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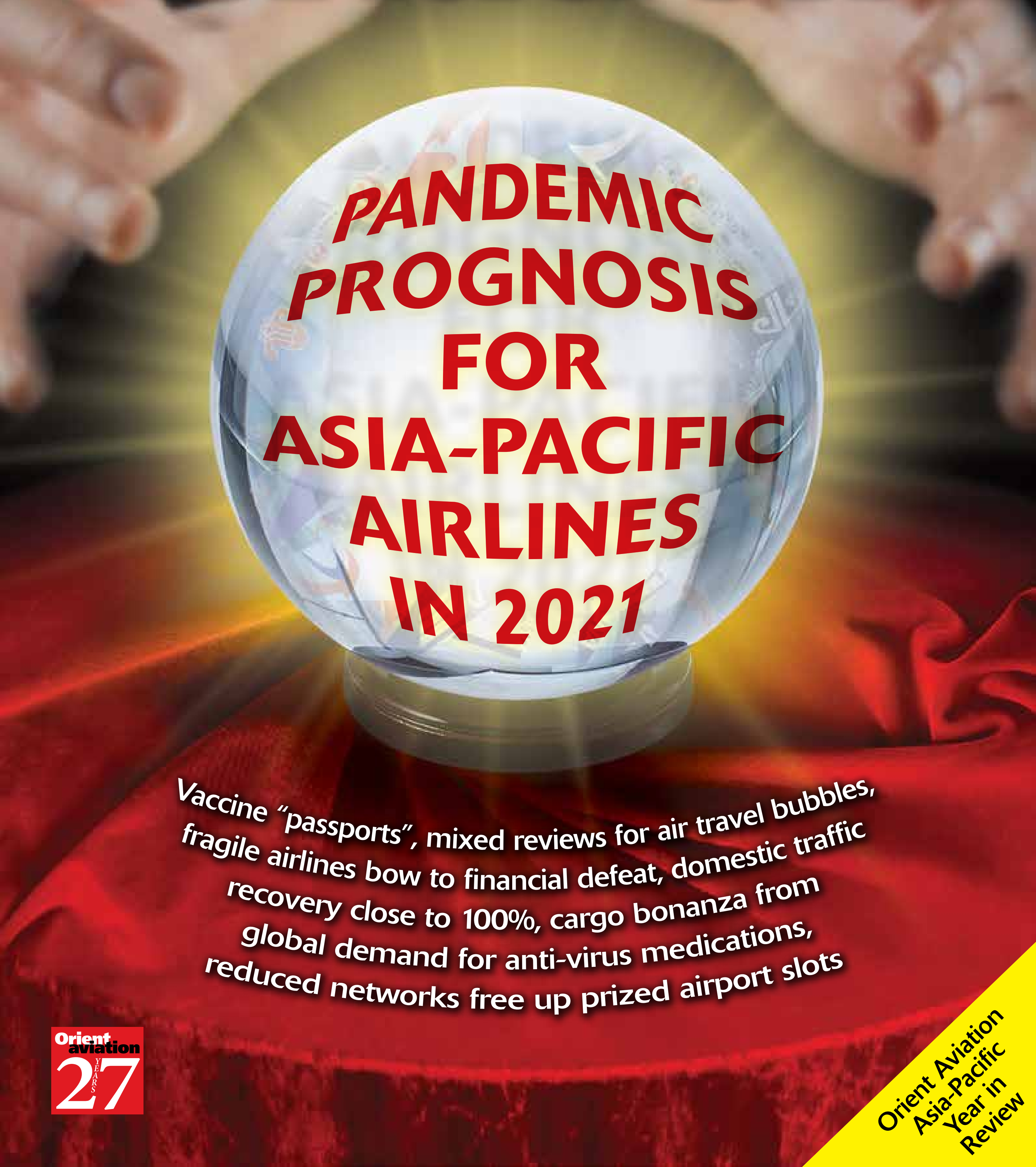

PANDEMIC PROGNOSIS FOR ASIA-PACIFIC AIRLINES IN 2021

Vaccine "passports", mixed reviews for air travel bubbles, fragile airlines bow to financial defeat, domestic traffic recovery close to 100%, cargo bonanza from global demand for anti-virus medications, reduced networks free up prized airport slots

Orient aviation 27 YEARS

Orient Aviation Asia-Pacific Year in Review

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COVER STORY

PANDEMIC'S PROGNOSIS FOR ASIA-PACIFIC AVIATION

Industry forecasts Asia-Pacific commercial aviation first to return to growth post COVID-19

Consolidation ahead at Asia-Pacific airlines?

Come January 1, airlines worldwide will be breathing sighs of relief, glad to say goodbye to a year of operating miserably. The tragedy of 9/11, the onset of Severe Acute Respiratory Syndrome (SARS 2003) and the 2008 Global Financial Crisis pale into insignificance when compared with the impact of COVID-19 on global travel and tourism.

Fortunately, Asia-Pacific 2021 commercial aviation is forecast to be better than the shocker of the last 12 months. But more airline financial losses are certain and some airline bankruptcies will be unavoidable.

The International Air Transport Association (IATA) does not believe the industry will return to cash positive status until the last quarter of 2021 – at least. The Asia-Pacific has several top tier airlines well capable of attracting funding and or selling equity in their enterprises, but it also has a number of financially fragile carriers which already were in trouble pre-COVID-19.

So it is not surprising there is speculation about airline consolidation and mergers as pundits take stock of damage done by the pandemic. The surprise swoop by Korean Air parent, Hanjin Kal, for control of rival Asiana Airlines would have been unthinkable a year ago. But Asiana is a financial basket case so it had no defence from a better funded predator.

It is evidence consolidation may be the only one way out of this pandemic-induced crisis for some Asia-Pacific carriers. But cross border airline consolidations remain big political mountains to climb given the major obstacle to the mergers/acquisitions is foreign ownership rules written so airlines in the Asia-Pacific are not controlled by foreign investors.

It has long been recognized, despite the unprecedented growth of air traffic in the region, that there are too many airlines in the world, and that includes the Asia-Pacific.

In this region, excessive capacity has resulted in intense competition and therefore extremely low yields, making profitability for many carriers very difficult to sustain.

While the industry suffers to a full recovery, airlines will be operating smaller fleets and reduced networks. Ahead, in the short-term, is a more compact industry. Given the circumstances, is it the time for the region's governments to review their ownership rules and agree to carriers linking ownership hands across borders to create a more viable Asia-Pacific aviation industry? ■

TOM BALLANTYNE
Associate editor and chief correspondent
Orient Aviation Media Group

Qantas boss offers aviation policy reset for the post pandemic era

Policy shifts in industrial relations, aviation regulation and Australia's response to climate change are necessary to take aviation forward, Qantas Group CEO, Alan Joyce said last month.

In the second Shepherd Oration to Australian business leaders, Joyce outlined reforms the airline company believed Australia should adopt to ensure the country made a strong recovery from COVID-19.

Three areas of policy were top of his list, he said: introducing flexibility into "a rigid, overly complex industrial relations system", identifying the right balance between regulation and the free market and not allowing COVID-19 to distract governments from the significant impact of climate change.

Joyce said the airline group's lived experience was that with "business as usual turned on its head" because of the pandemic, "we need an industrial relations framework that lets employers and employees make adjustments more easily" to changed circumstances rather than go through protracted court proceedings that are costly and lengthy.

Joyce also argued against the risk of over-regulation of the industry by government agencies such as Australia's competition regulator, the Australian Competition and Consumer Commission (ACCC).

The ACCC has made it clear it wants plenty more competition in the aviation sector as we come through COVID, Joyce said.

"We agree. But we think it is ignoring the substantial challenges all players face, including Qantas," he said.

"Virgin (Virgin Australia) has come through administration with a much lower cost base. They have been able to walk away from deals for aircraft leases to supplier contracts to loans that Qantas can't.

"And now REX plans to enter the Melbourne-Sydney-Brisbane triangle with its own jet services. For an industry picking itself up from the floor, this is an incredible amount of competition.

"You can understand why our people find it ironic there is a now a team of public servants at the ACCC dedicated to keeping an eye on Qantas when it has most of its workforce stood down given the state of the industry. We now have ongoing monitoring to the ACCC to comply with on top of all our other challenges."

Addressing climate change is the third issue Australia must confront, Joyce said. "Australia's policy progress [on dealing with climate change] has been slowed by deeply partisan debates. We've let science lead the way on the pandemic and it has worked. Why should climate change be any different?"

Sustainable Aviation Fuels "are a critical component in achieving the company's target of net zero emissions by 2050 as they emit 80% less emissions than jet fuels," he said. "In Europe and the U.S., they are emerging as a viable alternative thanks largely to government policy, national and state financial support and major partnerships to develop refineries.

