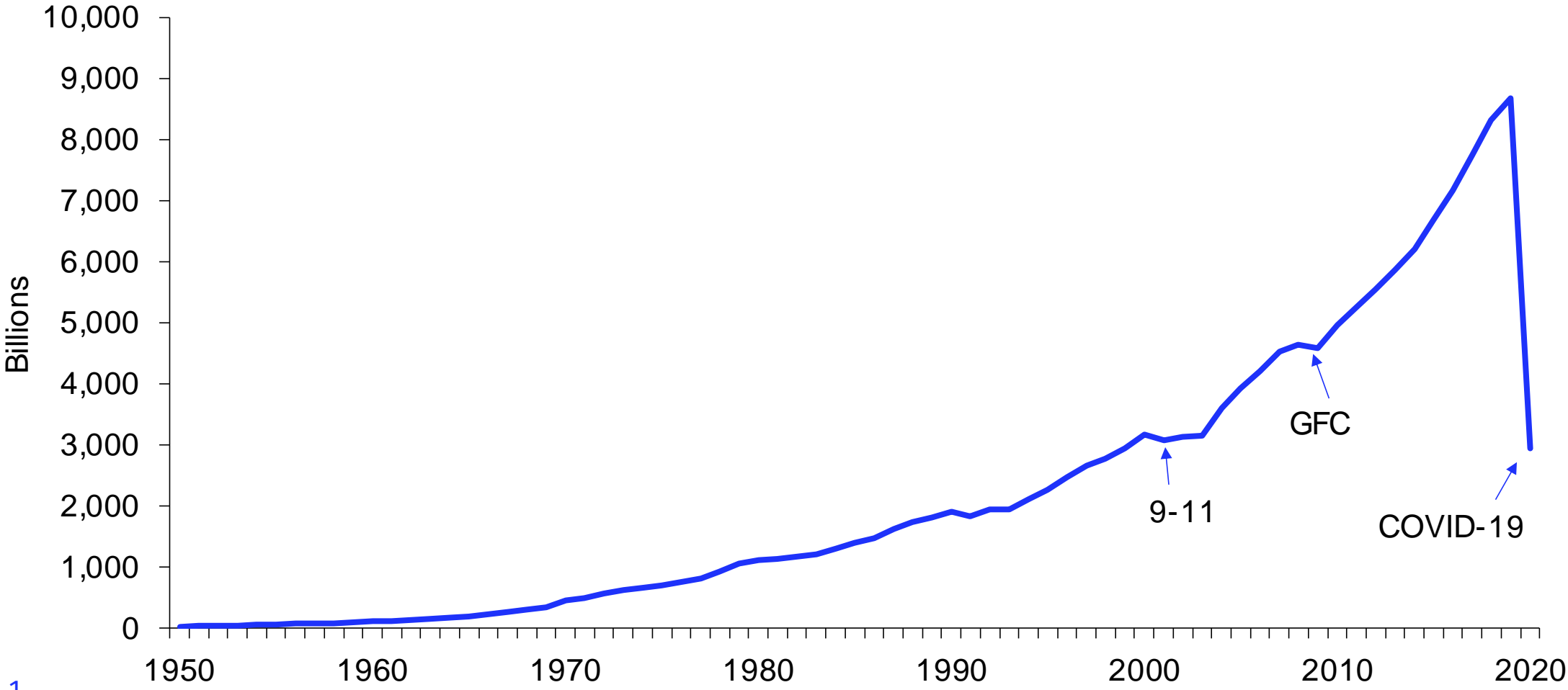
Martin Braun – IATA, Airport Development
8th April 2021



COVID-19 has been a tremendous shock to aviation

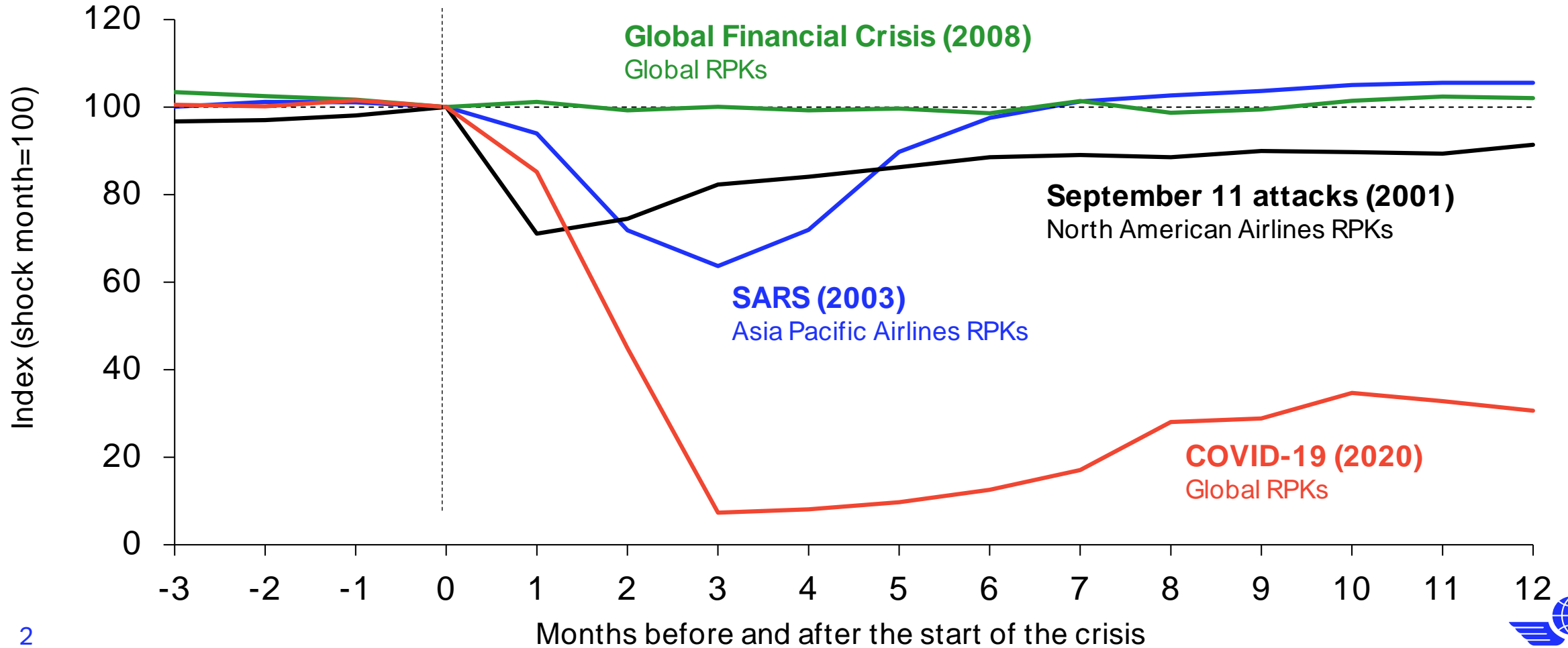
Global RPKs shrank an average of 66% in 2020

