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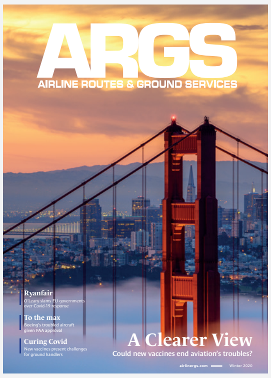

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Editor's NOTES

Edward Robertson
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It's the best news we've have since the start of the Covid-19 pandemic. At the time of going to press with ARGS there are now three potential vaccines to the virus awaiting final clearance before mass global distribution.

And while there is still much work to be done and many hurdles to overcome in the ongoing fight against the virus, it feels a sense of optimism is emerging which should be grabbed in both hands by the aviation industry after such an appalling year.

While IATA might have sent out advice to ground handlers on how best to handle any vaccine (page 46), there are companies already way ahead of the curve: on page 42 you can read how Menzies Aviation is already making preparations for just such an event.

The preparations are one of the many changes the ground handler has made as, like the rest of the aviation industry, it learns how to cope with a pandemic.

Malaysia's POS Aviation has also had to adapt a number of new practices in order to deal with the situation which CEO Woo Kam Weng reveals on page 40.

Meanwhile, in Europe Ryanair's Michael O'Leary has found new ways to be furious with the authorities and how they have handled Covid-19 on the continent (page 4).

Elsewhere, jetBlue boss Robin Hayes has surprised himself and many others with the launch of 60 new routes during the pandemic (page 12), although north of the border, Air Canada is faces having to close even more routes than that (page 22).

A panel debate at this year's Virtual WTM reveals there is life after the pandemic (page 16) while Berlin Brandenburg Airport has finally opened to the public after nearly a decade of delays (page 30).

Even the Boeing 737 Max could soon be a common sight in the skies again, following the FAA's decision to allow it to fly again (page 36).

So there is good news out there, even if it is a little hard to find. But in 2020, I'll cling on to anything we've got and hope you do too.

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Fighting form

Ryanair boss Michael O'Leary has a whole new list of grievances as Covid-19 strikes European aviation

By Edward Robertson

If people really are supposed to mellow with age, it seems no-one has told Michael O'Leary that.

The CEO of Ryanair was interviewed on a one-to-one basis at the WTM Virtual conference in November, where he was on typical barnstorming form with strong opinions on pretty much everything related to the aviation sector.

And while the themes – suffocating regulations, overbearing governments and badly-performing rivals – may remain the same, the impact of Covid-19 has lent them a new urgency as Europe continues to struggle with a serious second wave of the infection, leaving the continent's airlines forced to keep the majority of their fleets grounded.

However, while the pandemic is the cause of the problems, O'Leary argues that governments are holding back the recovery in the aviation sector as a result of pursuing the wrong policies, in this case the ongoing suspension of use-it-or-lose-it regulations for airport slots which he believes ultimately harms consumers.

He says: "The suspension shouldn't be extended, but it will be and it will be because the French and the Germans want extensions."

He is now concerned the regulations could be suspended until summer 2021,

adding: "I don't think it should be and we have opposed that, but I think it still will be. The risk of doing that for the airports, tour operators and national governments is that the more you extend that rule, particularly into summer '21, there is no incentive for the Lufthansas, the Air Frances and KLMs to put the capacity back into the marketplace.

"They will happily constrain capacity because they can block the slots and this allows them to charge very high fares on the limited number of flights they are offering."

While governments might continue to reinforce the status quo through legislation, O'Leary argues there will be a lot of change in slots as airlines respond to their own commercial needs.

For instance, citing the example of London's Gatwick airport, he believes Wizz Air will be looking to take Norwegian Air slots as the latter closes its short-haul base at the airport. Meanwhile, he expects IAG to keep a hold of its own slots at the airport, although he expects them to be swapped around among its airlines, for instance Vuelling or Aer Lingus picking up many of British Airways' (BA) historically owned slots.

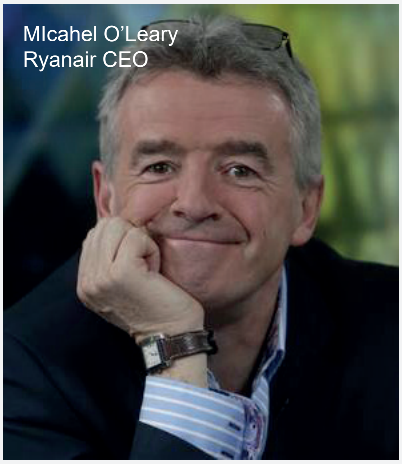
From Ryanair's point of view O'Leary says the focus in the UK's south east remains on Stansted Airport where he believes there are new opportunities to be exploited.

He adds: "EasyJet are closing their base at Stansted and so I think we would certainly go to take up their slots. We would like to expand in Stansted and to a lesser extent in Southend Airport.

"I do fly to Gatwick and I would certainly have more flights back into Gatwick but frankly, historically, Gatwick has been an expensive airport with expensive handling whereas at Stansted we have a very low-cost operation. We have a long-term growth deal in place with Manchester Airports Group (MAG) and the opportunity is there for us to extend those deals at Stansted."

Driving growth

O'Leary also uses the interview as an opportunity to question the perceived wisdom that the aviation sector faces a long wait to return to 2019, pre-Covid-19 traffic levels and passenger numbers once the pandemic begins to recede or when



MIcahel O'Leary
Ryanair CEO

Ryanair ready for Boeing 737 Max return

The return of the Boeing 737 Max to the skies will launch "an extraordinary era of growth" for Ryanair.

Speaking in an online interview for WTM Virtual in November, CEO Michael O'Leary says the airline, which has an order for 135 of the Max 200s to be delivered in the next five years, is confident it will be cleared by the US authorities for flight by the end of the month.

He believes that the problems which caused two Max aircraft to crash, killing everyone on board, have been fully solved while pilots, cabin crew and passengers will all be confident about flying on the aircraft.

O'Leary says: "We are poised for a period of very dynamic growth. In Ryanair, one of the things we really worked very hard on during the downturn was working with our partners in Boeing to get the Max aircraft back into service."

He adds providing the all-clear is given, the Max 200 will be a "game-changer" as it offers 4 per cent more seats while burning 60 per cent less fuel and cutting emissions by 40 per cent than the airline currently does.

O'Leary also argues that pilots will be convinced of the aircraft's safety, adding: "It has suffered reputational damage as a result of the software issues, but they've been addressed.

"When it returns to service at the end of November it will be the most audited, the most interrogated, the safest aircraft ever to fly and we couldn't be more excited."
O'Leary also believes that pilots will be better trained to handle the aircraft following the downturn, adding: "We learnt from that failure and now it must be the most well-known system in any aircraft anywhere in the world."

He also argues that customers will appreciate the benefits of the aircraft beyond the fact that it is new and offers more leg room.

O'Leary adds: "And certainly at the price we're buying these aircraft, it will enable us to pass on lower fares to our customers for the next five or 10 years, widening the pricing gap between Ryanair and every other airline in Europe. In this industry pricing wins."

He says Ryanair is expecting 30 of the aircraft to be delivered in time for summer 2021 when they will be on hand to fuel a resurgent market for short-haul travel in Europe.

"We have the aircraft and there's a huge surplus of pilots and cabin crew out there," he says. "We can get the tourism industry back again, we can get the hotels full again and we get the beaches full again. We are poised at the dawn of an extraordinary era of growth."

restrictions on flying are downgraded. He adds: "It's rubbish. Volumes will back in 2021 and 2022 as the airlines, led by Ryanair, will discount prices and hotels will discount prices in the summer of 2021 and the winter of 2021 into summer 2022. We will all discount to try to recover the business we've got."

However, he admits while passenger demand, driven by discounting, may be there, it will take between three and four years before pricing can return to 2019 levels.

Of course, O'Leary believes that governments have their role to play in driving the recovery as he urges them to cut airport taxes and fees again, this time in response to the difficulties created by Covid-19.

But once the airports do reopen and airlines can start operating short-haul flights, he is confident that Ryanair will be quick to take advantage of any opportunities that arise as the airline is currently in "intensive negotiations with quite a number of airports".

O'Leary argues that many of these opportunities will arise as other European airlines struggle to bring their fleets back into action as restrictions are lifted.

He says: "The airports see that the only way they can return to growth will be working with somebody that is flexible and can rapidly deploy aircraft. What has been the difference between Ryanair and most of our competitors in Europe during the crisis is we kept flying our aircraft."

Vaccine solution

O'Leary also has more confidence that news of a vaccine will help travellers return to the skies than governments' efforts to introduce mass testing, of which he is particularly scathing.

He says: "The lockdown was never going to be a solution to fixing the virus, but the lockdown should have given us the time to put in place mass testing. What's been really concerning is the incompetence of European governments when it came to putting in place mass testing."

O'Leary argues this incompetence has led to the second lockdown while plans to introduce airport testing are too little, too late in his opinion.

He is also concerned that ongoing complacency over the introduction of mass testing could still cause serious issues for Europe's aviation industry, particularly if problems emerge with the vaccine.

O'Leary adds: "Europe has the capacity to do that and that's what we should be putting in place this winter to free us from the risk of a third lockdown in the spring before, hopefully, the vaccines get here. But I see no evidence."

All of which will no doubt be added to O'Leary's list of grievances when it comes to dealing with European governments as the boss of an airline. It's becoming quite a list.

Viral loads

Like many airlines RwandAir has been hard hit by the Covid-19 crisis, although its cargo operations have proved to be a lifeline during the ongoing issues

By Edward Robertson

As the aviation industry continues to reel from the ongoing Covid-19 crisis, finding good news to share remains a tough job for even the most ardent of optimists.

However, conversations with airlines around the world have revealed that the one boost many of them have enjoyed during the continuing problems has been in cargo volumes.