"Australia should be doing the same thing. For example, Western Sydney Airport should not open without a biofuel facility from day one," he said.

"The challenge of COVID has not blinded us to how important this is and the need to keep investing in lower-emissions technology." ■

All Nippon Airways joins study to convert CO_2 gases to low-emissions aviation fuel

Six leading Japanese companies will jointly review recycling methods for reuse of CO_2 from sources, including exhaust gases, to sustainable aviation fuels (SAF).

Among other companies participating in the review are Toshiba Energy Systems & Solutions Corp. and Toshiba Corporation, lead researchers in producing new technologies for sufficient supply of SAF from production to delivery to commercial aircraft.

"Various eco-friendly innovations will be needed to achieve the CO_2 emissions reductions targets indicated in Japan's Nationally Determined Contribution for the Paris agreement on Climate Change," a group statement said.

With its high CO_2 emissions reduction capability, the conversion process being taken forward by the six participating companies "offers "great potential as a next generation technology for producing SAF from CO_2," a group statement said. ■

Fighting words from IATA director general-designate in acceptance speech

Willie Walsh, 59, gave the industry a clear indication of his state of mind when it came to governments and their treatment of aviation in a speech at the International Air Transport Association's virtual AGM, held in Amsterdam last month.

Accepting the position of the eighth leader of the airline lobby group and successor to **Alexandre de Juniac**, Walsh said: "I too am a businessman. I understand how governments operate, but I am even more unhappy and more critical of how they get things done, or more importantly, in many cases how they have failed to get them done."

In another section of his speech, Walsh said: "I have spent more than 40 years in this business. About half of them were at the pointy end as a pilot and the other half at the blunt end as a CEO. I know what it takes to succeed. In those 40 years, I have seen first-hand the numerous challenges we have faced and overcome. I have a passion for this industry and a

passion for IATA. We need more than ever an effective industry body to serve and represent our interests.

"This year has been the most challenging ever, but let us not forget the virus did not stop us from flying. The virus did not stop our customers boarding our aircraft because we have demonstrated our ability to adapt and to ensure the safety of our customers and our people and we know they want to fly with us.

"They have been denied the freedom we provide, not by a virus, but by a disjointed political response and restrictions put in place by certain governments who have failed to adapt and adopt the sensible measures that would have allowed almost normal air services to continue.

"But there is good news. As Alexandre has said, the building blocks are now in place to allow our industry to get back to the business of freedom and we should be confident in our ability to succeed in this new environment."

Walsh will succeed de Juniac, who has been IATA director general and CEO during the most turbulent period in the industry's history, on April 1. Earlier this year, de Juniac, a former CEO and chairman of Air France and Air France KLM among other top level aviation posts, had informed the association of his intention to step down in 2021.

"I did not come to this decision lightly," de Juniac told the AGM's delegates. "It has been a privilege of a lifetime to serve the global air transport industry – which I call the business of freedom – as head of IATA.

"Over the last years, IATA has strategically increased its relevance as the voice of the global airline industry. This has been evident in the COVID-19 crisis."

During this time, the association embarked on the course to recovery and also restructured IATA "to support the industry recovery with an organization dimensioned to serve a smaller industry", he said.

"Now is the right time to hand over IATA's leadership for the long process of recovery," de Juniac said.

IATA Board of Governors chairman and Lufthansa CEO, Carsten Spohr, said: "Alexandre has led our industry in extraordinary times.

"Under his leadership, IATA has become a stronger and an even more relevant organization. I am joined by all members of the Board of Governors in thanking him for his service and wishing him well in his next endeavours.

"I am also pleased we are able to present a very capable candidate to succeed Alexandre in this important role. "I am convinced Willie will be a great director general for IATA." ■

Vistara deepens regional ties with Singapore Airlines

The **Singapore Airlines Group** continues apace with seizing opportunities to improve profits with a Cooperation Framework Agreement signed with India-based **Vistara**.

The Singapore Airlines (49%) and Tata Sons Private Ltd (51%) joint venture said the new agreement, signed early this month and subject to the relevant regulatory approvals, was an extension of the codeshare established by the two carriers in 2017.

"Strengthening the partnership between SIA and Vistara will allow both airlines to achieve more synergies on services between Singapore and India and also in the key regions of Southeast Asia, Australia and New Zealand," a joint statement from the two airlines said.

Vistara CEO, Leslie Thng, said the agreement reflected the carrier's long-term growth plan to expand its global presence and "present India's best airline to the world".

"By bolstering our partnership, we are able to provide additional options to our customers," **SIA's acting senior vice president marketing planning, JoAnn Tan**, said. "It also reflects the importance of the Indian market to SIA and a commitment to grow our network in the coming years."

Vistara launched commercial operations in January 2015 and has grown to a 45 aircraft carrier with a 35 A320s, two A321neo, six 737-800NGs and two 787-9s.

Separately, the **Civil Aviation Authority Singapore (CAAS)** and the **European Union Aviation Safety Agency (EASA)** have agreed, with immediate effect, that their bilateral Working Arrangement on Airworthiness Certification will allow the two regulators to jointly facilitate aviation innovations including electric vertical take-off and landing aircraft. Until now, the

approval process, first agreed in July 2017, stated CAAS validation of aircraft innovations could not commence until EASA had issued a type certificate. ■

PANDEMIC PROGNOSIS

It is a year the entire industry wants to forget. Twelve months of record losses, fleets largely grounded and the redundancy of tens of thousands of workers. But the airlines of the Asia-Pacific have a more optimistic future ahead of them than their peers in the rest of the world writes associate editor and chief correspondent, Tom Ballantyne.

The recent statistical horrors for Asia-Pacific airlines, both financial and operational, have been well documented. Now the question is what lies ahead? It will, everyone agrees, be different. Airline networks are in tatters and the road back to profits is strewn with obstacles, both forecast and yet to be revealed.

Intensive industry lobbying, intended to convince governments to remove quarantine measures, the major hurdle to revival of international travel, has largely been ignored. There have been a few pilot programs involving preflight testing of passengers, but there has been no progress towards the goal of introducing a global, standardized and rapid testing regime. Many airline insiders fear a repeat of the patchwork over-regulation of airport security introduced from country to country after 9/11.

Representatives of airlines, aircraft manufacturers and other aviation sectors have put forward compelling evidence that flying is one of the safest things to do during the current pandemic. Their argument is based on the sophisticated filter systems on aircraft, cabin configurations, exhaustive measures to sanitize their planes inflight, onboard social distancing where possible, compulsory wearing of face coverings from airport to aircraft to final destination and passenger presentation of COVID-19 negative test documentation at check-in.

The International Air Transport Association reported last month that 86% of people traveling said they felt safe with such measures. But that 86% is a fraction of the people who used to fly. Convincing millions of passengers to return to the air will be a challenge, to say the least.

Fortunately, Asia-Pacific carriers are in the best position, because of the region's relative success in containing the virus, to begin the industry's global recovery, IATA said last month.

As air traffic begins to increase in 2021 – it is forecast to reach around 50% of 2019 levels in the next 12 months – airlines also face the mammoth task of preparing thousands of grounded aircraft for flying.

As IATA director-general and CEO, Alexandre de Juniac put it: "We must plan carefully with regulators to safely ramp up operations. Reactivating thousands of grounded aircraft, managing the qualifications and readiness of licensed personnel and dealing with a major drain of experienced workers [during the outbreak] will be critical to a safe re-start.

"From the earliest stages of the crisis, we worked with ICAO (International Civil Aviation Organization) and

regulators on a framework to do this. And this work continues as the crisis drags on."

With several vaccines certain to begin distribution in coming weeks, there is growing optimism a proper restart of the industry is underway. But it will be slow given the enormous task of delivering the vaccines to the globe's population. For those who do want to fly, the procedures will be laborious.

Until then, any international flight involves multiple tests, before the flight, perhaps during transit and on arrival at the destination. Bilateral air travel bubbles, seen as jump-starting the industry, have been fraught with difficulty to date, most latterly with the postponement of the Hong Kong-Singapore travel bubble after the Special Administrative Region of Hong Kong experienced a sudden big spike in local cases.

Thrown into the mix of options for safe travel were the comments last month of Qantas Group CEO, Alan Joyce. He said the company might ask passengers booked on international flights to produce a document that proved they were COVID-19 negative before they could fly with the group.

At its virtual annual general meeting in the final week of November, IATA announced its Travel Pass – a sort of "I'm free from COVID-19 visa". If adopted, it will allow airlines to tap into a common data set of necessary testing or vaccine information for prospective passengers. The first cross-border pilot of the concept is scheduled by year-end with its launch planned for the first quarter of next year.