Worldwide passengers kilometers flown (RPKs) annually

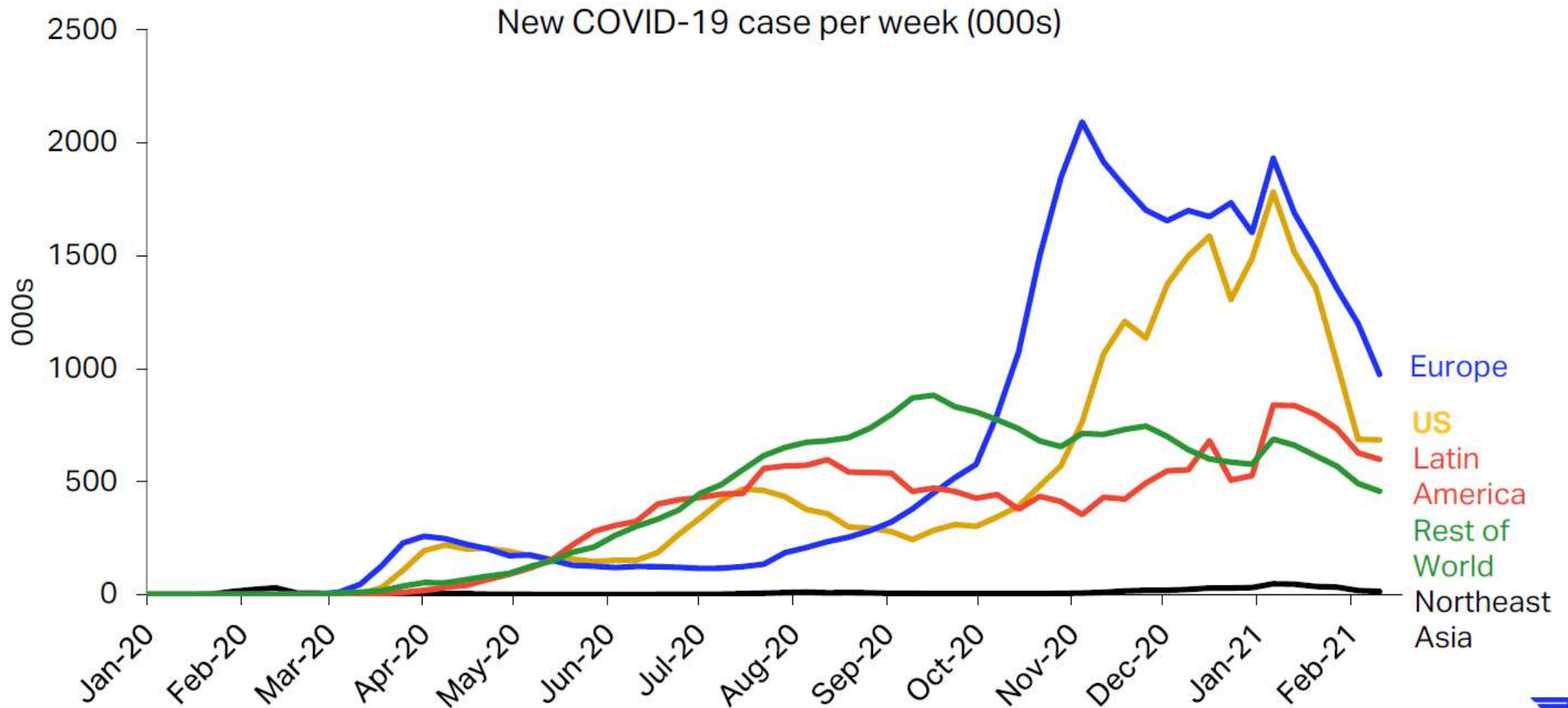


The drop in air travel has been larger and more enduring

Impact of past shocks on air travel*



Some regions hit harder than others



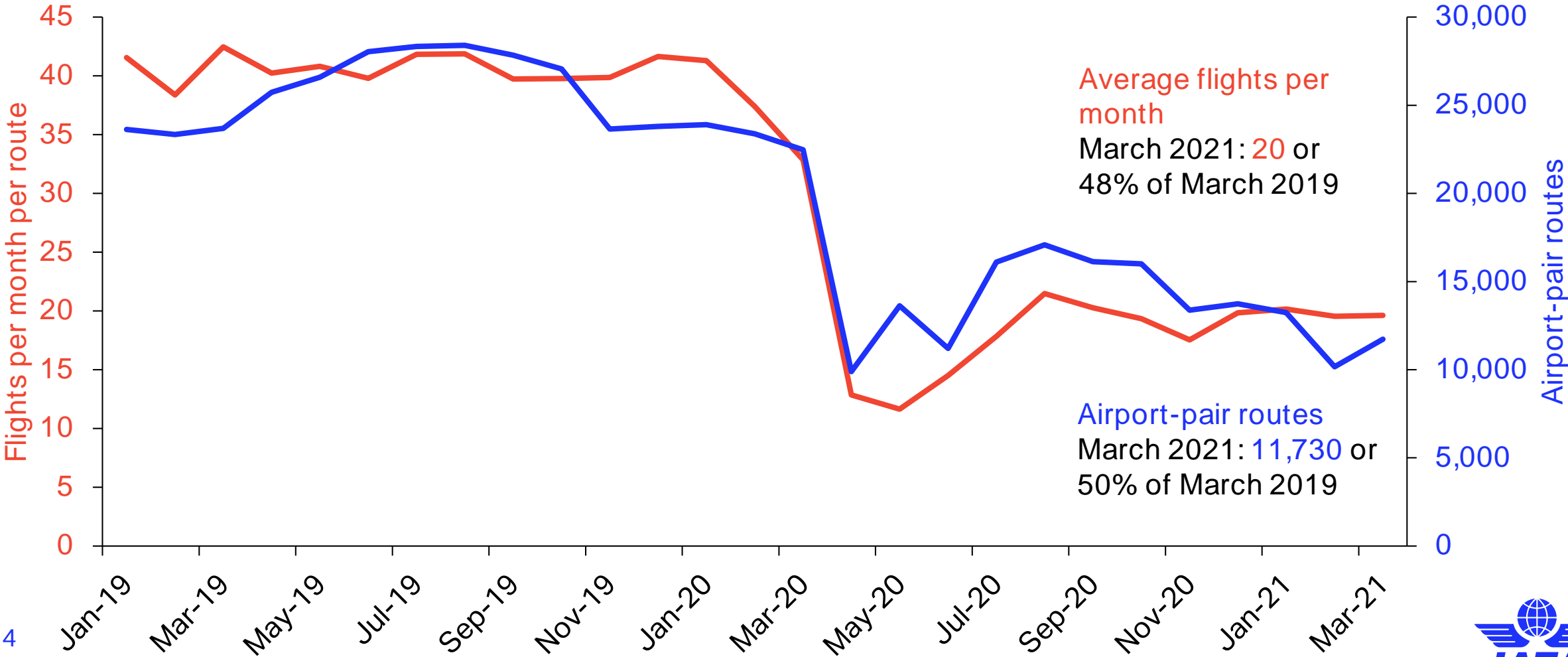
Source: IATA Economics using data from European Centre for Disease Control



International air services remain near lows

There is a 50% drop in international routes and a nearly 50% drop on the frequencies on those routes