For even when governments have closed their skies to passenger flights, cargo has remained a vital source of income as countries import and export medical and other supplies to help cope with the pandemic.

RwandAir deputy CEO and chief operating officer Silver Munyaneza says the situation has been the same for the airline, which was initially grounded on 20 March when Rwanda's skies were closed in the wake of the country's first Covid-19 case, diagnosed just 10 days earlier.

He adds while some repatriation flights were allowed using the airline's 12 aircraft, which are a mix of Airbus, Boeing and Bombardier models, based at its Kigali International Airport hub, the airline was also allowed to operate cargo flights which outperformed their original, pre-viral expectations for 2020.

Munyaneza says: "During lockdown most of the essential personal protective equipment (PPE) equipment came through from China as well as high volumes of other items that are needed for businesses here and in our region.

"Cargo volumes during Covid-19 have been growing and they are still growing. We were predicting a growth in cargo of 70 per

Silver Munyaneza
RwandAir deputy CEO and COO

cent but during Covid-19 it has grown by 100 per cent and we are actually limited by our capacity as there are not enough cargo aircraft."

Having seen the tactical potential in both the country and the region, Munyaneza adds the airline is doing everything it can to take advantage of the trend that it believes will continue even when the global pandemic calms down.

He says: "When you look at the African market ... it is a trading market and most of the items are actually brought from China. We are currently reducing our passenger operations and increasing the cargo, these are aircraft that are not designed for cargo and the cargo bay is not big enough for our plans."

Passenger services resumed

While cargo proved to be an important component of the airline's lockdown strategy, Munyaneza says RwandAir has also been working hard to re-establish routes following the lifting of the commercial flight ban by Rwanda's government on 1 August.

He adds while there were flights to 29 destinations in operation before the lockdown, the airline has not raced to relaunch them all.

Munyaneza says: "The African market remains our focus and with different countries lifting restrictions, we are slowly returning to these destinations.

"We are operating to 19 different African destinations, we are carefully following the most profitable routes but it also depends on when some of the countries open up their airports."

In addition, he adds RwandAir is also considering launching a further two routes to destinations in West Africa but declines to reveal exactly where they are.

Further afield, Munyaneza says RwandAir reintroduced twice weekly services to London and Brussels on 3 October, before adding a third flight on each route from 25 October.

While cargo might make the two routes strategically important to the airline, load factors remain low at at 40 to 45 per cent and he worries this situation may yet get worse.

"Looking at the new Covid-19 surge in Britain and Belgium we are not sure if this is not going to affect us and what is going to happen," Munyaneza says.

However, he adds one benefit of the break in service was the decision to relocate the airline from London's Gatwick to Heathrow Airport where passengers benefit from a greater number of connections.

However, a weekly flight, operating since 2 August, to Guangzhou in south west China remains popular with virtually full occupancy, with only the Chinese government stopping more flights being introduced. He says: "China is a trunk route that connects most of our passengers from different destinations."

Munyaneza says elsewhere the four-times-a-week service to Dubai resumed on 1 August while, at the time of writing, a new route to Mumbai is scheduled to restart on 16 November which he is particularly pleased about, providing it opens as planned.

He adds: "If Mumbai opens you could get a lot of connectivity from the business that Africans are doing there; it is very strategic for us."

Future preparations

While RwandAir's 12 aircraft based at its hub at Kigali International Airport may have been mostly grounded during the Covid-19 pandemic, staff have been busy preparing for the resumption of service.

RwandAir deputy CEO and chief operating officer Silver Munyaneza says in the airport itself, the airline has introduced contactless check-in facilities.

He has been equally pleased to see the airport respond to the crisis by introducing measures designed to improve the passenger experience and foster confidence.

Increased signage in the airport is helping drive passenger flows, hand sanitisation stations have been introduced across the airport while staff are on hand to ensure passengers are wearing facemasks and other protective equipment properly.

He adds: "Before the resumption of service we made a lot of preparations, including the cabin crew with training on how to handle cases just in case there is a problem on board."

This means once on board a RwandAir flight, Munyaneza says passengers will be greeted by cabin crew wearing full personal protective equipment (PPE).

In addition, magazines have been removed from behind the seats while all meals are pre-packaged to grow consumer confidence.

"People need to wake up from their fear that they are going to contract this virus on the airplane," he adds. "Looking at all the protocols and measures, travelling by aircraft is one of the safest ways compared to other types of transport.

"Air transport is safe and people should travel and go about their business."

Ongoing issues

And that is one of the key frustrations Munyaneza feels when relaunching routes, the uncertainty that continues globally as the pandemic continues to impact much of the world.

He says: "Since the beginning, Covid-19 has affected us in different ways. If you look at the other countries there are different protocols and policies in operation despite the fact that IATA and ICAO have given guidelines on the resumption of operations. Different countries are still exercising the right to have different protocols."

And this directly impacts the airline's current strategy for reintroducing routes Munyaneza says, adding: "The bottom line is our focus has been on the profitable routes as opposed to those not making money.

"In addition some countries have not yet opened their airspace; whether or not we are making money at them we can't still go to those airports."

Despite this, he is confident that the airline's pre-Covid-19 network will be fully restored by July next year, although he admits there is more work to be done to bring back the required passenger numbers.

He says: "We are focusing on consolidating the existing routes to African markets but to do so we need to cultivate the levels of confidence among passengers as people still feel troubled."

In which case, and given the continuing uncertainty around the world as to how the pandemic will end, it's just as well RwandAir has its cargo business to continue supporting all operations.

"Our focus has been on the profitable routes as opposed to those not making money"

Silver Munyaneza
RwandAir deputy CEO and COO

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An optimistic tale

JetBlue has faced the same pain as airlines around the world during the pandemic but has still launched 60 new routes. Edward Robertson finds out how.

For the majority of airlines, the Covid-19 virus that has swept the world has led to them retreating from the skies as they focus on the key money-making routes that they are still permitted by governments to operate.

So it is interesting to see jetBlue's response. CEO Robin Hayes says the airline has been as badly hit as its rivals, to the extent that he believes only losing about $6 million a day at the time of writing is a considerable bonus compared to the $50 million daily loss the airline incurred at the start of the pandemic.

Speaking in an online interview at WTM Virtual in November, he adds despite the losses and the global issues the pandemic has caused to the world's aviation industry, the American LCC has still announced the launch of 60 routes during the crisis.

Hayes says: "I never thought I'd say we'd do 60 new routes in a year as I never thought I'd see more than 10 and yet we've done 60 and there's probably more to come."

He adds much of the reason behind the strong programme of new route launches is down to the fact that the airline takes the majority of its bookings directly online which provides it with a wealth of data, from which destinations customers are looking for to the price they are prepared to pay.

While he admits this data must be weighed up against how uncertain the current situation is in the US, he adds providing his staff have the right attitude then they can make a success of any of the new routes which are not only domestic but stretch down to the Caribbean and Latin America.

"Nimble is definitely the new word for 2020," Hayes says. "There's a whole load of uncertainty in the planning process that we've had to adapt to … but I feel now we are looking at things and responding to them."

He adds this attitude means the airline can now launch a new route in about a week and can still generate bookings as consumers leave their decision-making


Boston is a jetBlue base

to the last minute, due to the ongoing uncertainty during the Covid-19 era.

Three-pronged response

While Hayes may appear relatively upbeat about the situation as it unfolds, he adds jetBlue was hit hard by the pandemic, with passenger volumes falling to between 3 and 5 per cent in March and April, creating "the most devastating set of events that any of us have ever faced".

However, the airline was quick to respond with a three-part strategy that was implemented in the spring.

Hayes says the first response was to ensure that both staff and passengers taking any remaining flights felt safe with a number of health and safety measures, including being the first airline in the US to enforce mandatory face coverings for travellers unless they have a valid excuse.

"That was pivotal in helping more people have the confidence to fly," Hayes says.

Secondly, staff moved to protect the airline's financial security by cutting cost swhile also raising new forms of liquidity, which was considerably helped thanks to jetBlue's situation when Covid-19 struck.

Hayes says: "We were very aggressive in raising new forms of liquidity. One

JetBlue predicts financial improvement

JetBlue saw its revenues decline by 76 per cent in its 2020 Q3 results as the airline continued to be battered by the ongoing Covid-19 pandemic.

The decline in revenue was better than its prediction of 80 per cent for the period and was largely thanks to an increase in leisure and VFR travel.

The situation was further helped by the airline's reduction in capacity of 58 per cent, although this was considerably more than the 45 per cent expected and came as bosses sought to manage cash burn and protect liquidity.

However, as a result in the capacity cuts, operating expenses were nearly halved at 45 per cent, as the airline reduced both variable and fixed costs by adjusting work schedules and eliminating discretionary spend.

JetBlue president and chief operating officer Joanne Geraghty says: "We saw a modest, sequential improvement in August and September demand as new (Covid-19) case counts decreased, and quarantine restrictions in some states were eased.

"Our northeast geography continues to be disproportionately impacted, though we believe it will undoubtedly rebound as it always has with past challenges.

"Our planning assumption for the fourth quarter is a revenue decline of approximately 65 per cent year over year.

"Although there still quite a lot of uncertainty about the evolution of the coronavirus, we are starting to see the booking curve extend slightly into the upcoming Thanksgiving and December holiday travel period, and we are encouraged by customers responding positively to our promotional activity including an early holiday sale in late September.

"For the fourth quarter, our current planning assumption is for capacity to decline approximately 45 per cent year over year, given our current expectations for improved bookings.

London could be introduced as a new destination in 2021

of the benefits of having a fleet that's largely your own and not leveraged against previous debt is we were able to leverage it against debt, so we have plenty of cushion."

Finally, he adds the airline took a positive approach as to how it would emerge from the pandemic and it is this attitude that he credits with the introduction of the new routes which means the airline has grown passenger volumes from the disastrous figures of March and April to between 30 and 40 per cent today.