The Travel Pass would facilitate the uploading of passengers' negative test results and vaccination information. It would be shared with passengers and also at airline check-ins and international border crossings. Additionally, by centralizing all COVID-19 related testing or inoculation procedures, the Travel Pass could be a one-stop shop for all necessary pre-travel requirements.

"Today borders are double locked," said de Juniac. "Testing is the first key to enable international travel without quarantine measures. The second key is the global information infrastructure needed to securely manage, share and verify test data matched with traveler identities in compliance with border control requirements. That's the job of the IATA Travel Pass. We are bringing this to the market in coming months."

When the house is on fire, you don't pontificate about its future architecture. You throw water. Our industry is in flames. And we must put every ounce of our energy into quenching the fire so we can get back to business

Alexandre de Juniac
IATA director general and CEO

Rules for domestic flying aside, in the meantime, international air travellers will have to produce proof of a negative COVID-19 test before they can fly and once vaccines arrive, provide evidence they have been vaccinated against the virus.

Will travellers be deterred by the procedures necessary to defeat COVID-19? It is abundantly clear that for some time to come the relative seamlessness of pre-flight and inflight travel pre-pandemic will not be the norm. If the public's acceptance of stricter aviation security post 9/11 is a guide, airline passengers, at least in the Asia-Pacific, will quickly adapt to the rules necessary to defeat the coronavirus and get flying across the world. ■

More Asia-Pacific carriers to follow example of Korean Air-Asiana merger?

Korean Air parent, Hanjin Kal, intends to take over Asiana Airlines but the deal faces hurdles to reaching the finishing line. If successful, will it be a foretaste of post-pandemic airline consolidation? Associate editor and chief correspondent, Tom Ballantyne, reports.

As Korean Air (KAL) parent, Hanjin Kal, seeks to overcome opposition to its proposed takeover of Korea's second international carrier, Asiana Airlines, chief analyst at aviation data group OAG, John Grant, has raised the possibility of more airline mergers post the passing of the COVID-19 pandemic.

"Perhaps this is the tip of a global consolidation iceberg. Are others about to happen?" Grant has posited. "Could Emirates and Etihad finally be a play? Could Singapore Airlines acquire Malaysia Airlines? Is there one final U.S. consolidation among tier-two carriers? And how many mid-size European legacy carriers would love an approach from someone? Almost anyone! These consolidation plays could be very interesting. As always, only time will tell," he said.

It is not likely in the Asia-Pacific, said Asia Pacific Airlines (AAPA) director general, Subhas Menon. "It is very difficult to see airlines pursuing mergers and acquisitions at the moment. They are focused on survival. They are concerned with conserving cash and withstanding this crisis. Consolidation, in the usual sense of the word, will not be a

widespread phenomenon," he said.

International Air Transport Association regional vice-president Asia Pacific, Conrad Clifford, has a different view. He said it was "highly likely" there will be more consolidation in the region. "If you look at Korean Air and Asiana year ago, who would ever have thought the Korean government could have remotely agreed to a merger between those two carriers?" he said at an online media briefing last month.

"But that's where we are today. It reflects a realistic approach to the fact airlines around the world are in very poor financial condition. In many cases, that means that consolidation. Mergers make a lot of sense." Clifford said the move was a "good example" of airlines getting in the midst of a very difficult market to ensure their survival and the continuation of jobs and employment for their staff.

In the meantime, Hanjin Kal's bid to acquire Asiana for $1.6 billion has encountered its first hurdle since Asiana's main creditor, the Korea Development Bank (KDB), agreed to inject $723 million into Hanjin Kal through a rights offering and convertible bonds. Hanjin Kal will then participate in a stock sale that will be used to acquire Asiana.

A day after the deal was signed, local equity fund, Korea Corporate Governance Improvement (KCGI), a major shareholder in Hanjin Kal and an objector to the deal, filed an injunction against the KDB's plan to join the rights issue. It said the share sale designated to a third party would damage the firm's existing shareholder value. If the court accepted the fund's injunction request, the deal would fall apart and Asiana would return to the control of its creditors.

If the transaction goes ahead, it remains fraught with risk, not the least being turning pandemic losses into profits. KAL's net losses narrowed to $590.7 million from January to September this year, from $641 million a year earlier. Asiana's net losses deepened to $565.4 million, from $475 million, in the same period.

To complicate matters, Hanjin Kal and KAL chairman, Walter Cho, has volunteered to step down if the merged airline reports poor earnings on his watch. He also has offered his 6.52% equity in Hanjin Kal as security for creditors. It is a game decision. In the global health crisis of 2020, when both carriers' international operations are severely curtailed by the pandemic, short-term profits will be hard to come by.

Merging two airlines with different cultures and fleets also will be a challenge as history has shown. When Australia's Qantas Airways absorbed government-owned domestic airline, Australian Airlines, it took several years to bed down an integrated structure. The same was true when Air India subsumed Indian Airlines.

In 2019, Grant pointed, KAL ranked 27th and Asiana Airlines 40th on global airline tables. If successful, the consolidated carrier will leap frog to 16th, ahead of Cathay Pacific Group and slightly behind Air France KLM.

"The two airlines fly to 141 cities. Fifty nine are operated by both carriers, which suggests a high level of network duplication," Grant said. "Between them, they have about 27,000 staff. It is estimated there will be up to 1,000 overlapping employees after the merger. "Downsizing employees almost certainly will spark issues with unions, although KAL's Cho has said while there may be concerns about a monopoly, 'there will be no lowering of customer convenience or price hikes'."

Last month, Cho said "we have no plans to restructure our workforce. We will create an opportunity to embrace all employees and welcome them as a family. I will do my best to ensure no one is left behind. I will meet (the unions of both companies) as soon as possible and find a way to coexist".

KAL and Asiana have a collective fleet of 247 aircraft. KAL's airplanes are primarily Boeing. Asiana's fleet is mainly Airbus. "Selecting the preferred long-haul twin engine fleet may present a challenge for the merged carrier," Grant said.

"Asiana Airlines has a preference for the A350 while Korean Air is wedded to the 777 for much of its intercontinental network. For many carriers, a mix of aircraft types, and more importantly, the flexibility to right size capacity to new market sizes, will be important in the recovery phase. The new Korean Air may have struck lucky on that point.

"Collectively, the two carriers have established a leading market position with their dedicated (cargo) fleets operating globally with scheduled and charter services. Korean Air's cargo services effectively 'saved' the airline in the summer as COVID-19 PPE supplies were moved in vast quantities. "Asiana enjoyed a similarly successful cargo summer."

The SkyTeam alliance could win big from the merger. "With Korean Air staying in SkyTeam and over time the merging of Asiana Airlines into it, there will be a powerful hub and a larger access point in Northeast Asia for all SkyTeam members. Suddenly, from holding a 33.6% capacity share in 2019, SkyTeam will have approximately 51.2%, a position the alliance only could have dreamed before the merger," Grant said. ■

Incheon Seoul to win big from merger of Korea's international carriers

Another winner in the combined carrier scenario will be Korea's leading international hub, Seoul Incheon Airport. "Opened in 2001, Incheon always had the potential to be a global hub airport, but it has been held back in achieving that objective because it has two moderately sized carriers with similar networks. For instance, great circle routings allow Incheon to be one of the most effective transit points from the UK to Australia with a circuitry of 101%; better than that offered via any Middle East hub. Only Shanghai is better," said OAG's John Grant.

"With Incheon offering connectivity to some 44 cities in China in 2019, of which 34 were operated by either Korean Air or Asiana Airlines, the scope for expansion post COVID-19 into the world's largest market will provide opportunities to enhance Incheon as a major global hub.

"It will also benefit the Seoul airport from the potential for a combined airline to reschedule some of the major international flows. In 2019, both airlines were operating services to destinations such as Frankfurt and Paris within two hours of each other and under a combined operation the possibilities of double daily, night and daylight services will improve connectivity."

Fitter for future from facing COVID-19 challenges, says SIA

While surviving COVID-19 is priority number one for Asia-Pacific carriers, the region's industry should grab opportunities as it emerges from the pandemic believes Singapore Airlines Group CEO, Goh Choon Phong. Associate editor and chief correspondent, Tom Ballantyne, reports.

Singapore Airlines (SIA) Group may have reported its biggest ever quarterly loss last month, a net deficit of $1.7 billion, but CEO, Goh Choon Phong, did not show any signs of being disheartened when he announced the results.

In fact, he is convinced the SIA group is in a better position than any other airline in the world to successfully negotiate the crisis. "We strongly believe SIA will be much stronger and fitter from this crisis," he said.