International airport-pair routes, average flights per month



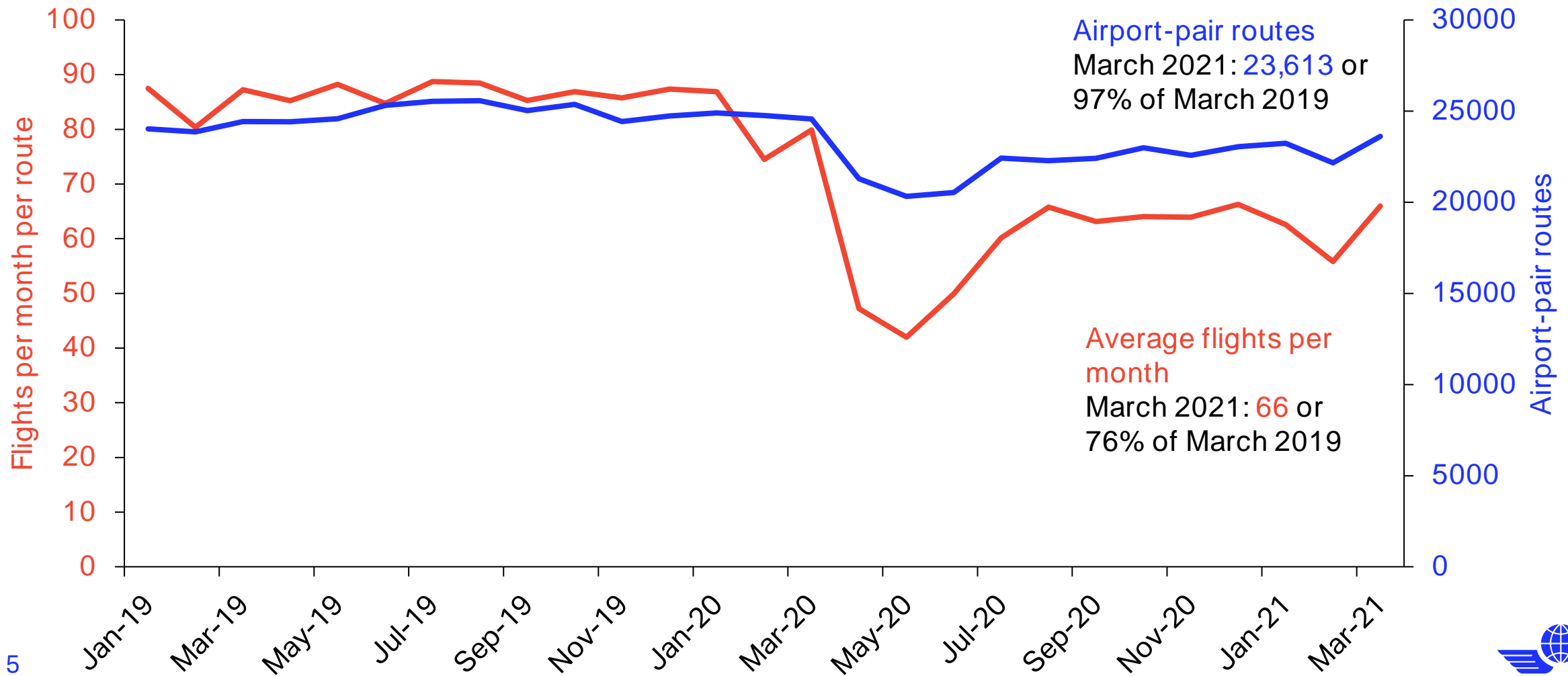
Source: IATA Economics using data from SRS Analyser



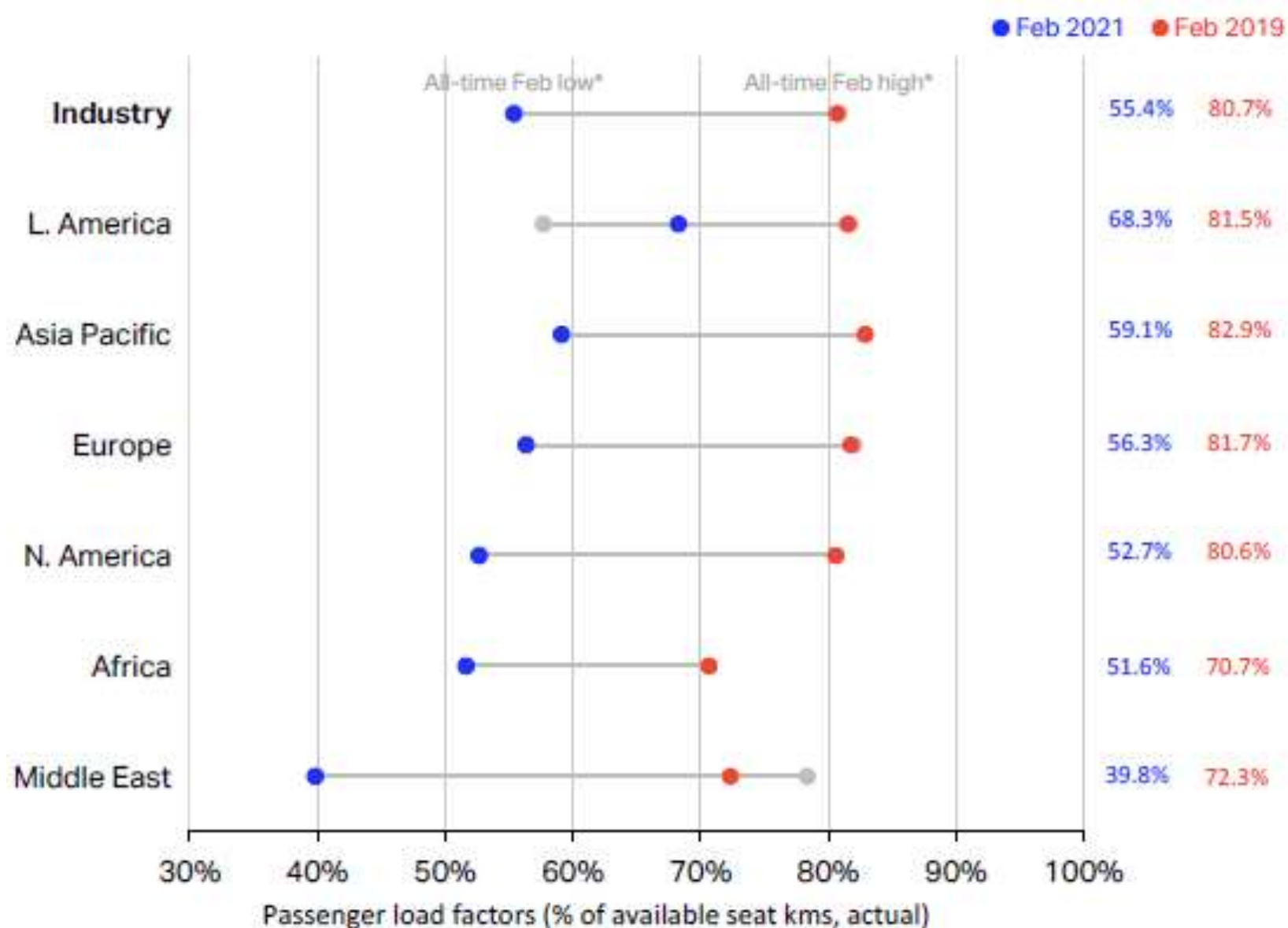
Domestic air routes less affected but have changed

