Aviation Issues and Challenges and Post-COVID recovery Options

David Miles – Associate Vice President
Mathieu De Marchi – Senior Managing Consultant
Landrum & Brown
COVID-19 Impact on the Asia-Pacific Region

- Capacity in the region is 44% lower than 2019 levels (-26% dom/-88% int’l)
- Major hub airports affected, fleets grounded/retired
- Financial pressure, staff furlough or redundancies
- Failure to keep up with compliance
- Government bailout or stimulus
- Survival of the fittest – airline failures & bankruptcies

Note: capacity levels as of Aug 2021 compared to Aug 2019.
Pacific Traffic Snapshot

- PNG drives the domestic recovery.
- Fiji domestic capacity down significantly in 2021 compared to 2020.
- Intra-regional and international capacities remain heavily depressed.
International Travel Still Hampered by Border Restrictions

Source: Kayak.com, updated 01/09/2021
Vaccination Programs are Well Under Way

Source: Market Research.

Europe
East Asia
South Asia
North America
Australasia
South East Asia
The Pacific

2021 Q1, 2021 Q2, 2021 Q3, 2021 Q4,
2022 Q1, 2022 Q2, 2022 Q3, 2022 Q4,
2023 Q1, 2023 Q2, 2023 Q3, 2023 Q4,
2024 Q1

Source: Market Research.

Pacific Region Infrastructure Facility
Roadmap To COVID-19 Recovery

Challenges on Road to Air Travel Recovery:
- Continued emergence of new COVID-19 variants
- Lack of a list of “Approved Vaccines”, globally accepted and implemented
- Lack of a set of global policies regarding health risks against COVID-19 (or future pandemics) to avoid the use of snap lockdowns, border closures and restrictions which will affect passenger confidence and impede resumption of air services
- Lack of mutual trust that will slow down reopening of borders
Global COVID-19 Recovery Scenarios

- Domestic recovery expected in 2023 with international recovery around 2024
- Regions with large domestic markets will recover first
- Long-term traffic losses due to COVID-19 will be equivalent to 2 years of growth

“Demand is fragile amidst COVID-19 variant concerns.” “Governments have rightly urged their populations to be vaccinated; now governments need to have confidence in the benefits of vaccinations.” IATA September 2021

Pacific COVID Recovery Projections

- Domestic Capacity Recovery:
  - Current Traffic: 50-60% of pre COVID-19 capacity
  - Optimistic: Q2 2023
  - Baseline: Q4 2023
  - Pessimistic: Q2 2024

- Intra-Regional Capacity Recovery:
  - Current Traffic: mostly cargo & repatriation flights
  - Optimistic: Q4 2023
  - Baseline: Q2 2024
  - Pessimistic: Q4 2024

- International Capacity Recovery:
  - Current Traffic: follows intra-regional trends
  - Optimistic: Q4 2023
  - Baseline: Q2 2024
  - Pessimistic: Q4 2024
COVID-19 Recovery – Issues And Challenges

- Need for Direct Cash Flow Support for Pacific Aviation Enterprises
- Need to Maintain Domestic Air Services
- Need to Maintain Air Cargo Services
- Ensuring Healthcare System Readiness
- Restoring Airlines Operational Readiness
- Restoring Airports Operational Readiness
- Restoring Regulatory Certifications/Compliance
- Sustaining Regulatory Compliance
- Restoring Passenger Confidence
- Need of Local Population Support to Reopen Borders
- Sustaining Commercial Viability of Reopened Routes
- Managing Airline Failures and Moving to a Sustainable Industry Structure
COVID-19 Recovery – Strategies And Initiatives

- Support can be directed to airlines, airports, and regulatory bodies in preparation of the recovery period.
- Route underwriting scheme will support essential low-demand routes that are not commercially viable.
- This process presents an opportunity for the structural adjustment of the aviation industry in the Pacific.
A Regional Approach - 2021 Regional Aviation Minister’s Meeting

1. Address the transition and recovery needs of Pacific States
   - Identify priority areas
   - Identify funding needs
   - Establish temporary arrangements with other like-minded nations (travel bubbles) to stimulate air travel
   - Identify essential air routes that could be serviced through different funding models

2. Affordable and sustainable air services are critical to economic recovery post COVID-19
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Framework for Enhanced Pacific Region Aviation Collaboration

1. Create a pathway to long term safe and sustainable development of the aviation system through the development of a Pacific Regional Aviation Strategy

   - Regional Legislative Framework;
   - Audits and Inspections Programme;
   - Strategic Training and Human Resource Development;
   - Regional Governance, Engagement and Coordination;
   - Sustainable Economic Development that will maximise benefits to members through regional collaboration.

Near-Term Needs and Actions

- Initial priority areas:
  - Regional Legislative Framework;
  - Audits and Inspections Programme;
  - Strategic Training and Human Resource Development;
  - Regional Governance, Engagement and Coordination;
  - Sustainable Economic Development that will maximise benefits to members through regional collaboration.

Long-Term Aspirations

- Core function will be safety and security oversight with potential for broader range of services and functions in accordance with Regional Strategy
- Ensure sustainable funding model that reflects the resourcing required to achieve the level of service and focus on priorities, as directed through the Regional Strategy

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1. Continue to improve PASO to ensure it delivers enhanced aviation safety and security services to all Member States

2. Ensure PASO is appropriately and sustainably resourced (human and financial) to deliver on the priority areas by 2022

3. For the long-term, create a wider aviation-focused Regional Organisation, to address aviation issues and opportunities (key regional priority)

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   - Ensure sustainable funding model that reflects the resourcing required to achieve the level of service and focus on priorities, as directed through the Regional Strategy
Where are we now?

- Airlines have survived this far thanks to cost cutting, domestic revenue, freight/repatriation revenue, government/IFI/donor grants and loans, but more life-support will be needed if border openings are delayed or start/stop.
- Some work has been undertaken in regard to strategic regional collaboration of airlines, but limited progress – there is potential for RAMM to help turn strategies into action.
- Airports, with Govt/IFI/donor support, are more ready to handle post-vaccination border openings.
- Safety regulatory services have improved through short term funding of PASO but long term sustainability is a key goal – looking to RAMM outcomes.
- PICs have better coordinated public health settings and are on a stronger footing for sustainable border openings.

Near Term Actions Required:

- Continued support to PICs during hibernation
- Coherent and sustained border opening when ready – certainty is important
- Galvanizing robust region-wide industry/Government/donor support to:
  - The maintenance of key routes
  - Better economic structure for air service provision
- Continued support to:
  - Regulatory service delivery during transition to open borders
  - Training and operational readiness
- Parallel initiatives in the tourism industry

Borders Reopen

Hibernation Period | Transition Period

Pacific Industry Status as of Nov 2020

Pacific Industry Status as of Oct 2021
Thank You