"We have four key foundations that are not common among all airlines. We have a strong and trusted brand. We have strong liquidity and therefore a strong balance sheet. Our people are very committed, very passionate, talented and highly skilled. And in the last few years, as a result of our previous transformation, we have established ourselves as one of the leading digital airlines in the world."

With that foundation, Goh said, the carrier had launched "a new transformation chapter" focused on continuing to be a leader in product and services post COVID-19. "We will achieve the financial stability needed to reward our shareholders and to reinvest for our growth. And, of course, we will continue to ensure the SIA spirit remains high and alive and our people have the skill set for the future," he said.

Goh, speaking to analysts and media in an online briefing following the release of its third quarter results, to September 30, said liquidity is the most important requirement for airlines and stressed it was not an issue for the carrier.

At press time, the airline group announced it had raised an additional S$500 million (US$373 million) via a private placement of new 10-year bonds at an interest rate of 3.5% per year. The proceeds would be used for general purposes, including refinancing of existing borrowings, the airline said.

In June, the company raised $6.5 billion in a rights issue, $1.5 billion from financing of aircraft and increased its committed lines of credit by another $372 million. "Bear in mind the $1.3 billion in committed lines of credit that was pre-existing before the COVID-19 crisis is largely unutilized at this moment," Goh said.

"We are not stopping here. We are increasing our efforts to look at more sources of raising liquidity. We have entered discussions, [now] at an advanced stage, to do complete lease-back transactions and we are looking at tapping the debt capital markets. With all this we believe we will have one of the strongest liquidity positions, if not the strongest, among airlines."

Efforts to overcome the pandemic crisis were not just about liquidity, they also are about cost management, Goh said. One was "the painful exercise" in September when the airline had to cut 4,300 staff positions. Another has been the removal of 26 older aircraft from the fleet: eight 777s, seven A380s, nine A320s and two A319s. Negotiations with Airbus about aircraft orders have been completed and similar negotiations were in an advanced stage with Boeing, he said.

Goh did not say if the discussions involved order cancellations or delivery deferrals. Beyond managing costs and liquidity, SIA was trying to seize revenue opportunities in the market. "We continue to push boundaries and grow new businesses that are adjacent to what we are doing," he said.

Among them is just launched Pelago, a trip planning platform

marketed as a "destination discovery platform". It offers activities, experiences and attraction tickets in Singapore, including theme park admission, food and drink tours and wellness treatments. The SIA Academy has opened its doors to train people from other industries and already more than 50 organizations have expressed interest in working with the airline group.

"These are relatively new ventures and we are in the midst of crisis so it is premature to provide any guidance or projections on the revenue we might expect from new ventures. Obviously, as the market recovers and the business comes back we will be able look forward to something more material," Goh said.

In the midst of all this, the SIA group CEO stressed airlines must keep their sustainability goals front and centre. SIA's fleet, with an average of six years, is way ahead of the global average of more than 15 years. "Our experience, especially for long-haul flights, is with these modern planes, technology, engines in particular, and fuels and design, we have fuel efficiency of close to 30%. This gives us substantial savings in carbon emissions," he said.

The company also is installing solar panels on all its buildings, saving 2,300 tonnes of carbon emissions per year. Another innovation, just launched, is a dining concept for Premium Economy and Economy using paper boxes and bamboo cutlery. The menu and serving presentation will reduce the weight carried on board by almost 16%, contributing to lower fuel burn and annual savings of more than 300 tonnes of carbon emissions.

"The efforts we have put in to ensure a strong digital capability have produced good results by allowing us to very quickly introduce digital solutions to ease the travel experience for our customers. It also allows contactless interactions. For example, on board they can use their personal devices to control the IFE to avoid touching screens or handsets," he said.

"I think everyone will agree Singapore is probably among the most proactive nations in the world when seeking to open up and reduce travel restrictions in a safe manner for our customers."

Goh added some strategies being pursued before COVID -19 were benefitting the airline group. "SilkAir's integration back into SIA is one such initiative. So we can expect SIA to operate its first narrow-body planes by the first quarter of next year. This will give us the flexibility to operate wide-body or narrow-body operations on routes, depending on demand, seamlessly.

"Similarly, for Scoot, we can deploy the right vehicle to the right market in response to the passenger profile of that

When you talk about sustainability for airlines you can't run away with just talking about carbon emissions from operating the planes. To be absolutely frank, the most effective way for any airline to reduce your carbon emissions when operating your planes is to ensure you have fuel efficient planes

Goh Choon Phong
SIA group CEO

market. We invested in Vistara in India because it allowed us to participate in the growth of another major market in which SIA cannot currently participate. Vistara today is operating 55% of its pre-pandemic domestic capacity. It expects to reach 60% by year-end and 100% of its pre-COVID-19 domestic capacity by April."

The pandemic has been difficult for all airlines but especially for an airline such as SIA because it does not have a domestic market. "But even in this difficult time we have not forgotten and we have not let up in our engagement with key stakeholders. We continue to participate in community projects and initiatives," he said. This has included the group's cargo division transporting humanitarian aid to countries in need and an Ambassador program, under which staff such as cabin crew have been contributing to Singapore's fight against the virus outbreak.

In the end, however, Goh said it is not just about managing the crisis itself. "In parallel, we have been preparing ourselves to emerge stronger and fitter from this crisis." ■

Financial flameout

For the first time, the International Air Transport Association (IATA) and the Association of Asia Pacific Airlines (AAPA) held their critical annual summits online. Delegates at the November gatherings heard industry losses would shrink in 2021 but airlines would be burdened long-term with borrowings negotiated to survive the virus. Associate editor and chief correspondent, Tom Ballantyne, reports.

It may be cold comfort for the region's airlines, and for that matter the rest of the world's carriers, but the industry will improve in 2021. That was the message to hard-hit carriers as their leaders met last month at leading commercial aviation summits in Europe and the Asia-Pacific. In virtual gatherings the International Air Transport Association (IATA) staged its annual general meeting from Amsterdam and the Association of Asia-Pacific Airlines (AAPA) conducted its annual Assembly of President in the same format.

In a fiery summary of aviation's global state of affairs, IATA director general, Alexandre de Juniac, who had earlier announced he would step down from the airline lobby group at the end of March, laid bare the issues global commercial aviation confronts. Ten months on from the pandemic's beginnings "the airline industry is in crisis. Efforts to control the spread of the coronavirus have resulted in the greatest de-connecting of people since the Second World War", he said.

"Borders are effectively closed. Our freedom of movement has been severely restricted. The impact on aviation has been catastrophic. International passenger travel is down 89%. Domestic by 43%. With just 1.8 billion people expected to travel this year, we

are back at 2003 levels. Cargo is a bright spot. But with volumes 8% below 2019 it is hardly good news."

There was similar frustration, particularly at inconsistent border closures and quarantine measures, expressed by the AAPA's director general, Subhas Menon, who quipped American Express advises us "don't leave home without it", but the motto of the region's governments seemed to be "don't leave home".

Grim statistics tell the story of the industry's financial flameout. In the Asia-Pacific, where most AAPA members are major long-haul operators, international flying is being battered, operating at 11% of 2019 numbers. On the other hand, the region's domestic traffic is back to 67% of pre-crisis levels with much of the recovery due to China's local carriers returning to 2019 operating demand.

Asia-Pacific carriers will lose $30 billion in 2020 and jobs supported by aviation in the region will drop from 47 million to 22 million by year end, said IATA regional director airports and external relations Asia-Pacific, Vinoop Goel, in a briefing last month.

In 2020, net losses at the region's carriers will be $31.7 billion, which are forecast to shrink to $7.5 billion in 2021, IATA said.

Globally, the situation is just as dire. IATA chief economist, Brian Pearce, said airlines would lose $118.5 billion this year, up from $84 billion projected in June. The industry body expected the world's airlines to lose another $38 billion in 2021 compared with its previous forecast of $15 billion.

Although the 2021 forecast is a significantly reduced amount over this year, it is still "much more than the industry lost in the previous crises of 9/11 and the [2008] global financial crisis," Pearce said. Passenger numbers are forecast to be 2.8 billion in

2021, 1.7 billion short of full-year 2019.

Possibly most serious of all are the long-term consequences on airline balance sheets of the pandemic. Industry calculations are that the average operator will run out of money by the end of the first quarter of 2021.

IATA does not expect airlines to be cash positive until the end of next year, at the earliest. Around 50 airlines worldwide either have shut down or entered bankruptcy protection. Those that are surviving are mostly doing so because of government aid, namely $173 billion in direct or indirect state support, said de Juniac. "But that has come at a huge cost," he said.

