

How can the global aviation industry chart its way out of COVID-19?

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The travel and commercial airline industry has suffered considerable damage as a result of the COVID-19 pandemic.

According to recently-released figures from the International Air Transport Association (IATA), the global aviation industry is set to lose US\$252bn in 2020, with many airlines filing for bankruptcy and slashing up to 90 percent of their flight capacity.

Linus Bauer is an outstanding City alumnus, Managing Consultant at Bauer Aviation Advisory, and a Visiting Lecturer on the MSc Air Transport Management program.

City News caught up with him to ask about his perspectives on the future

of commercial aviation.

CN: Passengers still have a not unreasonable degree of anxiety about flying, even if they are wearing masks while traveling on airplanes and would have completed pre-boarding temperature checks. What further measures can airlines take to lessen their concerns?

LB: Health and safety will become an ever-present factor because fear and trust will be the two emotions at the forefront of people's minds when planning a trip. In the past two weeks we have witnessed new air rage triggers: Airlines breaking their promise to keep middle seats empty; and passengers failing to take precautions by not observing social distancing. Airlines need to be more transparent and confident in communicating social distancing protocol, especially so in the era of social media. Passengers are demanding to be informed through video messaging what airlines are doing to make travel safe for everyone—from preventive measures onboard and special cleaning processes, right through to minute-by-minute changes to flight schedules, etc. Such activities would certainly lessen the fears of health-conscious passengers and those in the 50+ age bracket. When people do not feel that an airline adequately respects their health and safety, they will quickly find one that does!

CN: With the ever-deepening crisis in global aviation and major airlines filing for bankruptcy, is government assistance the only option?

LB: For a large group of major airlines across the globe, government assistance is the only option for their survival. In Germany for instance,

the reinvestment of stabilization funds with special loan schemes from the previous global financial crisis offers the best solution for German stock corporations like flag carrier Lufthansa.

CN: With current low oil prices and the correspondingly low demand for travel, will airfares become more affordable for travellers?

LB: Due to the fuel hedging activities at the end of 2019, the majority of airlines will, unfortunately, not benefit from the low oil prices at the moment. Airlines have been reporting massive losses in fuel hedging as fuel prices have plunged. The market-to-market losses from surplus hedges also arose because capacity cuts resulting from COVID-19 have meant that the fuel consumption needs of airlines will be lower than previously anticipated in the next fiscal years. Coming over to the demand side, the airline industry will suffer less demand in the next three years.

CN: Are there any specific geographical areas or travel markets of the world better prepared to return to normality?

LB: Normality is not likely to return before 2023. That said, I believe that countries like Australia and New Zealand have a geographical advantage and have done a great job of cementing links between themselves during this pandemic. A Trans-Tasman travel 'bubble' will be established as soon as it is safe to allow flights between both countries. If it works well, they may consider inviting the Pacific islands and Singapore to join it. This model could prove to be a good example for the rest of the world to kickstart travel between countries on a step-by-step basis.

CN: Will the airline industry be changed for the better? Given the role that government and private finance may contribute toward the restructuring of airlines, could COVID-19 force already poorly managed airlines to become more efficient?

LB: Every single crisis leads to new opportunities to improve things. What were viewed as the errors of the past can now be rectified. After receiving a wake-up call from this crisis, much more attention will be paid to issues like sustainability and the environment, leading to higher operational efficiency for the future.

CN: How will the pandemic affect the pilot training pipeline?

LB: Pilots, flight attendants and gate agents are the groups most directly impacted by the sharp drop-off in passenger demand since the pandemic swept across the globe and essentially halted air travel for millions of people. The COVID-19 crisis has transformed the worldwide shortage of pilots into a surplus of them. The current crisis has changed everything, including carriers furloughing pilots by the thousands due to the deep cut in capacity for the next three years.

Provided by City University London

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