London calling

While much of Hayes' work in 2020 has been focused on ensuring jetBlue survives the immediate impact of the Covid-19, he is still planning the long-term recovery which could see the airline's first European route introduced in the third quarter of 2021 with a flight to London.

He believes the north Atlantic market can be cracked by the same tactics that were used to get many of jetBlue's services successfully up and running previously. Hayes says: "I'll point to what we did back in 2014 when we introduced JFK to LAX, where fares at the time were a matter of course $2,100, $2,200 and we rolled out $595.

"We want to have a profound effect and we want part of our legacy in the north Atlantic to be that this is the airline that came along and profitably brought premium fares down for everyone. If you don't want to fly jetBue then fine, but you're going to have a lower fare flying on one of our competitors as that's what we do."

He adds that the London route will be served by any of the airline's 26 Airbus A321 LRs and XLRs currently on order while further European expansion could be on the cards, although he declines to name any other destinations currently under consideration.

However, Hayes argues the airline has fewer problems dealing with the seasonality some airlines encounter when operating to Europe's cities as during the winter he can simply switch many of the aircraft involved in the programme to jetBlue's Caribbean routes.

He adds: "That is one of the benefits of being a North American operator with our equipment. It is not as seasonal a business as you see in Europe with summer and winter performance.

"Ultimately I see a few years down the line where we have a number of all-year-round markets to Europe because they are functioning all year and a number of seasonal markets."

Which is probably just as well given the number of issues the pandemic has caused. And while it would be too early to say exactly what the future holds for JetBlue, it is good to find airline executives still positive and discussing plans for the future, whatever it may hold.

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New routes to financial success

By Edward Robertson

With IATA now predicting a $100 billion loss for airlines in 2020 thanks to Covid-19, the aviation route development industry is facing a shake-up as airlines move to generate profits again as quickly as possible

The aviation route development industry will undergo significant changes as IATA increases its projected loss for airlines in 2020 by $26 billion.

Speaking in an online panel debate hosted by WTM Virtual in November entitled 'The long-run evolution of aviation activity following the coronavirus pandemic', IATA deputy chief economist Andrew Matters says the association predicted in July a loss for airlines of $84 billion this year with a smaller loss anticipated in 2021.

However, he adds: "Now, because the recovery that we've seen hasn't been as strong as we anticipated or perhaps hoped for in July, that number is probably going to be revised down in a couple of weeks so the industry could lose more than $100 billion in 2020 as a consequence of the pandemic. So that's a big hole to try to climb out of.

"Airlines have been borrowing so the debt burden has increased. That debt burden is going to continue for an extended period and that's going to weigh on the financial performance of the airlines as well. We

know airlines can go to the capital markets and borrow and they have been doing that."

Matters also argues that for airlines many costs, for instance fuel or staffing, are fixed so if they are to return to profitability while demand remains depressed, they will have to find other ways of doing so.

Virgin Atlantic head of UK and Europe sales Rami El-Dahshan adds that the global pandemic has forced the aviation industry to rethink most of its business practices in less than a year.

He says: "I remember very well in February when we started talking about the coronavirus, it was something that was happening far away from us. Something happening over in Asia was seen very much as a localised issue, a bit like swine flu.

"What we learnt very quickly is there is the need to adapt and innovate and consider how we respond to things like this in the future. How we adapt and improve the airlines to have failsafes in place so we are prepared for whatever the future brings."

One change El-Dahshan predicts is a much keener focus on the profit generated by a new route than has been the case previously in the aviation industry.

He adds: "It's all about a complete mindset change and learning to turn decision-making around much quicker than we've ever done in the past. My history of working in a variety of different airlines, particularly long-haul airlines, has always taught me to put a new route in and then leave it there for a couple of years and see what happens and hopefully you start making some money.

"Going forward, you'll see airlines expect to have cash-positive flying as soon as possible, and you'll see airlines change and adapt their schedules, as and when the demand is there. We'll see a lot more fluidity and a lot more quick-change management in order to follow the money."

El-Dahshan also argues that Virgin's own experience of operating any flights possible during the ongoing rolling lockdowns around the world since March has caused a rethink of its route development strategy.

He adds: "We're actually flying aeroplanes right now as Virgin Atlantic to Italy and Germany and these are entirely cargo-filled planes. Historically, the way airlines and network planning have worked with relation to the cargo is thinking where do passengers want to fly and we'll probably be able to stick a bit of cargo in there as well, in order to pick up as much revenue as we can.

"What the pandemic has meant is that cargo has got a much bigger seat at the table when it comes to network planning and it's much more about where's the cargo going and can we put the passengers on that aircraft as well. So, are we ruling out flying the short-haul sector with wide-body aircraft? Absolutely not, everything has to be on the table."

Tourism industry yet to feel full effects of Covid-19

The world's tourism industry must prepare itself to deal with a financial downturn as deep as airlines are currently experiencing as a result of the Covid-19 pandemic.

Speaking in an online panel debate hosted by WTM Virtual in November addressing the long-run evolution of aviation activity following the coronavirus pandemic, Virgin Atlantic head of UK and Europe sales Rami El-Dahshan says the airlines have suffered badly as a result of the global lockdown, with the impact being immediately obvious.

However, he adds the entire tourism industry has been hit, with many other parts of it yet to feel the full effect.

El-Dahshan says: "People think about this issue as being an airline issue in isolation, but actually when the airline industry sneezes, everyone else catches a cold in the whole of the tourism ecosystem."

He adds thanks to the possibility of air travel everyone from hotel owners to travel agents makes money, something that's no longer possible as the world's air fleet remains for the most part grounded.

El-Dahshan says: "That's all massively impacted. So we see a lot of these headline figures start with airlines, but it won't be long until you see a really big effect on leisure TMCs and travel agents that will be impacting probably from now for the next six to 12 months.

"You'll start seeing, unfortunately, businesses fold because of what's happening to the airline industry."

IATA deputy chief economist Andrew Matters argues in many countries, this pain will be felt on a far wider basis with governments impacted too.

He adds: "Just to take that point a little bit further, this has implications for government finances as well and certainly in terms of government assistance.

"For many countries, the tourism industry and tourism revenues are critical for government revenues. So there's that knock-on effect for government finances, as well as what's happening in the industry too."

Domestic first

Meanwhile, Tourism Economics managing director EMEA David Goodger argues that the first markets that can expect a boost in aviation travel when the pandemic calms down are the domestic ones.

He adds this is most noticeable in China, which despite being the source of the initial outbreak has now seen life return largely to normal having mostly subdued the virus.

Goodger believes a key factor in this is simply because it is easier to open domestic routes, which only depend on the permission of a single government, than international ones.

He adds: "But even once the restrictions start to be lifted on international travel, we do expect that to continue to some extent. It may not be to quite the same levels of domestic travel, but there will still be that greater ease of travel and greater confidence in travel domestically.

"Plus there are some price factors going on and coming into play there. While budgets are being squeezed, people will return to travel with the lower cost options, certainly at first, and we do expect that elevated proportion of domestic travel to continue over the next few years."

However, Boeing Commercial Airplanes director market forecasting and analysis Wendy Sowers argues the opposite might be true should Covid-19's legacy on flying mean travellers face increased health checks at airports before boarding, just as security measures were increased in the wake of 9/11.

She says: "After 9/11, some of those shorter trips didn't make much sense anymore, because by the time you spend the extra time at the airport, there really wasn't a time advantage."

But Sowers believes that aircraft remain the best option for travellers who are considering international or long-haul flights.

She says: "There are a lot of trips around the world where air is the most efficient (option) and it is a good choice from a time perspective as well as from an environmental perspective. On a broad global level, that's where aeroplanes really play a role."

Tourists could avoid the busiest attractions in the wake of Covid-19

Post-Covid-19 sustainability

While the panel were in disagreement over the future of the biggest commercial aircraft in a post-Covid-19 world, Goodger says one unexpected consequence of the pandemic should be an increase in sustainable travel as the busiest destinations fall out of favour.

He adds: “There might be some shift away from some really well-known destinations as people will still try to avoid the crowds and this is going to be an interesting dynamic.

“It is a real chance for a rethink of whether people will want to come back in those numbers and whether these destinations want to accept people back or will continue to divert them and manage those flows to some of the smaller destinations within those countries.

“The pandemic itself is not bringing about that many changes. It’s accelerating a lot of things that were already out there in the market.”

Goodger also believes it is vital that the aviation industry gets back on its feet as soon as possible, adding: “The sooner we get a recovery, then the less in the long run any scarring will be.”

Given IATA’s upgraded calculations show the airline industry could be suffering $100 billion of losses in a single year as a result of Covid-19, that scarring is already considerable, so any opportunity to lessen the damage should surely be welcomed.

“The sooner we get a recovery, then the less in the long run any scarring will be.”

David Goodger
Tourism Economics managing director EMEA

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North America's mixed messages

While the first glimmers of light are appearing in the US market, the Canadian government has only just begun bail-out talks with its own aviation industry. Edward Robertson reports

Start spreading the news: United Airlines is returning to New York's John F Kennedy International Airport following a five-year gap.

CEO Scott Kirby says the airline is launching the two round-trips each to Los Angeles International Airport and San Francisco International Airport on February 1.

He adds the decision is a "continuation of aggressively and strategically managing the impact of Covid-19 by increasing service to and from the places where customers want to fly to" with services operating out of JFK's Terminal 7.

Kirby says: "I have been waiting a long time to say this - United Airlines is back at JFK. Come early next year, we will be serving all three major New York City area airports with a best-in-class product to provide our customers unmatched transcontinental service from New York City and the west coast."

Nor is that the only way United is fighting back against the damage the pandemic has wrought on the US aviation industry.

In a separate scheme the airline is offering free tests for the virus for anyone over the age of two embarking on a transatlantic flight to London from mid-November to December 11.