As a result of measures to raise survival funds, airline debt has soared by $220 billion to more than $650 billion, a financial burden that will take airlines years to pay down. De Juniac urged governments to support airlines in other forms.

"Bridging airlines to the recovery is one of the most important investments governments can make. It will save jobs and kickstart the recovery in the travel and tourism sector, which accounts for 10% of global GDP. More financial support will be needed and it must not increase debt," he said.

"A vaccine is the permanent solution we need," said de Juniac. "Recent news on progress is encouraging. IATA is working with the World Health Organization (WHO), UNICEF, Gavi and others in the COVAX initiative. This will ensure aviation is prepared, literally, to deliver.

"Borders must be opened for distribution, cold-chain logistics facilities need to be available with trained staff and security measures must be airtight. Passenger operations with belly capacity must be scaled up. This will be the largest and most complex logistical exercise ever. The world is counting on us. And we will not disappoint."

But "we cannot wait for vaccine distribution to re-open borders for travel. An immediate solution exists", he said. "We could safely open borders today with systematic COVID-19 testing. We have the technology. Rapid antigen tests are delivering cost-effective results, with over 95% accuracy, in 15 minutes or less. New testing technologies under development could be even better," he said.

At the AAPA Assembly of Presidents member carriers adopted several resolutions, reiterating calls for "harmonised and coordinated" travel restrictions among countries in the region, "so that they are targeted, balanced, transparent and flexible in duration".

They advocated setting up a "robust international testing framework" for pre-departure coronavirus tests and called on governments to provide more support for AAPA members.

Menon said airlines saw the establishment of travel bubble arrangements – such as the recently announced and now delayed Singapore-Hong Kong initiative – as a "big step in the right direction" to restarting cross-border travel.

The region's airport sector, which accounted for 3.1% of Asia-Pacific GDP and supports nearly 50 million jobs, urgently needed regional coordination mechanisms to overcome the unprecedented damage to the travel and tourism sectors, the joint declaration signed by the AAPA, IATA and Airports Council International (Asia-Pacific) at the conclusion of the Assembly said.

Menon said to those who argued against government support for the industry, this "existential crisis" was not of the airlines own making. "If airlines can't fly to earn their keep it's difficult to overcome their costs. Governments need to support their airlines," he said.

De Juniac told his members "airlines will approach 2021 hobbled and on life support". "There will be long-term consequences to this situation. The landscape of aviation has shifted. Many governments are now major airline investors. There are legitimate concerns about how long they will stay and there is a risk of backsliding towards re-regulation and protectionism," he said.

Ultimately, IATA and the AAPA were confident the industry would eventually recover and grow. "Together, we have experienced many crises," said de Juniac. "None rivals the scale of COVID-19. But all taught us resilience. The months ahead will challenge us as never before. But resilience is in aviation's DNA. We will re-connect the world. Our mission is unchanged. We are the business of freedom." ■

By Jordan Chong

JANUARY

Much of the world celebrated the arrival of 2020 in anticipation of a positive year, particularly given the **International Air Transport Association (IATA)** said in the previous December airlines worldwide were tipped to post a collective net profit of US$29.3 billion this year, up from a likely US$25.9 billion in 2019.

One of the causes for optimism was the signing of a "Phase One" trade deal between the U.S. and China, hoped to signal the end of a damaging tariff dispute between the two countries that had profoundly impacted the air freight market.

A truce between China and the U.S. on trade and the prospect of lower oil prices were forecast to increase the collective net profit at Asia-Pacific carriers by 22%, to US$6 billion in 2020, from US$4.9 billion in 2019. At the time, **Orient Aviation associate editor and chief correspondent, Tom Ballantyne**, warned "Black Swan" events could upend the forecast.

By mid-month there were signs a highly contagious virus that had emerged in China in late December was spreading beyond its Wuhan origins. What the world would come to know as COVID-19 was impacting the air travel market. In response, the **Hong Kong Special Administrative Region (HKSAR)** government closed its border to the Mainland, except for entry points such as Hong Kong International Airport, the Hong Kong-Macau-Zhuhai Bridge, the Shenzhen Bay-Hong

Kong crossing and Kai Tak Cruise and Ocean terminals. Visitors from China collapsed by 91% in January sucking the life out of Hong Kong's tourism dependent economy.

The travel ban and lockdown in Wuhan started from late January. China encouraged its citizens to stay home, shut schools, government offices and factories among other facilities, and banned all unnecessary and non-essential public gatherings during the biggest holiday in the Asian calendar, Lunar New Year celebrations.

In a January 24 statement, the **World Health Organisation (WHO)**, advised the screening of travellers at international airports and ports to contain the spread of the virus, but did not call for borders to be closed. "WHO advises against the application of any restrictions of international traffic based on the information currently available on this event," it said.

There was outrage across the aviation community when **Ukraine International Airlines** flight PS752 crashed shortly after taking off for Kyiv from Tehran on January 8. There were no survivors among the 167 passengers and six crew members. Initially, Iran said the crash could have been caused by a fire in one of the engines of the aircraft or a mechanical issue on board. It quickly emerged the 737-800 UR-PSR was brought down by a surface-to-air missile launched by the Iranian Islamic Revolutionary Guards Corp.

In Taiwan, the staid aviation scene was about to be shaken up by the launch of full-service carrier, **Starlux Airlines**, a business with the added buzz of a founder, pilot K.W. Chang, who was ousted as chairman of his deceased father's airline, **EVA Air**, by his siblings. ■

FEBRUARY

The **biennial Singapore Airshow** went ahead with "enhanced precautionary measures" in response to COVID-19. Borders were open at the time except for individuals who had been in China in the previous 14 days. International visitors were sharply down compared with the country's previous shows.

Show organiser, Experia Events, said 30,000 trade visitors from more than 110 countries attended the show, down from 54,000 trade visitors from 147 countries in 2018.

More than two thirds of exhibitors said they would return to Asia's biggest airshow in 2022. The reduced attendance was perhaps the reason the event was short on order announcements, with turboprop manufacturer, **ATR**, the exception.

Growing concerns about COVID-19 led to airlines such as **Japan Airlines, Qantas** and **Singapore Airlines**, among others, to scale back their presence or withdraw completely from the China market in the month.

Cathay Pacific Group, heavily exposed to the Mainland, reduced capacity "temporarily" to its northern neighbour by about 30% due to the "commercial and operational realities at the current time". Later it increased the capacity cut to 40%.

Several Asia-Pacific airlines reported their latest financial results. Many posted profits for the most recent half, but they were beginning to factor in the impact of COVID-19 on their operations. **Singapore Airlines** said the exponential scale of the COVID-19 outbreak posited significant challenges for the airline group. **Qantas Group** said it would have a net negative impact of A$100 million to A$150

million (up to US$110 million) and that it would update the market in April.

Figures from the **Civil Aviation Administration of China (CAAC)** showed domestic passengers fell 84.8%, to 7.3 million, in February compared with a year earlier. International passengers were down 82.4%, at 1.1 million.

IATA released its initial assessment of the impact of COVID-19 with a predicted 13% contraction in demand at Asia-Pacific carriers in calendar 2020, a revenue decline of US$27.8 billion.

Boeing forecast the region's airlines would require approximately 4,500 new commercial aircraft in the next 20 years to support air travel demand in Indonesia, Thailand and Vietnam.

By month end, it was clear COVID-19 could not be quelled as quickly as SARS in 2003 and that closed international borders would decimate regional and long-haul passenger demand.

At the SIA group, it was announced **Campbell Wilson** would return to **Scoot** for a second stint as CEO on April 1. Wilson was the launch CEO of the LCC, established in 2012. He was in charge of the airline until 2016, when he was appointed SIA's executive vice president of sales and marketing. Wilson was among several staff given new roles in a reshuffle of key posts at SIA. ■

MARCH

The brutal reality of COVID-19 was realised this month, when IATA released two updated forecasts on the global airline industry's expected losses.

The first, in early March, said Asia-Pacific carriers were forecast to lose US$57.3 billion in revenue in a "worst-case scenario". Three weeks later, the IATA estimate had jumped 54%, to US$88 billion.

"The figures speak for themselves. The air transport industry is in its deepest crisis ever," **IATA director general and CEO, Alexandre de Juniac**, said at the time.

As airlines dramatically scaled back flights in response to the sharp decline in demand, the calls for assistance became louder and more frequent. IATA said rules for take-off and landing slots needed to be suspended for the entire northern hemisphere summer season. The association argued slot relaxations would allow airlines to respond to market conditions with appropriate capacity levels and avoid running empty services to retain slots.