March 2021 routes back to 97% of normal, but frequencies cut to 76%

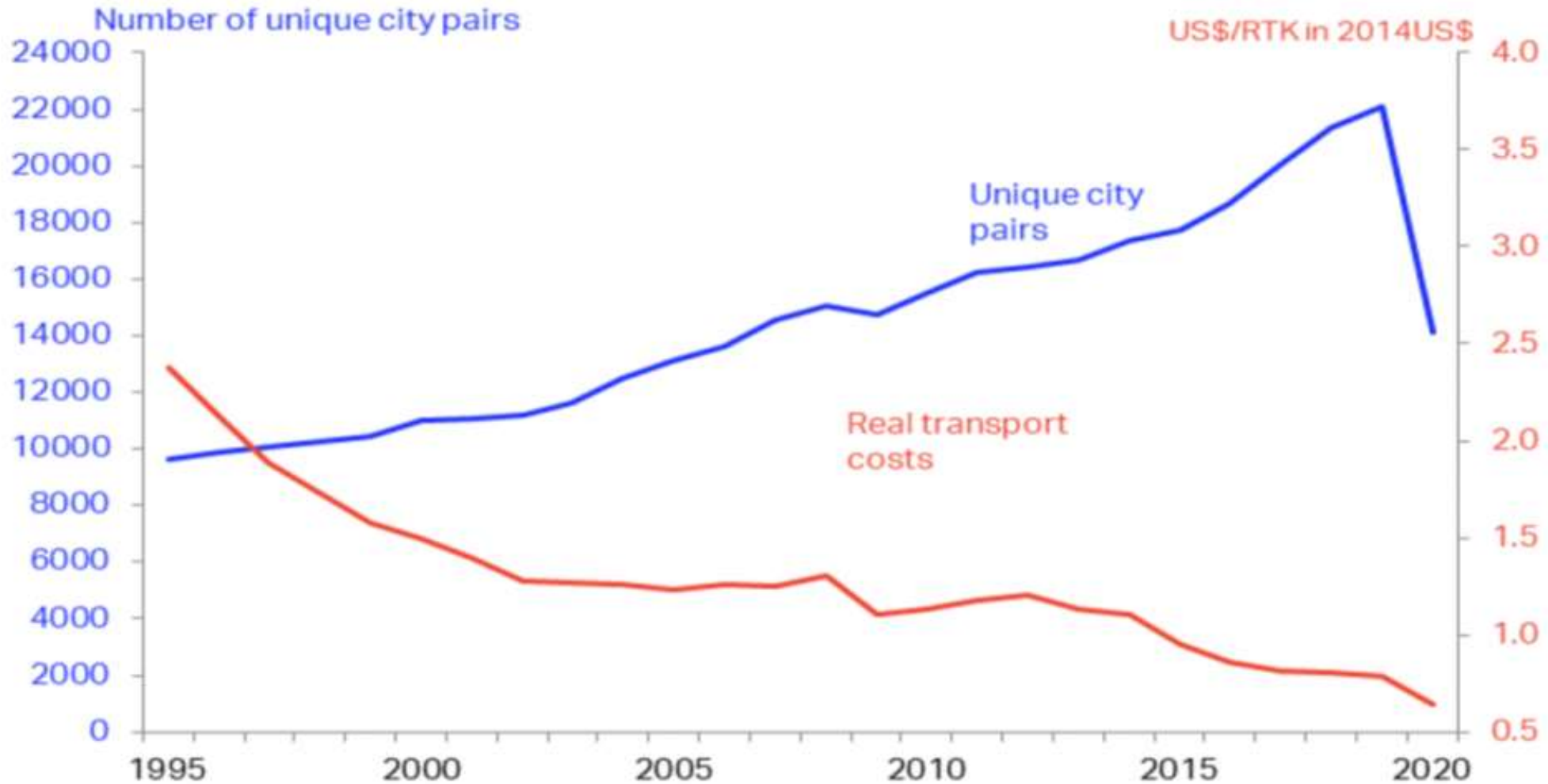
Domestic airport-pair routes, average flights per month