The new routes should provide a much-needed boost to New York's airports, including Newark International and LaGuardia, which together saw a year-on-year fall of 84 per cent in passenger numbers to about 6 million during the third quarter of 2020.

Meanwhile, American Airlines is teaming up with British Airways and oneworld to offer its own free transatlantic Covid-19 tests for customers boarding flights to London from JFK, Los Angeles and DFW International Airport from November.

The US's biggest airline, with more than 850 aircraft, should also be buoyed by the FAA's decision in mid-November to allow the Boeing 737 Max to return to the skies.

The airline, which has 24 of the aircraft that have been grounded following two deadly crashes in 2018 and 2019, will operate a daily test flight from LaGuardia to Miami International Airport for a week-long period over the new year.

Elsewhere, Delta Air Lines is reporting some green shoots of recovery having been hit hard by the Covid-19 pandemic.

CEO Ed Bastian says during the third quarter of 2020, the airline saw total adjusted revenue drop by 79 per cent to $2.6 billion following a 63 per cent drop in capacity year on year.

He adds: "While our September quarter results demonstrate the magnitude of the pandemic on our business, we have been encouraged as more customers travel and we are seeing a path of progressive improvement in our revenues, financial results and daily cash burn.

"The actions we are taking now to take care of our people, simplify our fleet, improve the customer experience, and strengthen our brand will allow Delta to accelerate into a post-Covid-19 recovery."

Despite the poor results, Delta president Glen Hauenstein was positive, saying: "With a slow

"We have been encouraged as more customers travel and we are seeing a path of progressive improvement in our revenues"

Ed Bastian
Delta Air Lines CEO

Travellers to London will be able to access free Covid-19 tests via various airlines and steady build in demand, we are restoring flying to meet our customers' needs, while staying nimble with our capacity in light of Covid-19.

"While it may be two years or more until we see a normalised revenue environment, by restoring customer confidence in travel and building customer loyalty now, we are creating the foundation for sustainable future revenue growth."

He adds key measures to help drive the recovery include intense aircraft cleaning, mandatory mask wearing and the blocking-off of middle seats.

Hauenstein adds the airline's order book for Airbus and CRJ aircraft is being restructured to reduce purchase commitments by more than $2 billion in 2020 and by more than $5 billion in 2022, while nearly 400 aircraft will be retired by 2025.

Meanwhile, the last of the US's big four carriers, Southwest Airlines, was also buoyed by the resumption of 737 Max flights as the airline has 34 Max 8s in its fleet with nearly another 200 on order.

However, CEO Gary Kelly admits there will be much work to be done to regain consumer confidence, adding the airline's executives are satisfied the correct changes have been made to make the aircraft safe.

He adds pilots will be required to undergo more training to ensure they are fully competent in handling the aircraft in all conditions.

Kelly adds: "We'll approach returning the Max to service with the same commitment to training that we've employed for almost 50 years coupled with an uncompromising and unwavering commitment to safety. For us, it's a passionate pursuit, and it's among the most important work of our careers."

It's also the work that should help drive a resurgence in the US aviation industry, especially with at least one vaccine against Covid-19 set to be available on the market as early as the end of 2020.

Start spreading the news indeed.

Canada's bear market

Canada's aviation issues are laid bare by the country's biggest airline's most recent quarterly results and comes as the government there considers a raft of measures to prop up the industry.

Air Canada's third quarter (Q3) results for 2020 show total revenues of Canadian $757 million, an 86 per cent drop on the same period in 2019, largely thanks to an 88 per cent reduction in customer numbers.

This meant the airline reported an operating loss of Canadian $785 million compared to an operating income of Canadian $956 million in Q3, 2019.

Air Canada president and CEO Calin Rovinescu says: "Today's results reflect Covid-19's unprecedented impact on our industry globally and on Air Canada in what has historically been our most productive and profitable quarter."

While he adds the airline has raised nearly Canadian $6 billion in additional liquidity and shed 20,000 jobs, he uses the opportunity to urge the Canadian authorities to introduce airport testing in order to encourage at least a semi-resumption of ordinary services.

Furthermore, it is the impact on Air Canada's route development programme which is even more concerning.

Rovinescu says: "We took the painful steps ... of reversing 10 years of profitable network expansion by reducing capacity by more than 80 per cent in the third quarter.

"At the end of June, we made the difficult decision to indefinitely suspend 30 domestic routes and close eight regional stations and our Network Planning team has identified up to a further 95 domestic, US transborder and international route suspensions and nine Canadian station closures required to preserve liquidity, cut costs and reduce capital expenditures as we prepare for a smaller footprint expected to last several years.

"Given the public statements made by the Honourable Marc Garneau, Canada's Minister of Transport, on November 8, 2020, regarding commencing immediate discussions with major airlines on aviation industry sector-specific support, we are deferring the additional route suspensions and station closures pending the progress of those discussions."

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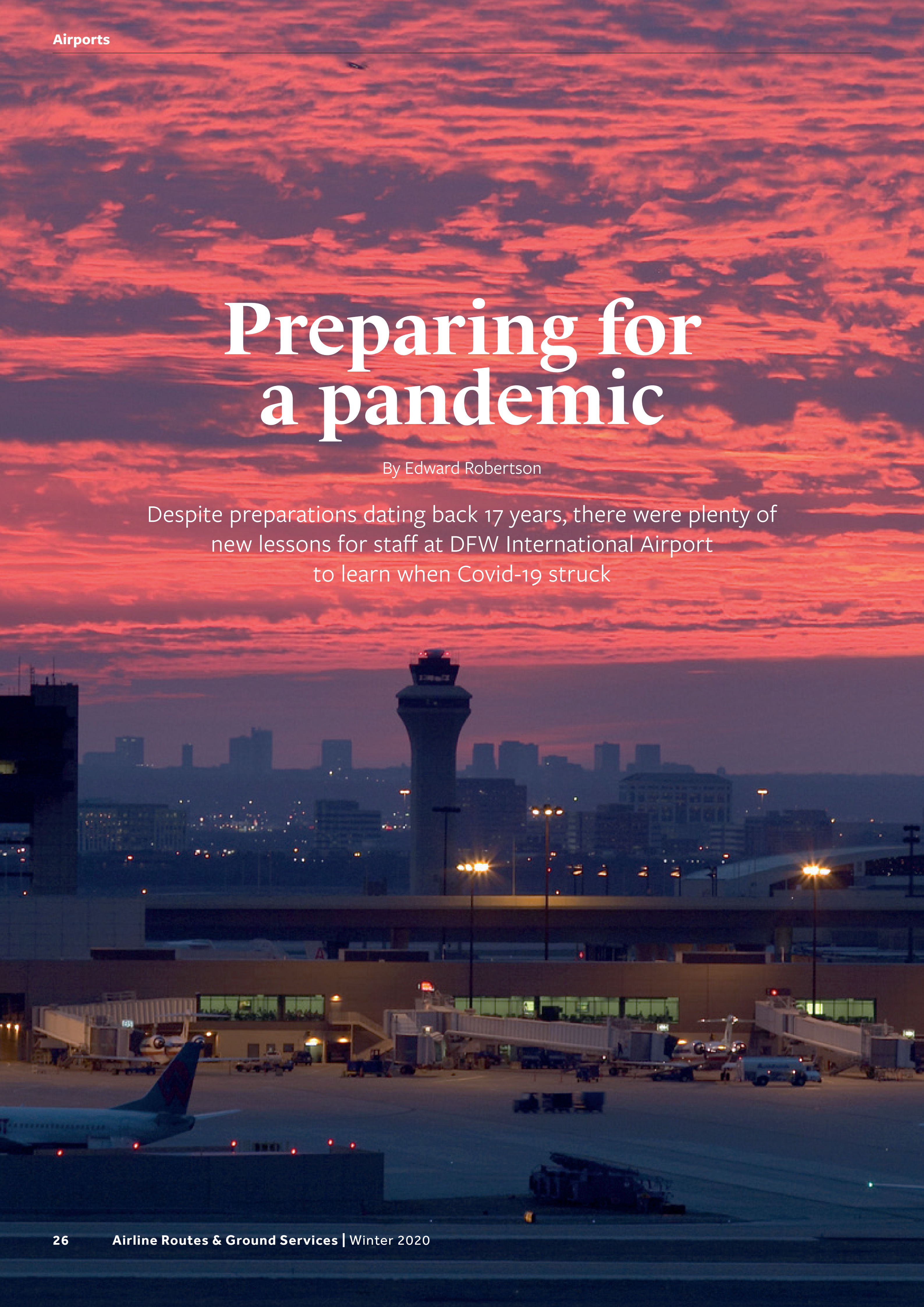
Preparing for a pandemic

By Edward Robertson

Despite preparations dating back 17 years, there were plenty of new lessons for staff at DFW International Airport to learn when Covid-19 struck



For the staff of DFW International Airport, the planning and preparations required to handle a global pandemic started 17 years ago.

Vice president/director of public safety Alan Black, says the trigger for the original plan was the 2003 SARS outbreak and although it was mostly limited to South East Asia, he admits it "got our attention as an airport and as a global hub".

"It was pretty clear what the impacts to our fragile system could be in terms of the pandemic," he adds.

Black says since then the airport has conducted a number of exercises, with simulations going as far as aircraft parked on the runway as if in a crash, as staff at the airport considered how best to deal with a range of potential epidemics, from ebola to swine flu.

He adds: "We wanted to test our ability to maintain our functionality of essential services, which has really been tested in the last few months, and to fill minimum standard needs for essential services emergency response roles."

Black was speaking in October at the virtual 2020 International Business Summit, which saw members of staff from DFW form a pandemic preparedness panel to discuss the ongoing Covid-19 situation and its impact on the airport.

He says despite all the preparations, one of the key changes to the planning was the introduction of a readiness taskforce comprising senior staff from across the airport that could coordinate the response. "That was not anything we learned from our exercises but from real life," he adds.