Regulators in Europe, Hong Kong, New Zealand, the U.S. and elsewhere answered the call, offering slot relief measures for airlines.

In Hong Kong, **Cathay Pacific Group chairman,**

Patrick Healy, spoke for many when he said it was difficult to predict when the tide would turn for the aviation industry. The oneworld alliance member reported a 28% drop in net profit in a "turbulent year" in calendar 2019 when political unrest in Hong Kong and escalating global trade concerns pushed the Special Administrative Region into recession and led to a sharp drop in demand for travel.

Thai Airways International (THAI) and **Philippine Airlines (PAL)** also reported losses. SIA, which had kept capacity levels higher than a number of its peers to date, finally took the axe to its route network, cutting capacity by 96% and grounding all but 11 of the 196 aircraft in its fleet. It also secured funding of S$19 billion (US$14 billion) to survive the pandemic.

Virgin Australia (VA) stood down 80% of its 10,000 staff as it slashed capacity by 90%, ended international flying and suspended operations at its LCC, **Tigerair**. **VA Group CEO, Paul Scurrah**, said there had "never been a travel environment in Australia as restricted as the one we see today".

HK Express and Singapore-based **Jetstar Asia** stopped flying and the Indian government suspended domestic flights. **Jetstar Japan** and **Jetstar Pacific** cancelled international flights and reduced domestic operations.

Several aircraft lessors were nervous because their client lists included some highly leveraged Asia-Pacific LCCs. At the time, **AirAsia Group co-founder, Tony Fernandes**, conceded cash flow was tight for the group, but said it was in discussions with debtors about refinancing of aircraft leases and deferring aircraft deliveries. ■

APRIL

Virgin Australia (VA) was one of the first casualties of the pandemic after it entered administration. Australia's second largest airline group had been in a stretched financial position heading into the COVID-19 crisis and had sought government assistance to avoid taking this step. The Australian government rejected all nine proposals VA put forward for support. Deloitte was appointed administrator and the search began for a new owner of a company with debts of US$5.1 billion. VA's five major shareholders – **Etihad Airways, HNA Group, Nanshan, Singapore Airlines and Sir Richard Branson's U.K.-based Virgin Group** – who collectively held about 90% of the airline group were either unable or unwilling to provide financial support to VA.

Indian Ocean-based **Air Mauritius** collapsed into voluntary administration during the month. The pandemic had led to a "complete erosion of the company's revenue base", the airline said, with the board appointing Grant Thornton as administrator.

IATA published figures that revealed domestic flights worldwide were down 70% in April compared with the start of the year.

China's "Big Three" carriers, – **Air China, China Eastern Airlines and China Southern Airlines** – reported a combined net loss of 14 billion yuan (US$2.1 billion) for the three months to March 31. The result represented a deterioration of 21 billion yuan, given the three airline groups posted a combined net profit of 7.4 billion yuan for the same months in 2019.

Malaysia Airlines said it would operate one international flight during the months of May and June because of government travel restrictions and closed borders and also would curtail its domestic schedule.

In Japan, **All Nippon Airways** and **Japan Airlines** said flight bookings for the Golden Week holiday were down more than 96% for international travel and about 87% for domestic travel. The Japanese government declared a State of Emergency in response to the coronavirus pandemic.

The suspension of so many passenger flights led to a shortage of cargo capacity in some markets. As a result, airlines have been operating passenger aircraft as cargo-only services and placing items on seats in the cabin.

Airbus outlined a modification package for its A330s, A340s and A350s, which accommodated cargo pallets on the passenger deck when economy class seats were removed. The temporary solution, being certified by the European Union Aviation Safety Agency (EASA), allows a typical A350 to carry an additional 7.8 tonnes of freight on top of normally carried belly cargo, Airbus said. ■

MAY

The financial red ink continued to flow this month, led by the Asia-Pacific's two most prominent carriers, **Cathay Pacific Group and SIA group's three airlines**. Mid-month, SIA reported the first full-year loss in its 48-year history after a disastrous final three months of its fiscal year. To illustrate the carnage, the net loss of S$721 million (US$537 million) for the three months to March 31 was more than three times the full-year net loss of S$212 million.

"Gains from the first nine months were wiped out by the decline in the final quarter from global travel restrictions and border controls which led to a collapse in demand for air travel," **SIA senior vice president for finance, Stephen Barnes**, said.

The news was just as bleak in Hong Kong where **Cathay Pacific** announced it had lost HK$4.5 billion (US$581 million) in the four months to April, and added there was no sign of a meaningful recovery ahead. It was operating 3% of its normal capacity in May.

Both Cathay Pacific and SIA began a review of their operations aimed at being competitive when the market recovered.

Thailand's prime minister, Prayuth Chan-o-cha, said Thai Airways International (THAI) would undergo a corporate restructuring process via the country's **Central Bankruptcy Court**.

While the government had considered three options for the loss-making flag carrier – providing financial support, letting the airline collapse or putting THAI through a bankruptcy court-led restructuring – General Chan-o-cha said there were other demands for government funds that had higher priority. A former successful president, **Piyasvasti Amranand**, returned to THAI as a board director along with three other new directors.

Korean Air said it would raise 2.2 trillion won (US$1.8 billion) to boost liquidity, made up of 1.1 trillion won from a share issue and 1.2 trillion won in government aid through the Korea Development Bank and The Export-Import Bank of Korea. "Korean Air will continue to carry out self-rescue measures to overcome the dismal business environment due to COVID-19," the airline said.

Indian airlines resumed domestic flights after the government lifted a suspension that had been in place since late March. However, the Ministry of Civil Aviation placed a 33% cap on capacity.

IATA warned ticket prices could jump by 50% if airlines were forced to keep social distancing rules such as blocking the middle seat in place. Figures from the airline lobby group showed only four airlines out of a sample of 122 carriers would have made money under such rules.

Rather than empty middle seats, IATA supported mandatory face-coverings for passengers and masks for crew among a package of measures to reduce the risk of contracting COVID-19 on board an aircraft. ■

JUNE

Cathay Pacific Group chairman, Patrick Healy, described the airline group's capital raising as the "only plan available" to avoid a collapse of the airline company.

The HK$39 billion (US$5 billion) capital raising included the Hong Kong Special Administrative Region government taking 6.08% in equity in the airline and receiving two non-voting "observer" positions on the board.

In addition to the capital raising, Healy foreshadowed some "tough decisions" would be made before the end of the year, following a review of the business, to determine the appropriate scale, shape and size of the company in a post-COVID-19 environment.

Qantas Group said it would make 6,000 staff – about 20% of its workforce – redundant, keep grounded 100 aircraft for up to 12 months and retire its remaining 747-400/400ERs immediately. **CEO Alan Joyce** expected revenue would be much lower for several years and that meant becoming a smaller airline for now.

One of the ways Qantas was to become a smaller airline was by reducing the footprint of its LCC, **Jetstar**, in Asia. It announced it would terminate its 13-year investment in Vietnam-based **Jetstar Pacific** by offloading its 30% holding in the LCC, leaving it with two Asia-based franchises – Japan and Singapore.

Another airline succumbed to COVID-19 this month, with Thailand-headquartered LCC, **NokScoot**, shutting down some six years after its establishment as a joint venture between Singapore-based **Scoot** and Thailand's **Nok Air**. It did not see a path to recovery and sustainable growth, given the unprecedented challenges of the pandemic. Some 425 staff lost their jobs.

Amid all the gloomy news, there were a few causes for celebration. Japan's **ZIPAir Tokyo** commenced commercial operations after the inaugural flight from Tokyo Narita to Bangkok was postponed from May 14. There was little fanfare associated with the flight. The wholly-owned subsidiary of Japan Airlines operated the June 3 flight as a cargo-only service due to COVID-19.

In other encouraging developments, Taiwan's **Central Epidemic Command Centre (CECC)** said business travellers from 15 countries would be eligible for reduced quarantine periods when travelling to the country. Singapore and China established a "fast lane" arrangement for short-term essential business or official travel between Singapore and six destinations in China and Hong Kong International Airport (HKIA) reopened for transit passengers. In Australia, Bain Capital was announced as the preferred VA buyer. ■

JULY

As airlines racked up year-on-year declines in passenger numbers, with capacity and demand down in the 90% and above range, attention turned to month-on-month comparisons for signs of improvement.

Taiwan's two largest carriers, **China Airlines (CAL) and EVA Air**, posted demand and passenger revenue growth in June compared with May, as the threat of the coronavirus subsided and restrictions on travel were relaxed.

Separately, Taiwan's legislature approved a proposal to rename CAL to better reflect its Taiwanese origins.