Average Passenger Load Factors by Region

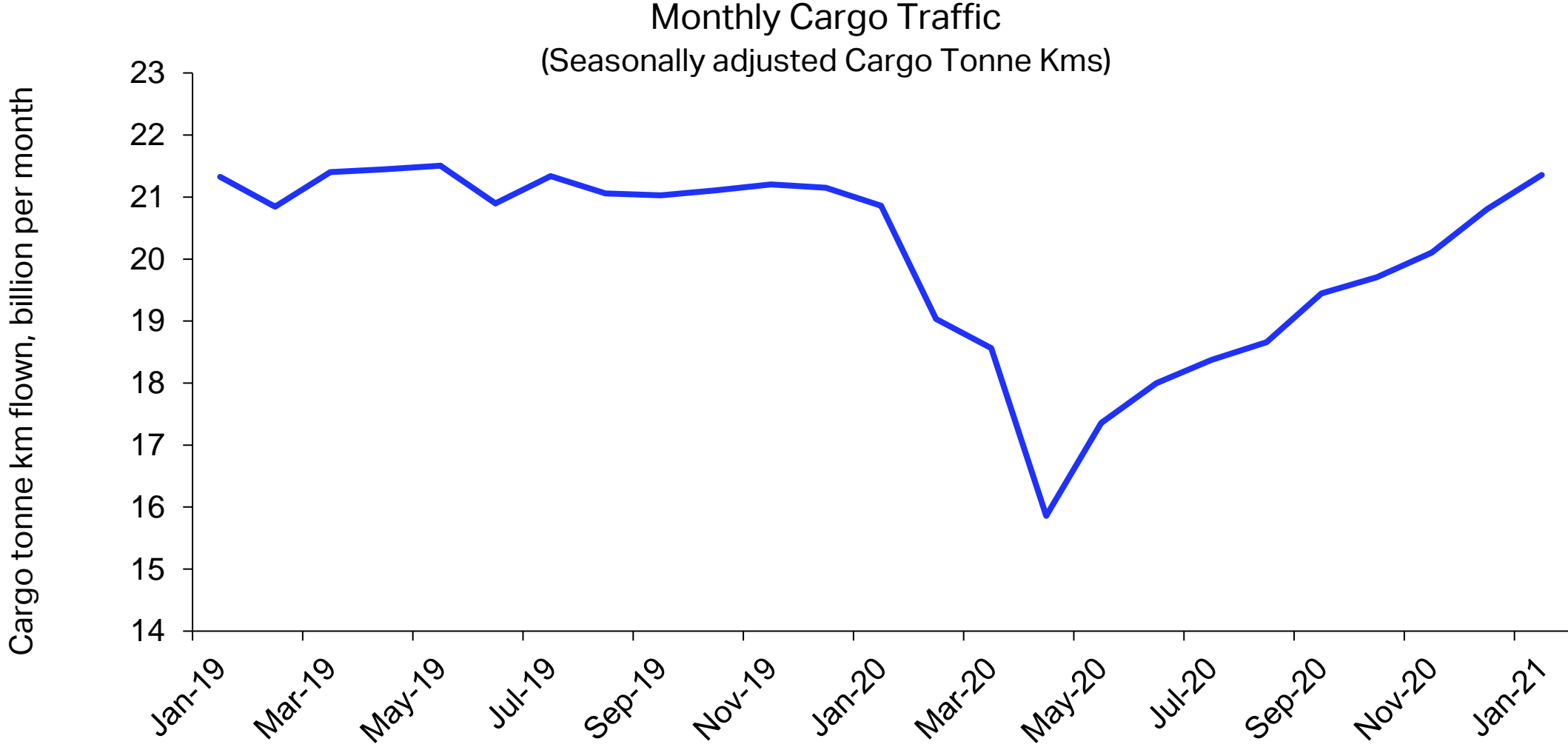


City pair connectivity has dropped



Air cargo traffic recovered to pre-crisis levels in January

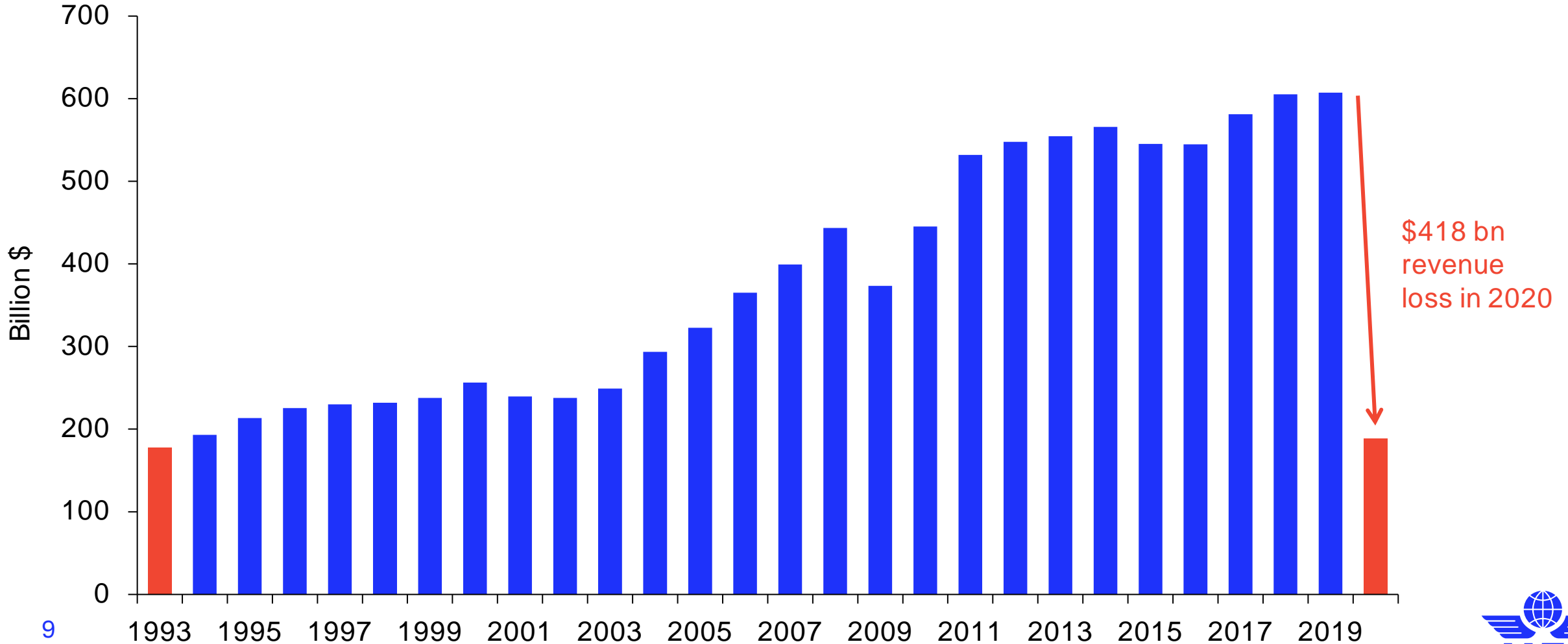
Strong demand for air cargo pushed Jan CTKs to 1.1% above 2019 levels



Passenger revenues fell \$418 billion in 2020

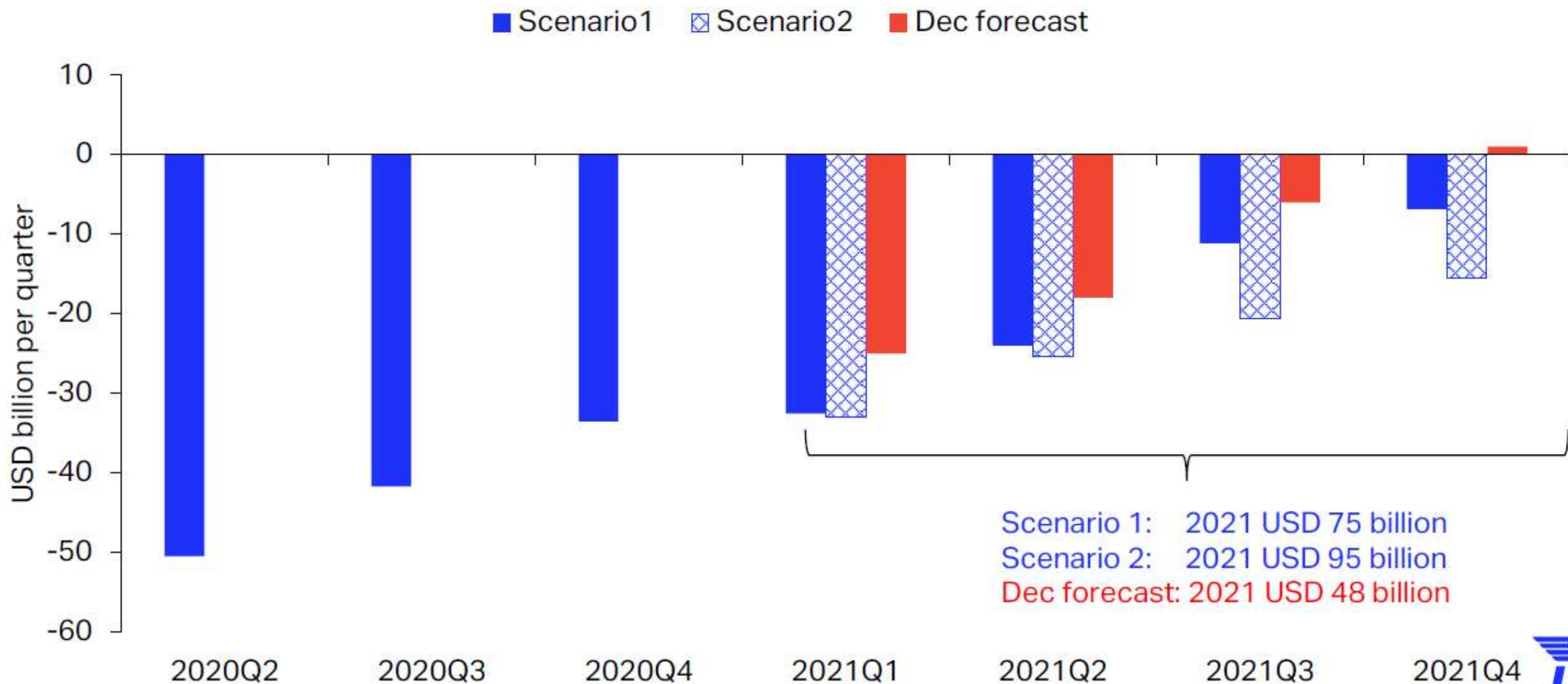
Weak yields cut revenues more than pax numbers - back to 1993 levels