Black now co-leads the taskforce with Catrina Gilbert, vice president, risk management, who says the key areas of concern were communication, workforce issues from the board down and continuity issues as they worked to protect staff, stakeholders and about 200,000 customers a day.

She adds they also made a pandemic-preparedness-plan blueprint, which included everything from sanitising areas and temperature checks to business continuity documents and plans for employees to return to work when safe to do so.

First response

Once the plan was ready to roll out, senior vice president, customer experience Julio Badin says: "Our first response was in our international arrival hall as that was where we started to see things happening.

"It was all about providing people who were uncertain and scared the reassurance of us doing everything we could possibly do to ensure the area they were walking through was being addressed from a cleaning and sanitisation perspective.

"That being said, there were a lot of people still coming through so the idea of social distancing was a little bit novel and definitely not being adhered to at the beginning."

Badin adds social distancing is now well ingrained in customers who are keen to adhere to it, which can prove difficult in an airport where bottlenecks inevitably occur.

Nor was that the only problem created by the airport Badin says, who adds the need to have regular hand sanitisation stations proved to be a particular issue.

He adds: "If you think about five terminals and six million square feet of coverage, that's no easy task to achieve. I literally had to mobilise a whole team just to focus on that. These little details seem little but to make it happen on a large scale is quite compelling."

Another key move was the introduction of the mandatory wearing of face masks in July for anyone in the airport.

Maintaining relationships

Black says despite the many issues, another vital factor in helping the airport respond effectively to Covid-19 was the long-running relationships it had with various health agencies at both a national and local level.

He says although the Centers for Disease Control and Prevention (CDC) had closed its quarantine station at the airport, relationships had been maintained with the American public health institute which meant they could understand its perspective and quickly get resources.

Alan Black
DFW International Airport vice president/director of public safety

Catrina Gilbert
DFW International Airport vice president, risk management

The CDC has now reopened and permanently staffed its quarantine station since the pandemic's start. Similarly, strong relationships were maintained with local health authorities, while the work of the World Health Organisation (WHO) and international scientific community was kept on the radar.

Black says: "If you first meet your local health authority at an influenza outbreak, you're probably too late. The fact that we had nurtured those relationships was very beneficial to us."

Despite an action plan that dates back to 2003 and has continued to evolve, he adds: "The one lesson that nobody really saw but now seems so obvious was just the duration.

"When we undertook the exercises we would have those that begin and end in just a couple of hours and obviously we'd simulate two weeks out and thirty days out, but at no time did we ever simulate a six, seven or eight-month period of time for the event.

"There are a number of factors arising from that, mainly fatigue, as it's just the daily grind and not knowing."

Despite this uncertainty, the plan has proved effective and allowed the airport to operate at about 65 per cent capacity for the rolling year to September 2020 in the ongoing pandemic, which surely cannot last as long as the planning has taken.

"The one lesson that nobody really saw but now seems so obvious was just the duration"

Alan Black,
DFW International Airport vice president/director of public safety

Jodie Brinkerhoff
DFW International Airport vice president, innovation

Julio Badin
DFW International Airport senior vice president, customer experience

Handling the cold callers

One of the biggest problems the airport had to deal with when handling the Covid-19 outbreak was the overwhelming number of approaches from third parties offering a "silver bullet" to solve all its problems.

DFW International Airport vice president, innovation Jodie Brinkerhoff says her team, which is only 18 months old, was created with the intention "of looking at new technologies as enablers to solve a problem".

She adds: "We're here to put processes in place, we're here to identify problems and we are here to put solutions in place. Technology is not going to lead, it's a follower and a means to an end."

But when a problem as big as a global pandemic struck the Texan airport, she and her team quickly found themselves inundated with offers of the latest technology from a huge variety of businesses all keen to turn a profit.

Brinkerhoff says: "There was a wave of vendors that just started pounding us, saying 'here is a silver bullet to every problem that Covid has carried for you'.

"If you go right into that wave you are very likely to get tumbled backwards and you have to think, 'how do I buck that and go left or right and get through that wave?'"

Brinkerhoff says her solution was to start talking to other airports to see how they were handling the crisis. In addition, she used LinkedIn to find innovators and entrepreneurs she thought could help DFW and calling them directly to cut out the need to wade through hundreds of marketing emails.

She adds: "We were able to shortcut our way to vendors for solutions that somebody else had already talked to and gone through the process of evaluating."

However, Brinkerhoff admits even targeting those who could help was a lengthy procedure, adding: "That filtering process was very time consuming."

Berlin Brandenburg opens its gates

After a delay of nearly a decade, Berlin Brandenburg Airport is finally open for business and is serving the German capital's entire aviation needs. Edward Robertson reports

Berlin Brandenburg Airport has opened nine years later than planned at a cost of €5.97 billion.

The airport commenced operations on October 31 with a ceremonial landing of the first two aircraft operated by easyJet and Lufthansa in the morning before commercial flights arrived in the evening. The first flight to depart the airport left early the next morning, an easyJet flight to London Gatwick Airport.

The opening of the airport comes long after the originally planned date, set October 2011, which was pushed back thanks to the originally planned date, October 2011, series of planning, building and engineering issues before its completion and opening this year.

Covering a total of 1,470 hectares, Terminals 1 and 2 at the facility are located between its two parallel runways, measuring 3,600m to the north and 4,000m to the south and which can be used independently of one another.

The airport's Terminal 5 is located to the north of the main area and any frequent flyer to Berlin will recognise it as the capital's former Schönefeld Airport.

Thanks to this change, and the closure of Berlin Tegel Airport, the German capital's entire air traffic will now be concentrated at Brandenburg, which has capacity for 40 million passengers a year with space for 25 million a year at Terminal 1 alone.

The new facility is expected to see an increase in both long-haul services and connecting traffic and is predicted to become Germany's third-largest airport after Frankfurt and Munich airports.

Lufthansa and easyJet flights aircraft landed for the opening ceremony

Staff have been involved in rigorous testing of the airport's systems

Speaking at the opening ceremony, Berlin Brandenburg Airport CEO Engelbert Lütke Daldrup says: "With Berlin Brandenburg Airport Willy Brandt, eastern Germany can now rely on airport infrastructure that will serve as a solid basis for the coming decades. The people here in the German capital region had to wait a long time for this day.

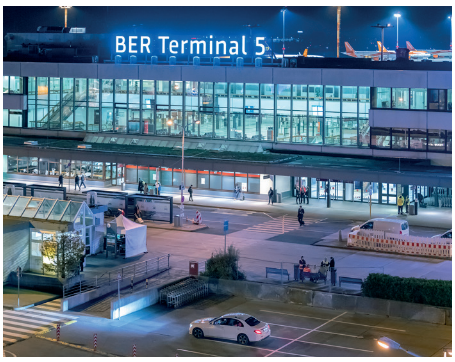
"Our customers, that is the passengers and airlines, will find professional standards at BER: good accessibility by train and car, reliability and safety in handling even under coronavirus conditions, optimal service on the ground and in the air."

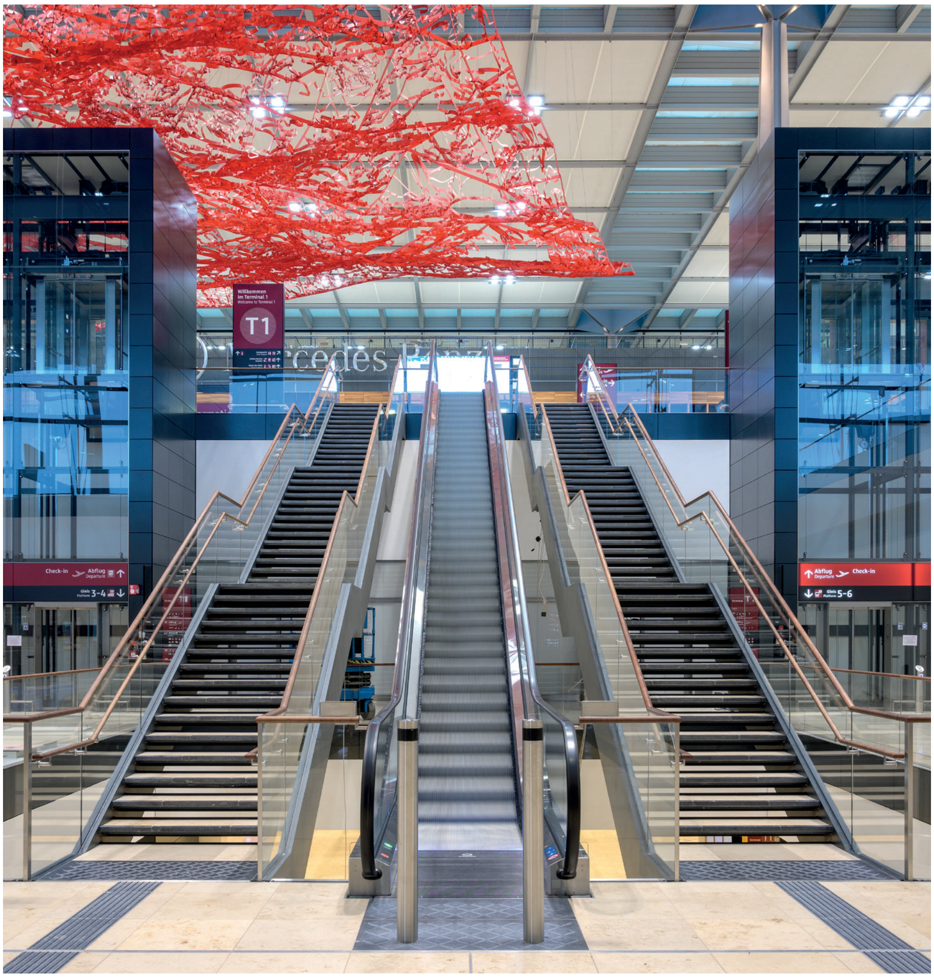
Dr Dietmar Woidke, minister-president of the State of Brandenburg, adds: "I would like to thank everyone who gave their all on this final stretch. With the opening of the airport, the time has come to regain lost confidence. Now it is time to look ahead."