The CAL and EVA figures, which represented a fraction of the traffic before the onset of COVID-19, aligned with recent IATA observations that some parts of the world were beginning to open up and that April would be known as the cruellest month for airlines.

These pieces of encouraging news were overshadowed by losses reported by Cathay Pacific, the pessimistic outlook of SIA and more redundancies across the sector.

In addition to the hefty HK$9.9 billion (US$1.3 billion) interim loss, SIA Group said it would defer aircraft deliveries to preserve cash, with A350-900s and A350-1000s due to arrive in 2020-2021 to join the fleet in 2020-2023 and A321neos scheduled for 2020-2023 deliveries delayed up to 2025.

SIA said the recovery trajectory would be "slower than initially projected". The airline group was operating 6% of its originally scheduled capacity, with the figure forecast to creep to 7% in August.

Later in the month, SIA reported a quarterly net loss of S$1.123 billion (US$816 million) for the three months to June 30.

AirAsia Group said it was working on raising as much as one billion ringgit (US$235 million) in fresh capital after reporting a 953 million ringgit net loss for the three months to March 31, 2020, a reversal of more than a billion ringgit from the previous corresponding period.

In India, **IndiGo CEO, Ronojoy Dutta**, outlined plans to "bid a painful adieu" to 10% of the Indian carrier's workforce due to the pandemic.

Jeju Air left fellow South Korean LCC, **Eastar Jet**, at the altar when it walked away from a proposed takeover. Violations of the purchase contract and the impact of COVID-19 were blamed for cancellation of a deal backed by the South Korean government. The state-run Korea Development Bank and Export-Import Bank of Korea were ready to offer loans to Jeju Air to support the transaction. In Bangkok, **Chansin Treenuchagron** was appointed acting president of **THAI**. ■

AUGUST

There was a fatal accident in the Asia-Pacific this month, when an **Air India Express 737-800** crashed while attempting to land at Calicut International Airport at Kozhikode. VT-AXH was operating repatriation flight IX1344 from Dubai, with 184 passengers and six crew on board, when it over ran the runway and came to a stop in a valley. Both pilots were among the 21 people killed in the tragedy.

Separately in India, the rumour mill was in full churn with unsubstantiated reports grounded full-service carrier, **Jet Airways**, had found a buyer, or buyers, but they were not from the industry.

JAL reported a net loss of 131 billion yen (US$1.3 billion) for the three months to June 30, compared with a net profit of 19.9 billion yen in the same months in 2019. Revenue fell 78%, to 348.8 billion yen. The commentary in the company's financial results made for sombre reading. Recovery of international passenger demand was "unforeseeable" given many countries still showed no sign of slowing down the spread of COVID-19, it said.

Domestic passenger demand had been gradually recovering, but Japan was struggling to resume economic activities because of infection prevention measures. It would take more time for the domestic market to make a full recovery, JAL predicted.

Qantas posted a net loss of A$2 billion for its 2019-2020 financial year, to June 30, a A$2.8 billion turnaround from 2018-2019's A$840 million net profit. Revenue dropped by 20%, to A$14.3 billion.

Qantas's Joyce said the Flying Kangaroo was an airline that "can't really fly to many places" for now, and added 2020-2021 would be another tough year.

Air New Zealand (Air NZ) reported a full-year net loss of NZ$454 million (US$319 million) for 2019-2020, its first annual loss in 18 years. The carrier expects to be in the red again in 2020-2021. **CEO Greg Foran** mirrored the view of his peers when he said the outlook for passenger demand was uncertain and highly dependent on the removal of travel restrictions in New Zealand and around the world.

"We absolutely are not seeing a 'V' recovery or even a 'U' recovery. It's more like an 'L', he said. "It's a question of how long the bottom of the 'L' takes to ramp up."

In Thailand, **Nok Air** sought clearance from the Central Bankruptcy Court to commence a business rehabilitation plan. The LCC intended to complete its rehabilitation process "in time to return to full service post the COVID-19 pandemic". ■

SEPTEMBER

Creditors approved **Bain Capital's** proposed takeover of VA, with the company to exit voluntary administration but without its 777-300ERs and A330-200s. Long-haul flying and its LCC, Tigerair Australia, were shut down and at least 3,000 employees lost their jobs.

While SIA held out longer than most in retaining staff, this month it was forced to announce 4,300 employees would have to leave the company, including 2,400 positions described as involuntary staff reduction measures. For **SIA Group CEO, Goh Choon Phong**, it was the "hardest and most agonising decision" he had faced in his three decades at the company.

Another potential South Korean airline merger fell apart when the proposed takeover of **Asiana Airlines**, led by Hyundai Development Company (HDC) and Mirae Asset Daewoo, collapsed.

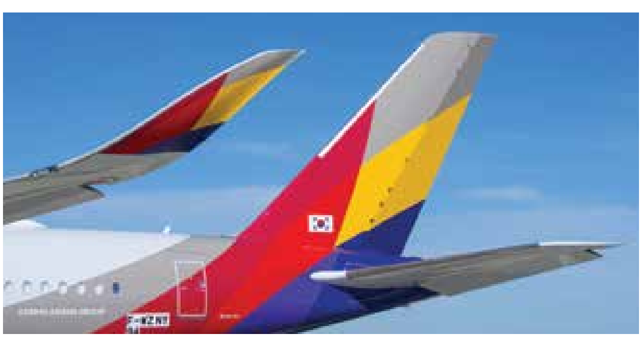
Asiana's major shareholder, **Kumho Industrial**, and HDC blamed each other for the collapse of the deal. **Asiana CEO, Han Chang-soo**, said in a letter to staff the decision was inevitable if the company's value as a corporation was to be preserved.

It has been interesting to observe how airlines – and aviation companies in general – have responded to COVID-19 by trying to increase non-flying revenues.

Arguably the leader of the pack has been THAI, which opened a restaurant at its Bangkok head office serving food prepared by chefs from its catering unit. The aviation theme is evident from arrival with entry to the restaurant via a set of aircraft stairs. Diners are seated on repurposed cabin seats and eat from tables made from aircraft parts such as engines and tyres. THAI also began operating street stalls selling patonggo, a popular deep fried dough snack and selling bags made from up-cycled life vests and slide rafts.

Away from all the tribulations of COVID-19, **Boeing** updated its 2020 **ecoDemonstrator** program. An **Etihad** 787-10 is operating as a flying test bed to research noise reduction, on board disinfection, airspace and operational efficiency, the use of sustainable aviation fuel and the evaluation of an ultraviolet wand that can disinfect a flight deck in 15 minutes. The wand is under licence for production.

On September 21, **Airbus** unveiled three concepts, all code-named ZEROe, of the world's first zero emissions commercial aircraft. The goal is entry-into-service by 2035. The three concepts rely on hydrogen as their primary power sources. Airbus CEO, Guillaume Faury, said he "strongly believed hydrogen power had the potential to reduce aviation's climate impact". ■



OCTOBER

It was the end of the road for **AirAsia Japan** and **Cathay Dragon** when both carriers became victims of COVID-19. AirAsia Japan ceased operations on October 5, marking another unhappy end for AirAsia Group's ambitions in the Land of the Rising Sun. Shutting down the LCC, a partnership between AirAsia Group and several Japanese investors, became reality after it was concluded it would be extremely challenging to continue operating without any visibility and certainty of a post-pandemic recovery, the group said.

October also was a tough month for **AirAsia X (AAX)**, which disclosed it was facing "severe liquidity constraints" in meeting its debt and other financial commitments. The long-haul and regional LCC said **board member, Lim Kian Onn**, would lead a turnaround effort, which included renegotiating with creditors, reducing shares on issue by 90% and shrinking the route network – all pre-requisites for raising funds either through equity or debt.

The proposed restructuring with unsecured creditors included about $63.5 billion ringgit of debt being "reconstituted into an acknowledgement of indebtedness by AAX" for a principal amount of up to $200 million ringgit.

A couple of weeks later,

Cathay Pacific Group revealed the outcome of a months-long review that forced the redundancy of up to 8,500 staff and the closure of its regional full-service carrier, Cathay Dragon. Those still with jobs at the group were required to accept lower pay and reduced conditions to stay with the company.

The majority of the job losses were the result of the Cathay Dragon shutdown, bringing to an end a 35-year-old carrier with a network focused on Asia, particularly China, serviced by A320 family aircraft and A330s.

Chairman Patrick Healy said the decisions would reduce the company's monthly cash burn from up to HK$3 billion in February to HK$1 billion to HK$1.5 billion.

"Cash burn at this level is clearly unsustainable so the actions we have announced today, however unpalatable, are absolutely necessary to bring monthly cash burn down to more sustainable levels," he said.