Global Annual Passenger Revenues



Airline cash burn is forecast to continue

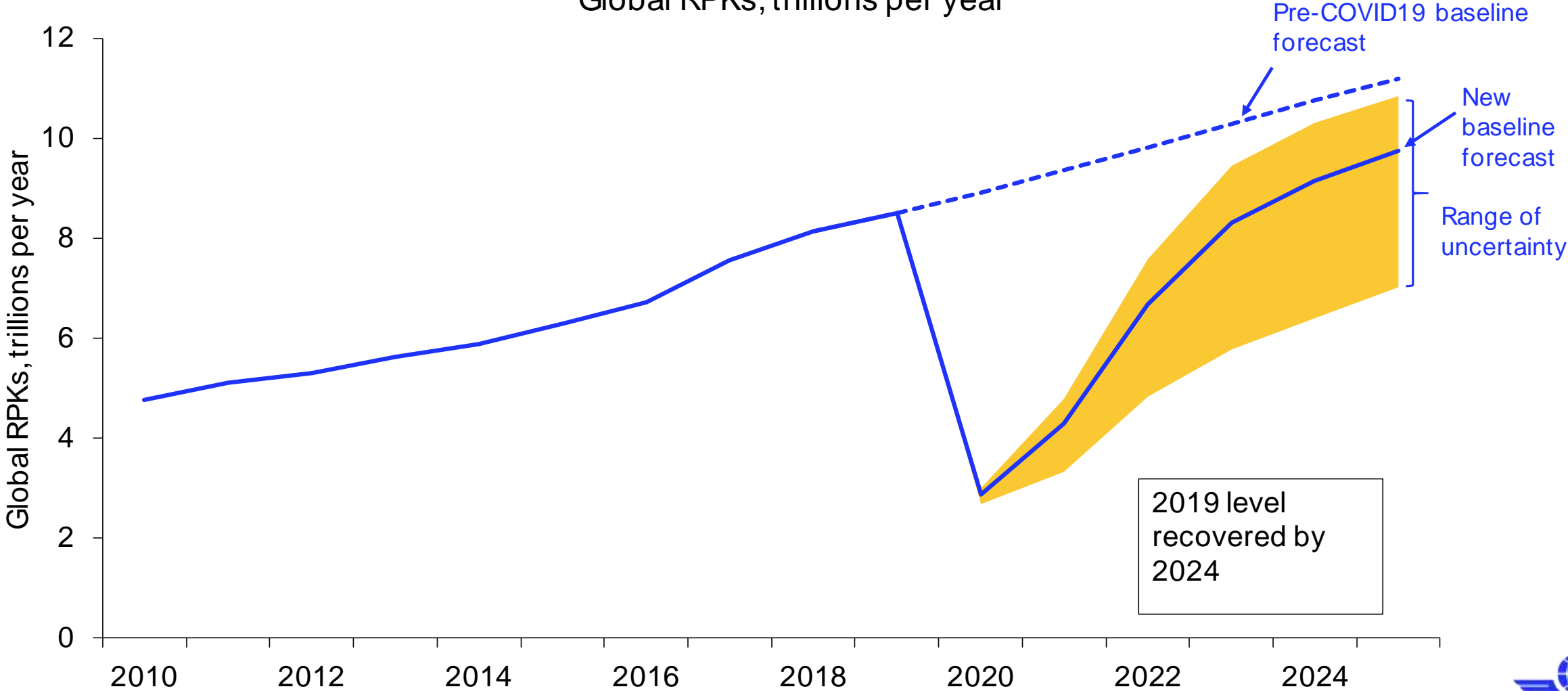
Global airline industry cash burn forecast, USD billion per quarter



Vaccine news positive but recovery will still take time

Issues with vaccine implementation and the impact of economic damage

Global RPKs, trillions per year



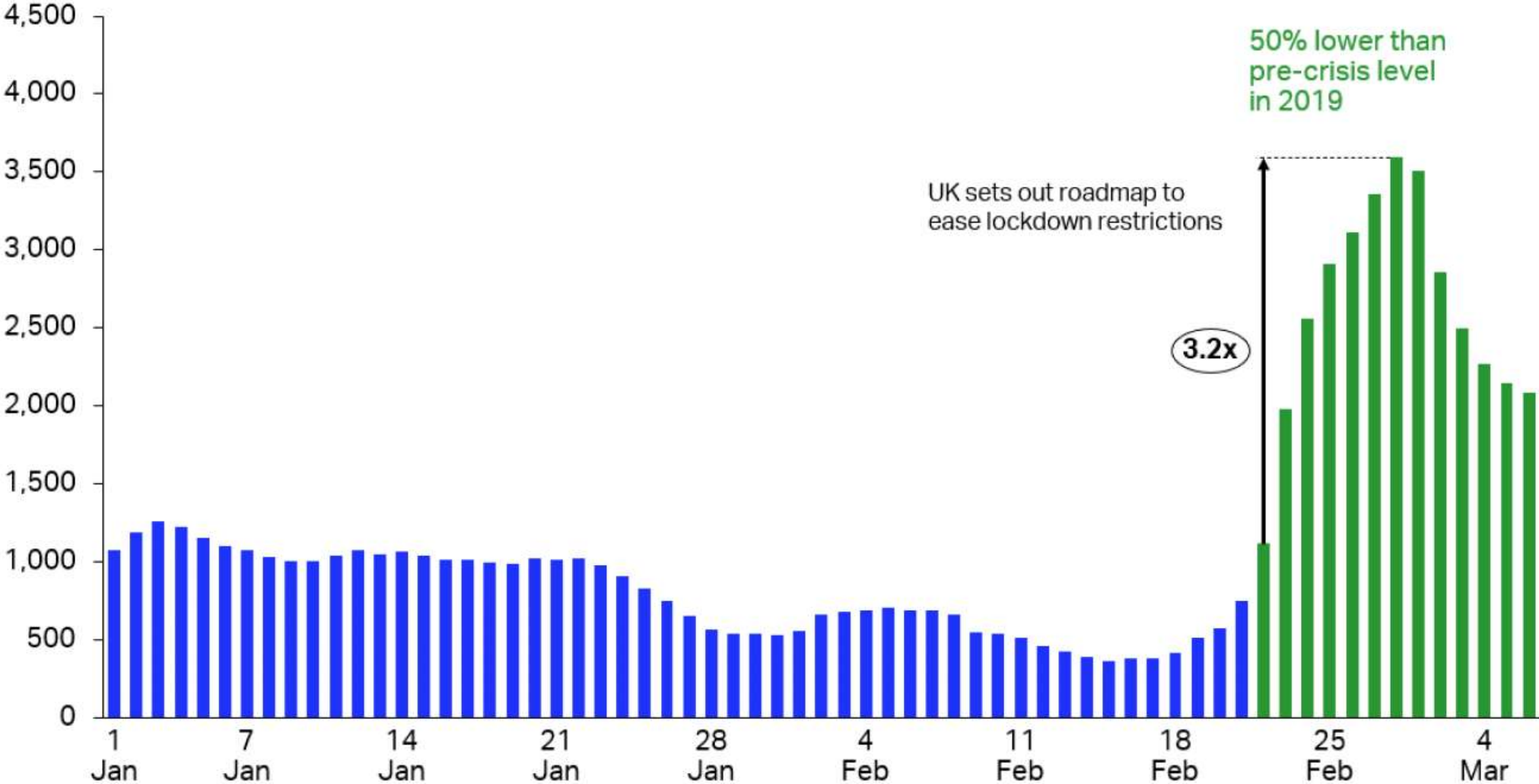
2019 level recovered by 2024



Source: IATA/Tourism Economics 'Air Passenger Forecasts' November 2020

Despite uncertainties, there is pent-up demand

Passenger bookings between the UK and Spain & Greece for July-August (7 day moving average)



Source: IATA Economics using DDS data

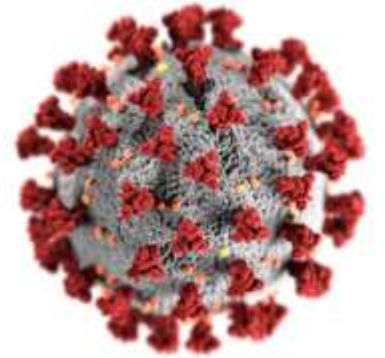




What are the longer-term effects of the crisis on airlines and airports?