EasyJet CEO Johan Lundgren, who attended the opening ceremony alongside Deutsche Lufthansa CEO Carsten Spohr, says he is pleased to see the airport finally open, particularly as the LCC is the largest airline serving Berlin and the region.

He adds: "The airport offers a much-improved customer experience for easyJet customers as we will be based in the main, new terminal – Terminal 1 – and our passengers will benefit from easier and smooth connections between flights as well as with other modes like rail.

"Thanks to our extensive network, we look forward to continuing to connect the vibrant city of Berlin and Brandenburg region with other major European cities and holiday destinations."





Berlin Tegel's last airlift

Berlin Tegel Airport saw its last flights depart on November 7 after more than 70 years of service.

Formally opened in 1948, but with an aviation history dating back to the previous century, the airport played a key role in the US airlift during the Berlin Blockade implemented by the Soviet Union in the same year.

The airport remained a historical curiosity as, until 1990, only aircraft from the US, UK and France were allowed to land there thanks to the post-World War II Four Power Agreement.

Despite these restrictions, the airport hosted a total of 6.5 million take offs and landings until its official closure on November 8, 2020.

During the last night of the airport's operations, 31 airlines switched operations to Berlin Brandenburg Airport, making it the sole facility serving Berlin and the surrounding region's aviation needs.

Berlin Tegel will now be kept in an operating condition for a further six months to allow the new airport to complete its commissioning before being converted into a new urban district.

Berlin Brandenburg Airport CEO Engelbert Lütke Daldrup says: "Tegel has seen everything from the beginnings of aviation to mass air travel. For decades, this architectural icon was the gateway to the world for the people of Berlin."

Berlin governing mayor Michael Müller adds: "The site will become one of Berlin's key innovation hotspots, creating up to 20,000 jobs, with areas for industry, trade, fairs and congresses as well as for science and research."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Return of the Max

With safety approval for the Boeing 737 Max now granted by the FAA, Ascend by Cirium senior consultant Max Kingsley-Jones examines the impact its return to the skies will have

The Boeing 737's 50-year success story came to a shuddering halt in March, 2019, when the latest version was subjected to a global grounding in the wake of two tragic accidents.

Almost two years on, the programme is again up and running following FAA approval, but that will create a whole new set of challenges for Boeing and the wider industry.

Boeing introduced the 737 – its smallest jet design – in 1967 and by the time the Max made its debut in May, 2017, over 9,500 737s had been delivered to more than 450 operators worldwide, according to Cirium fleets data.

The Max was in fact the fourth distinct iteration of 737, having been preceded by the original -100/200 series (1967-1988), the re-engined -300/400/500 (1984-2000) and the refreshed Next Generation (NG) family, comprising the -600 through -900, which debuted in 1997.

The initial 737 Max 8 variant was joined in production by the larger Max 9 during 2018, the same year that Boeing marked the 10,000th 737 delivery.

Output had been rapidly rising as the Max supplanted the NG series on the Renton assembly line.

Boeing had been on course to make around 550 Max deliveries during 2019, with the smaller Max 7 due to come on stream and another stretch, the 10, poised to begin flight-testing.

Aircraft grounded

Then came the grounding order, which was implemented over safety concerns following two 737 Max accidents that cost the lives of 346 passengers and crew.

The grounding, which saw the 385 delivered Max aircraft immediately consigned to storage, has lasted far longer than anyone had expected, not least Boeing.

Confident the situation would be short lived, Boeing sustained Max production throughout 2019 before finally relenting at the beginning of 2020.

As a result, Cirium estimates there are around 450 Max airframes built and stored awaiting delivery.

Now, after a thorough investigation and reappraisal by the FAA leading to its clearance to resume services, the signs are that the Max should finally return to the skies before the end of 2020.

This will follow the implementation of changes to the aircraft and training processes to address concerns identified during the investigation.

The recertification will start a new chapter for the Max programme in which there are myriad issues coming into play as the aircraft returns to the sky, including some linked to the current airline trading conditions caused by Covid-19.

There are questions around areas such as the pace of the Max fleet restoration (both among the grounded fleet and the stockpile of undelivered airframes); operators' appetite to add Max aircraft and crew-training capacity; the potential displacement effect on other fleets and the alignment of regulatory approvals across the global jurisdictions.

But one crucial aspect is a parameter beyond the industry's control: the acceptance by the travelling public to fly on the aircraft.

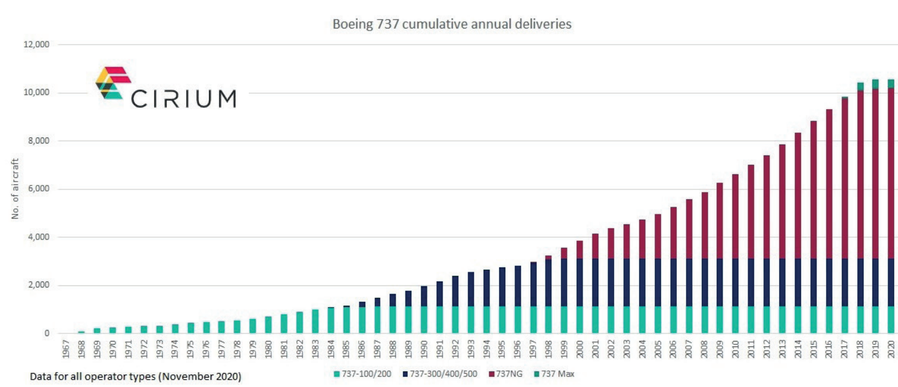
While the narrative around the Max's safety failings has perhaps been overtaken by the Covid-19 pandemic, media attention around its re-introduction could quickly revive painful memories.

Now the FAA has approved the Max's return to the skies then that should clear the way for an almost immediate resumption of deliveries to US airlines.

It is likely that the FAA's approval will be shadowed promptly by authorities participating alongside it in the 737 Max Joint Operations Evaluation Board (JOEB), which also comprises Canada, Brazil and the EU.

The approval status in the key Max market China is less clear but might be expected to follow within months of the FAA.

If US Max clearance does come soon, then Ascend by Cirium estimates that 2020 deliveries could just reach double figures.




Max Kingsley-Jones
Ascend by Cirium senior consultant

Shipment growth

As Boeing works to clear the backlog of built aircraft along with integrating deliveries from the Renton assembly line, we project annual shipments reaching 360 in 2021 and 540 in 2022. This is when deliveries of pre-built aircraft are expected to spike.

Assuming that deliveries are a mix of stored and new-build airframes, we estimate that the backlog of parked aircraft will be cleared by the first half of 2023.

The delivery rate would then fall to around 370 in 2023, with production stabilising at a monthly rate of 31 aircraft, depending on the level of demand.

The resurrection of the mothballed, undelivered aircraft will be complicated by some airframes now being unallocated due to order cancellations or rescheduling.

Customers have been potentially able to cancel without any financial penalty if delivery is not achieved within 12 months of the original contractual date.

There are potentially up to 210 unallocated *"whitetails"* among the stockpile of approximately 450 undelivered aircraft, Ascend by Cirium estimates.

Reallocated airframes would require some cabin reconfiguration for their new operators.

Describing the situation as “fluid as anything you can imagine”, Boeing has confirmed that it will have to “re-market some of these aircraft, and potentially reconfigure them”, which would “extend the delivery time frame”.

Ascend by Cirium estimates that Boeing has already shed around 1,300 Max orders in the wake of the March 2019 grounding, including 553 confirmed cancellations plus more than 750 orders that are subject to ASC 606 accounting adjustments (ie contracts with substantial uncertainty of fulfilment).

Some of these changes may affect already-built aircraft. The Max’s ASC-adjusted firm backlog stood at 3,357 aircraft at September 30.

There will be several drivers determining the pace of return to service of the 385 aircraft grounded in March 2019.

Once approval is received within each operator jurisdiction, every aircraft will have to undergo post-storage checks and testing.

From a demand side, airlines will look at their fleet-planning strategy amid the current downturn and the availability of the training required for flight crews. But there will certainly be implications for incumbent single-aisle fleets, as amid the current crisis the Max’s absence has helped the supply and demand balance.

Its reintroduction will create a displacement effect at airlines where they will replace rather than supplement existing aircraft – predominantly 737NGs.

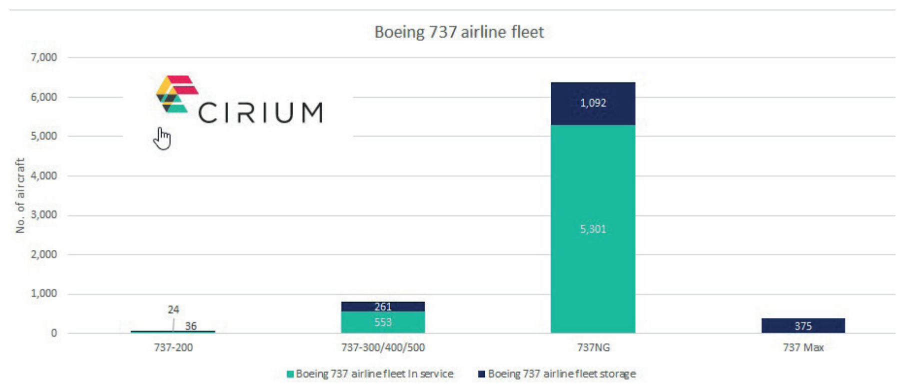
The likelihood is that each Max returned to service or delivered from Boeing will replace a 737NG or A320 family aircraft on a one-for-one basis.