VA changed course this month, appointing former Qantas Jetstar CEO, **Jayne Hrdlicka as CEO**, a month after its new owners expressed full-throated support for Paul Scurrah to remain in charge. Hrdlicka, who worked with Bain during the bidding process, took the reins as VA's fourth CEO, following Scurrah (2019-2020), John Borghetti (2010-2019) and Brett Godfrey (2000-2010). ■

NOVEMBER

In normal times, a proposed union between the number one and number two airlines in a country would be given short shrift by governments and regulators. However, 2020 has proved anything but normal.

So it was that **Korean Air's (KAL)** parent, **Hanjin Kal**, announced it intended to acquire **Asiana Airlines** in a 1.8 trillion won (US$1.6 billion) transaction backed by the state-run Korea Development Bank and described as unavoidable by **South Korea's deputy minister for civil aviation, Kim Sang-do**. The combined KAL and Asiana operation would be among the top 10 carriers in the world and also the largest operator in the Asia-Pacific.

International Air Transport Association (IATA) regional vice president for Asia-Pacific, Conrad Clifford, told reporters this month he expected governments to take a less restrictive approach to consolidation given changed market conditions and the very poor financial condition of airlines.

IATA's latest forecast, published this month, showed Asia-Pacific carriers were on track to lose US$31.7 billion in calendar 2020 compared with its June estimate of a US$29 billion net loss.

Conditions were expected to improve in 2021, but the region's airlines are still forecast to be in the red for the 12 months with net losses of US$7.5 billion, or US$6.30 per passenger.

SIA announced it would retire 26 aircraft, including seven A380s, as part of its repositioning post COVID-19. It reported a net loss of S$3.5 billion (US$2.6 billion) for the six months to September 30, with revenue collapsing by 80%, to S$1.6 billion.

There was an indication of pent-up passenger demand this month after Hong Kong and Singapore tried to establish an air travel bubble (ATB). Would-be travellers snapped up tickets at a furious pace in the hours after the scheme was announced.

Alas, all that excitement turned out to be premature, with the two countries deciding to suspend the ATB the day before the November 22 launch due to a sudden jump in coronavirus cases in Hong Kong.

Qantas group CEO, Alan Joyce, this month floated the idea of a "no jab, no fly" policy for those flying internationally with the airline when ex-Australia flights resumed. The airline group later said there would be alternatives for those unable to be vaccinated due to pre-existing medical conditions, such as heightened testing, mask wearing and/or quarantine.

Boeing's latest forecast for China calculated the nation would need 8,600 new commercial aircraft to 2040, up 510 aircraft, or about 6%, from the 2019 report. COVID-19 had severely impacted every passenger market, but the manufacturer said China's fundamental growth drivers remained resilient and robust.

DECEMBER

News the proposed Singapore-Hong Kong air travel bubble (ATB) had been deferred for a second time highlighted the fragile nature of international air travel while the world waited for a COVID-19 vaccine.

The Singapore and Hong Kong Special Administrative Region (HKSAR) governments said they pushed back the start of the ATB to 2021 due to the "epidemic situation's severity in Hong Kong with the number of local cases of unknown sources increasing rapidly".

There was also little progress in broadening the one-way travel bubble, launched in October, which allows New Zealanders to travel to Australia without having to quarantine on arrival. It is hoped, on both sides of the Tasman, it will be expanded to include Australians travelling to New Zealand. At press time, governments were saying talks on the policy were continuing.

Several airlines collapsed in 2020 due to COVID-19 and there is risk more carriers could fail if international borders remain locked up.

In addition to surviving, some carriers are taking the opportunity to innovate. **All Nippon Airways** plans to start a medium-haul LCC with more details of the carrier to be unveiled in 2021. Korean Air and Asiana Airlines are working to complete their merger by mid-next year.

As 2020 drew to a close, attention turned to the return to service of the 737 MAX after the U.S. Federal Aviation Administration (FAA) lifted its grounding of the type in November.

The FAA said it had evaluated and approved Boeing's changes to anti-stall software and pilot training programs in response to two fatal accidents. In earlier times, such a ruling from the U.S. agency would have been quickly followed by regulators in other jurisdictions.

However, the **European Union Aviation Safety Agency (EASA)**, **India's Directorate General of Civil Aviation (DGCA)** and the **Civil Aviation Administration of China (CAAC)** all indicated they would be conducting their own reviews before making decisions to unground the MAX for operations.

Not surprising really, given the criticisms of the FAA and Boeing for their conduct in certifying the 737 MAX.

Boeing's already-delayed 777-X program is expected to be in the spotlight in 2021.The program is still in flight test mode. In October, **Boeing CEO, David Calhoun**, said the company was working towards entry-into-service in 2022. However, the pace of regulation would be set by regulators, reflecting on the "learnings" from the 737 MAX certification process, Boeing said.

Sir Tim Clark, president of the 777X's biggest customer, **Emirates Airline**, has "no idea" when the Dubai-headquartered carrier would receive the first of 115 of the aircraft type it has on order."They were due to be delivered in June, then it was 2021, then it was 2022," he told Bloomberg Television.

Sabre wins business of new Korean LCC

Ambitious LCC, **Fly Gangwon**, which made its inaugural flight in 2019 and is focused on developing the tourism market of coastal Gangwon, has chosen **Sabre Corporation** as its global GDS partner.

Sabre's system will distribute the carrier's content – Fly to Your Dream - to travel agents worldwide as the LCC broadens its domestic network to China, the Philippines, Taiwan and Vietnam.

"As domestic and regional markets continue to recover first and fastest, it is clear LCCs such as Fly Gangwon have a key role to play in the initial and long-term recovery of the travel ecosystem," **Sabre Travel Solutions Airline Sales vice president and general manager Asia Pacific, Rakesh Narayanan**, said.

Fly Gangwon executive vice president, SeongGil Cho, said: "While we flew our very first flight just months before the impact of COVID-19 was felt globally, we remain resolutely focused on our goals of resuming existing routes and launching routes to China amid increasing momentum for inbound travel to South Korea."

Yangyang airport [in Gangwon province] is offering visa-free entry for group tours from the Philippines and Vietnam in support of Fly Gangwon's marketing campaign. ■

CABIN INTERIORS

Global lessor selects Recaro's SPRINT solution for single aisle aircraft

Avolon has agreed to acquire 20 shipsets of **Recaro's SPRINT** seat for 15 A320s and five 737NGs with deliveries scheduled to June 30 next year.

The SPRINT program was launched in 2019 to satisfy demand for a quick turnaround seat solution for the aircraft transition market. SPRINT configurations are available for Airbus single aisles and Boeing 737s.

"This transaction will enable Avolon to react very quickly to market demand for flight ready aircraft which will be equipped in advance with brand new industry leading passenger seats. It is one of several proactive steps we are taking as a Lessor to support the needs of our customers", **Avolon Head of New Aircraft Deliveries & Engineering, Enda Swan**, said.

Global lessor Avolon is 70%-owned by a subsidiary of Mainland group, Bohai Leasing Co. Ltd, with the remaining 30% held by Tokyo and New York listed ORIX Corporation. At September 30, 2020, its owned, managed and committed fleet was 837 aircraft.

Recaro Aircraft Seating is a worldwide manufacturer of aircraft seats for airlines and OEMS that is expanding its facilities at its German headquarters and in China, Poland and North America. ■

MRO AND COMPONENTS

AFI KLM E&M and Sabena Technics Singapore joint venture signs regional partner

Singapore Component Solutions (SCS) and **Hutchinson** have agreed to a Memorandum of Understanding (MoU) to develop the component repair business in the Asia-Pacific.

Jointly owned by **AFI KLM E&M** and **Sabena Technics**, SCS is a 6,500 sq. metre facility that provides component support for A320s, A330s, ATRs and Fokker 100s. Several Asia-Pacific airlines have large fleets of all three of the Airbus types. Airlines also have kept the reliable Fokker 100 workhorse in their fleets.

From 2021, capabilities offered under the MoU will include engine and APU vibration isolation systems, engine component repairs, cabin interiors and composite and structural repairs.

SCS CEO, Thibaut Campion, said: "We are proud to bring our expertise to a major OEM such as Hutchinson, allowing both companies to develop jointly our repair network and capabilities in Asia. We look forward to a successful partnership".

"We are honoured to team up with SCS, a well-reputed company in the aftermarket arena. This partnership aims to increase our business, and most importantly, have our customers benefit from a joint repair network and overhaul capabilities in Asia. We are very confident this partnership will be a great success," **Hutchinson Aerospace Services executive vice president, Norbert Langlois**, said. ■

Orient aviation

27 YEARS