Covid-19 effects on airlines



- New biosafety protocols.
- Drastic cost-cutting and managing for cash flow.
- Aircraft deferrals – May be a surplus of aircraft for some time to come.
- Changes in fleets as many airlines have retired large wide-bodies in favor of recent models of smaller aircraft that have low unit costs.
- Restructured networks and consolidation of hubs.
- More emphasis on VFR/Leisure traffic – relaxation of ticketing rules.
- Pursuit of cargo revenues to increase cash positive flying.
- Acceleration of long-running trends such as digitization to improve customer experience and efficiency.
- Input costs down (e.g. fuel, labor, aircraft); however, unit cost pressure from capacity cuts. Access to capital but with heavy future debt repayments.

Aircraft Fleets in Transition



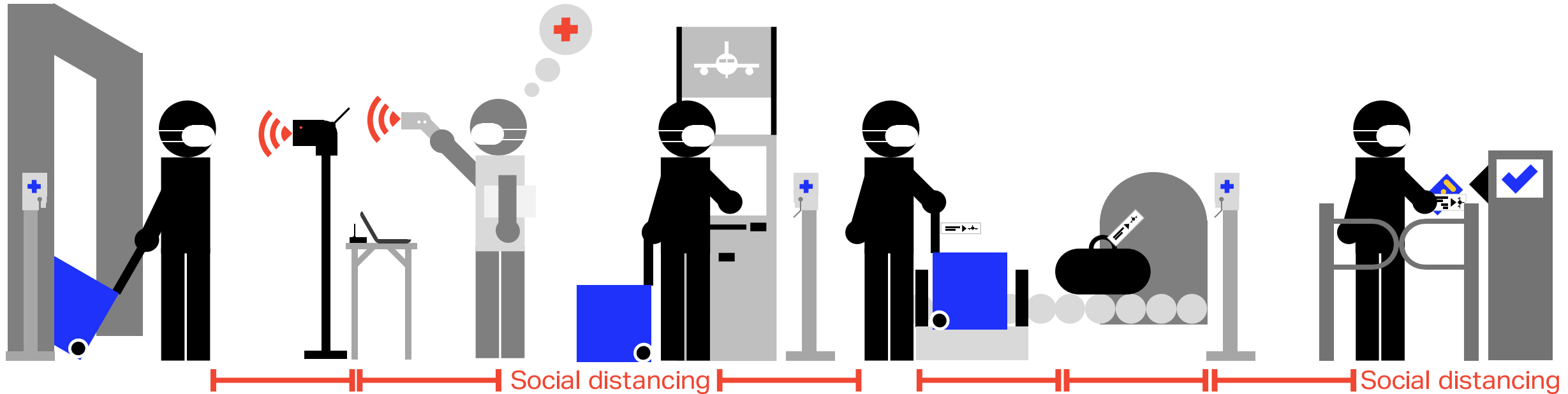
Covid-19 has impacted airport capacity

- Additional processes (e.g. temperature check, Covid testing) have disrupted passenger flows.
- Reduction in processing capacity due to closing of processors (e.g. security lanes, baggage reclaim).
- Increases in passengers journey time within the terminal.
- Increase in processing time including for transfers.
- Reduction in space in circulation and waiting areas.
- Need for new facilities such as isolation zones and testing areas.
- Loss of long-haul connectivity due to disruption of airline networks and adaptation to changes in airline business models.



2021 will also be a year of transition for airports

Covid-19 health measures have reduced airport capacity and had an impact on operations but some may be interim or replaced by less intrusive solutions.



For airports, Covid-19 has accelerated ongoing trends

Continued growth in digitization and application of technology to increase efficiency and improve the passenger experience and safety.

**Biometrics and
Contactless
Journey**



**Mobile and Self-
Service
Technology**



**Dynamic
management of
passenger flows**



Hygiene

Long-term trends are not yet certain but may include:

- Increased focus on flexibility and adapting/designing multi-functional spaces that can adapt to changes in demand (airport resiliency).
- Greater emphasis on passenger health and well-being
 - Layout and design for optimal ventilation and the design of effective mechanical/heating system, including HEPA filtration and UV cleaning.
 - Provide passengers with choices to spend dwell time at concessions or open spaces rather than in constrained holdrooms.
- Covid-19 has amplified the importance of supply chain and e-commerce. Cargo and the infrastructure to support it will likely assume increased importance.



Aviation is also aware of the spotlight on sustainability

Public

Including *flugskam* and public attitudes to climate change shifting, worldwide

Governments

Shift to net-zero in a number of jurisdictions, as well as regulatory pressure

Passengers

Surveys show desire to only fly if they think airlines are taking climate change seriously



Pressure to act on climate change

Investors

Increasingly looking at climate impact of companies and putting pressure on shareholders