This will increase supply when capacity growth is off most airlines’ agenda, and so there will be implications for values and lease rates - in the 737NG community and across the wider single-aisle spectrum.

Cirium fleets data shows that there are currently some 5,300 737NGs in airline service, accounting for 90 per cent of the active 737 fleet.

There are almost 1,100 more NGs in storage as operators keep their capacity constrained amid the coronavirus crisis.

With commercial 737NG production having only just ended (although output continues for non-commercial customers), the variant should remain in airline service for some years to come and many will find their way to the cargo



“One crucial aspect is a parameter beyond the industry’s control: the acceptance by the travelling public to fly on the aircraft”

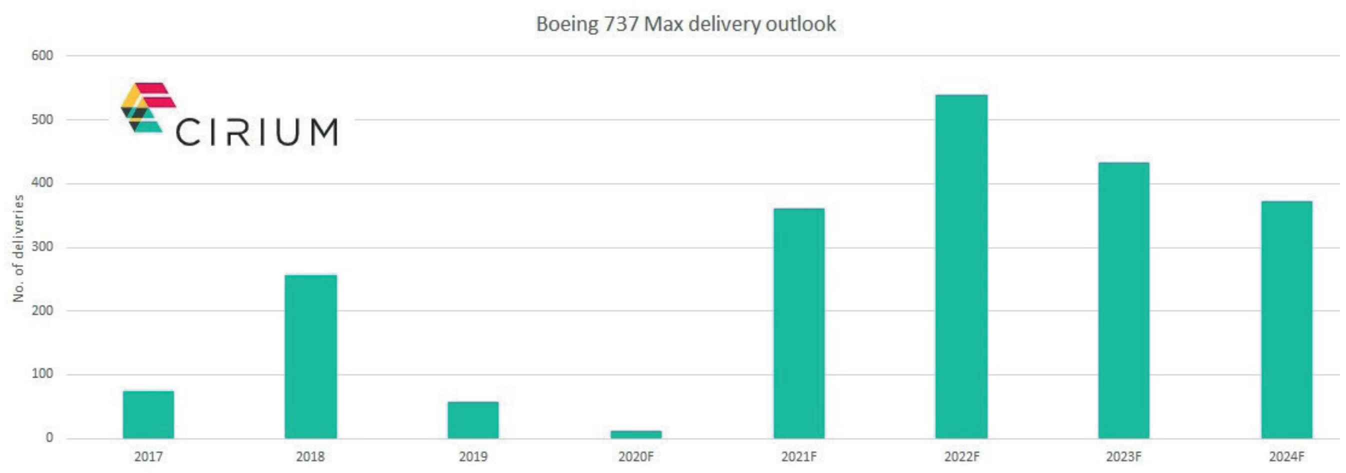
Max Kingsley-Jones,
Ascend by Cirium senior consultant

sector after conversion to freighters.

For the Max, the future is still not fully certain. Firstly, the return to service must go to plan and achieve a good level of acceptance by the travelling public.

This will be crucial to determining whether the type can move on from the tragedies and grounding.

But without doubt Max has a vital role to play in the longer term post-Covid-19 industry in providing the world's airlines with sufficient single-aisle capacity. Airbus cannot build enough aircraft on its own.



Positive reactions

Like ground handlers across the world, POS Aviation has moved quickly to navigate the Covid-19 pandemic. Edward Robertson reports

Despite its proximity to the source of the Covid-19 outbreak, China, when Malaysia went into a government-enforced lockdown in March it was already behind countries further afield like Italy in doing so, owing to the virus' rapid spread around the world.

POS Aviation CEO Woo Kam Weng says the decision to severely limit freedoms in the country came after the World Health Organisation (WHO) officially categorised the outbreak as a global pandemic on 11 March.

He adds this led to further lockdowns in countries across the region, so massively amplifying problems that were already being felt by POS which handles five different operations streams: ground handling, catering, engineering, cargo and e-commerce.

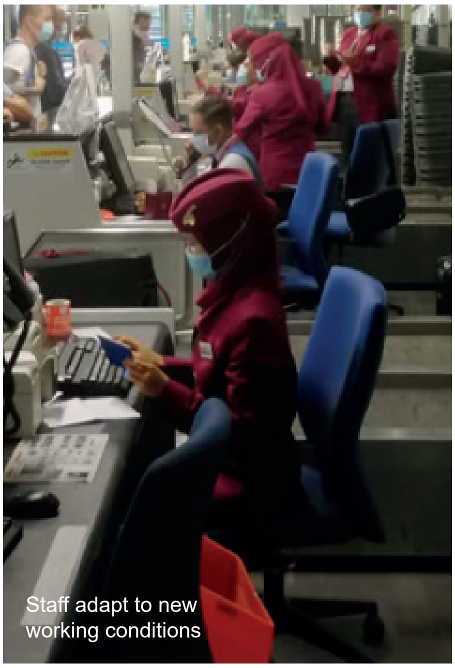
Woo says: "The real impact came in the second half of March. Malaysia locked down on 18 March, India followed, Australia followed and everybody locked down. The second half of March, we really fell off the cliff."

He adds the financial impact was considerable, with 75 per cent of business lost in the ground handling, catering and engineering divisions "in a matter of two weeks".

However, Woo says the situation could have been worse had the company not had its remaining two streams to fall back on.

He adds: "Cargo and e-commerce were slightly different. In cargo we only lost 37 per cent (of business) and that was a blessing because we had freighters

Cargo has helped POS Aviation



Staff adapt to new working conditions

coming in with a lot of flights taking on Personal Protective Equipment (PPE) to the US and so on.”

Retail therapy

Meanwhile, POS’s e-commerce division, which acts as a distribution hub for three Asian companies including Alibaba subsidiary Lazada, Shopee Singapore and the Thai-owned, Malaysia-based Pomelo in Malaysia, proved to be a vital asset as those in lockdown moved online for much of their shopping.

“That business grew two to three times so that softened the blow,” Woo says. “Overall we lost 60 per cent of revenues, it’s tough times and it’s still going on.”

He adds once in lockdown, his first instinct was to safeguard all staff, organising PPE or home working for those who needed it, while everyone was reassured of their job security.

Woo says despite the drop in the revenues, the ground handler’s early focus on ensuring the business remains financially viable paid off. He adds: “We are happy to know we have enough cash flow to let us manage this, probably until the middle of next year.”

Once the immediate issues had been resolved, Woo says the lockdown period gave him a chance to review the business entirely, adding: “The operations reset gives us the opportunity to look at what we have been doing for the last few years, and what we could do to position ourselves for when things improve and we could get back to normal. Efficiencies need to be looked at and we are quite lucky in the sense that we started a digital transformation journey about a year to a year and a half ago.”

Key to this change was the decision to move manual paperwork, from form filling to stock taking, online. Woo says: “Covid-19 put a lot more emphasis on it and forced us to accelerate this programme and that’s what we have been doing ever since.”

Managed services

He adds POS also benefited from a decision taken last year to no longer own its own heavy equipment like belt loaders and push-back tractors, instead leasing them from a third party.

The decision meant a considerable reduction in costs for the company once the world’s skies were closed, while giving it a considerable advantage when it came to renegotiating the contract into 2021 when Woo believes the pandemic will still have a hold on the world.

“It was a collaborative effort, we get the discounts up front and he gets the long-term contract,” he adds.

And it is this focus on collaboration that drives Woo’s thinking as the industry continues to deal with the ongoing fallout of Covid-19.

Woo says POS was already working with Malaysia Airports Holdings Berhad, which operates the country’s airports, on a number of projects but these have been suspended due to the lack of flights.

Elsewhere, he adds there is a new partnership with POS’s “largest competitor” at Penang International Airport which has seen equipment pooled and run by an equipment supplier. The two ground-handling companies are then able to use the equipment when required and are billed accordingly.

While Malaysia is undergoing its third spike on Covid-19 restrictions with lockdown measures increased again, Woo adds POS has seen some growth since the initial impact with revenues returning to between 45 and 50 per cent of expectations before the pandemic struck.

He is forecasting that the business will be back to 50 per cent of pre-Covid-19 volumes by the middle of next year.

When it does, Woo argues that POS will be well placed to respond to an upturn in demand, particularly after the pandemic reminded him of one of the keys to any company’s success – the people who work for it.

He adds: “At the end of the day the human element still needs to be there. The resilience of the people we have and the spirit they display in toughing it out and helping the company move on is strong. Human capital and human talent are the keys to every company’s success, especially in dealing with a crisis.”

> ***“We are happy to know we have enough cash flow to let us manage this, probably until the middle of next year”***
>
> **Woo Kam Weng,**
> POS Aviation CEO


MENZIES
AVIATION

A shot in the arm?

By Edward Robertson

Like the rest of the aviation industry, Menzies Aviation has had to adapt to the ongoing demands of Covid-19 although a potential new vaccine could help it. Edward Robertson reports.


Mervyn Walker
Menzies Aviation chief operating officer

At the time of writing this article, the world is celebrating the news that a vaccine for Covid-19 could soon be publicly available.

Created by drug company Pfizer, the vaccine still has a number of obstacles to clear before it can be made publicly available, but after the trials and tribulations of 2020 the news is very positive for the world.

While it is also what the aviation industry has been waiting to hear as a potential first step to the return of normality, it is something that Menzies Aviation is fully prepared for as the vaccine will require global shipping.

In an interview conducted before the announcement of the vaccine, chief operating officer Mervyn Walker says the ground handler already has the capacity to handle the vaccine with special cold units designed to safely store it on its properties around the world.

He adds: "We have put together a team under the head of cargo to be ready for when the vaccine flights do come."

However, he admits the preparations might not be necessary as a situation could emerge where vaccinations are driven straight to the ramps and loaded directly onto the aircraft. "That's one of the models we're planning out as well," he adds.

But Walker also warns people against thinking any vaccine will change the situation overnight, adding: "Vaccines aren't 100 per cent effective either and so we don't see it as a magic bullet and it'll take us about three years to recover."