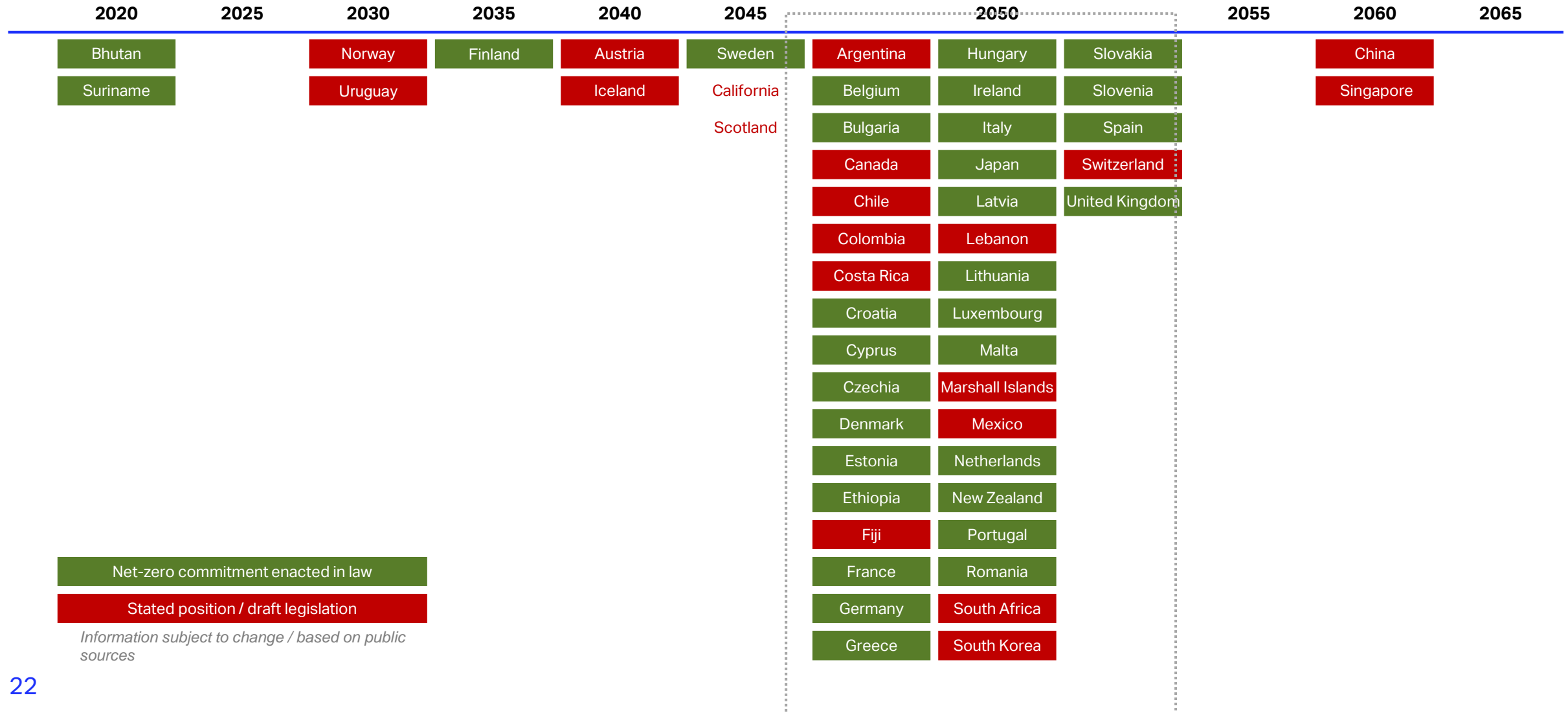
Corporate customers

Large purchasers of tickets are demanding climate accountability

Employees

Want to work for companies that take climate change seriously

Governments: shift towards net-zero



Investment decisions are starting to reflect climate risks



- 370 global asset managers / investors
- \$41 trillion in assets under management
- 161 focus companies (GE, Rolls-Royce, UTC, Boeing, Airbus) and expanding to include other climate-impacted industries
- Pushes investments to take action on GHGs in line with Paris Agreement

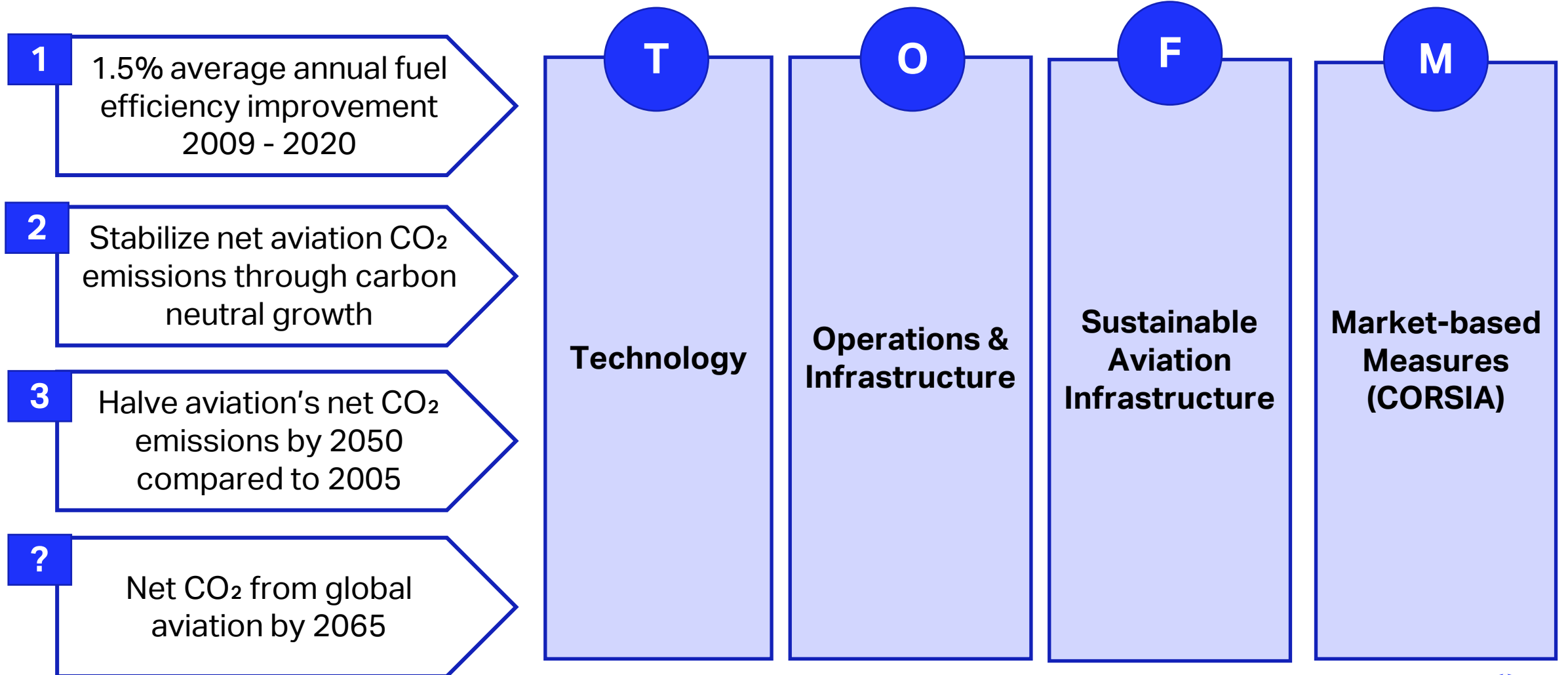


- World's largest asset manager
- \$6.8 trillion under advisement
- CEO letter (January 2020) *"significant reallocation of capital... sooner than most anticipate... BlackRock will be exiting investments that exhibit a high sustainability-related risk..."*



- £30 billion pension fund
- Will aim to have all holdings reach Transitions Pathway Initiative Level 4 by 2022 (only ANA, Delta, Lufthansa and United meet this level currently)

IATA Airline Global Climate Strategy



Operations and Infrastructure

Shortening flying times

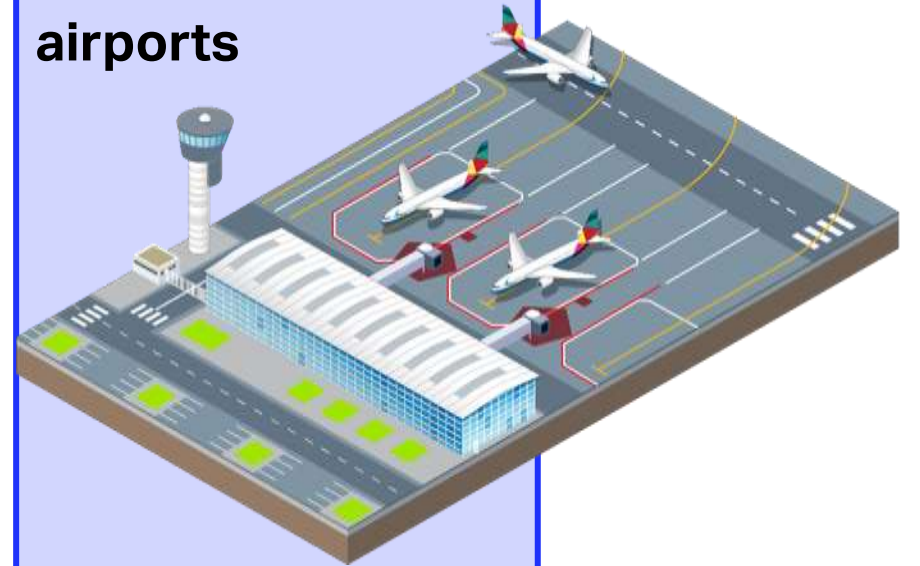
by a minute saves
~100kg CO₂ per
flight

Surface Access Strategy

Reformed
air traffic management
in the US, Asia and
Europe will cut
emissions significantly

Satellite-based
navigation can help
reduce CO₂ emissions

ACI Airport Carbon
Accreditation:
**Carbon-neutral
airports**



Thank You

Martin Braun

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