The preparations are just some of the work that has been forced upon Menzies as the pandemic grips the world.

Government support

Walker says when Covid-19 first struck at the beginning of the year, the firm had 33,000 members of staff on its books and this has now dropped to 22,900, although the situation could have been far worse without the various furloughs and others schemes introduced by companies around the world.

"Those schemes have been priceless," he says, adding Menzies' biggest cost is labour which accounts for 70% of its expenditure.

However, he admits the global nature of the business has complicated the process as various governments make different levels of help available.

Walker adds the company has also focused on its cash levels and was pleased to see most airlines help this process by paying their invoices on time. A fresh look at ground services equipment (GSE) contracting has also taken place and even some ground handling contracts have been reviewed.

He says: "We've had to relook at and remodel some ground handling contracts because we're at the critical mass for economies of scale. When you reduce turnarounds by 70 per cent you lose some of your economies of scale so we had to renegotiate some of those."

However, Walker admits while the ground handler has been keen to get the best deal possible under the changing circumstances, negotiations have not been driven too hard.

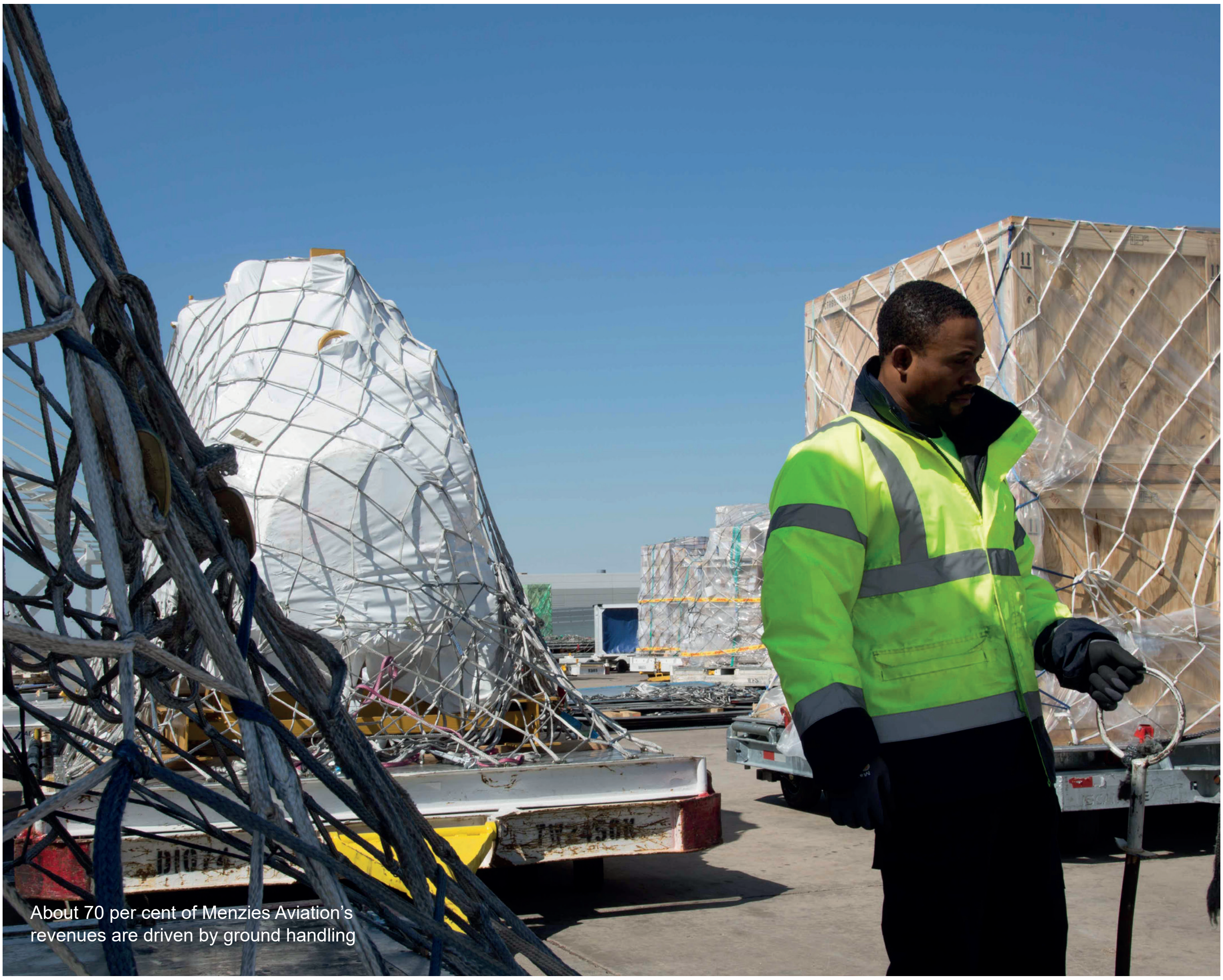
He says: "One of the things we recognise is that the airlines are having a tough time and they want to pay less. But of course with economies of scale and lacking critical mass, we'd probably like them to pay more.

"The most important thing is to keep an open dialogue. We have to keep the door open, keep listening and be empathetic because while we talk about our losses we talk to our airlines and their losses are much bigger than ours."

Walker is also pleased that just as airlines have been open to renegotiating contracts in the current situation, so airports have also been prepared to both compromise and work in new ways with Menzies as they confront the pandemic together.

New directions

While Covid-19 has forced a rethink on existing operations, Walker adds the virus is



About 70 per cent of Menzies Aviation's revenues are driven by ground handling

also driving Menzies in new directions.

He says currently about 70 per cent of the company's revenues are generated through ground handling and Walker is now keen to grow both its fuelling and cargo divisions in order to drive revenues.

A new head of cargo has already been appointed and has already seen some success with the new Qatar Airways contract signed in the summer including cargo in New Zealand, Australia, the UK and the US while some corporate business has been generated. Meanwhile, at the time of writing, Walker said an appointment for a new global head of fuel should be made within the month.

Walker adds Menzies is also considering some potential acquisitions and while he wouldn't provide any further details as to the companies being considered, he admits they are "smaller, regional" firms with Australia, Dubai, Amsterdam and Dallas all being investigated.

While Walker might be largely in control of the situation now, he remains deeply concerned about the future next year, when many government-help schemes come to an end.

He says: "We worry about a cliff edge because we depend a lot on the various job retention and job support schemes. All of those are a big help and those will gradually run out.

"But when those end, all the volume doesn't miraculously recover. We're really planning for that time when the government support runs out and the volume hasn't returned. How do we cope with that?"

And it is the gap between the end of the job-support schemes and the increased resumption in flights that worries him the most.

Walker says: "When we talk to our airline customers it varies region by region but they do say there's pent-up demand. However, there's a lot of aircraft that's been decommissioned and taken out of service so the capacity may well be reduced."

He also believes governments around the world can do more to help with retraining as many Menzies staff have found themselves in new positions as the company reacts to the ever-changing environment.

And in doing so, Walker is asking them governments around the world to be as nimble as staff at Menzies have been in dealing with Covid-19.

Although perhaps this might be less of a requirement in the future if the news regarding the vaccine turns out to be as positive as we all hope.

Levelling the playing field

The chief operating officer of Menzies Aviation has urged airports to treat any new, start-up ground handlers the same as established partners.

Mervyn Walker says following the extensive disruption caused around the world by Covid-19, new ground handlers are emerging as they see opportunities arise to challenge established businesses.

And while he accepts that the process is inevitable, he has urged airports to ensure they are held to the same standards as everyone else when competing for business.

Walker says: “There’s an opportunity for smaller companies to start up and that’s competition and that’s fine.”

Specifically, he adds the new companies must provide the same levels of insurance, auditing, training and compliance as well as strong balance sheets required from established players.

He adds: “It must be a level playing field and if they have all of that then we shall do our best to compete.”

Walker is also keen that whatever problems airports face, they discuss them openly with Menzies staff, who might just be able to find an answer to the issue.

He adds: “The most important thing is to keep an open dialogue in our airport relationships. Their losses might be much bigger than ours and so we have got to be empathetic and listen so we can try and think of solutions together.”

“We’re really planning for that time when the government support runs out and the volume hasn’t returned. How do we cope with that?”

Mervyn Walker,
Menzies Aviation chief operating officer

Cold comfort

With a number of Covid-19 vaccines potentially ready for general release, the aviation industry is going to have to move quickly to ensure it is capable of distributing it globally

By Edward Robertson

IATA has released new guidance concerning the large-scale handling, transport and distribution of a Covid-19 vaccine in the event that one is soon available.

As the world holds its breath over news that two vaccines could be approved by the end of the year, the association has released the Guidance for Vaccine and Pharmaceutical Logistics and Distribution. It has been put together following the collaboration of a number of international bodies, including ICAO and the World Trade Organisation (WTO) and includes a number of international standards and guidelines relating to the transport of vaccines.

Advice is given in a number of areas thought to be challenging including the availability of temperature-controlled storage facilities and contingency plans for when they are not available, as well as defining the roles of those responsible for its transportation.

However, it also warns that with one of the vaccines currently awaiting final clearance needing to be stored in temperatures of up to -80 degrees centigrade, then additional training could be needed for those involved in the process.

IATA also has concerns that with the

global route network reduced dramatically from 22,000 city pairs before the pandemic, governments will need to restore connectivity to ensure the rapid distribution of the vaccine.

Quicker regulatory approval will also aid this process, as will efficient storage and clearance by customs and health authorities while security will need to be tightened to ensure the vaccines are well protected once in transit.

IATA director general and CEO Alexandre de Juniac says: “Delivering billions of doses of a vaccine that must be transported and stored in a deep-frozen state to the entire world efficiently will involve hugely complex logistical challenges across the supply chain.

“While the immediate challenge is the implementation of Covid-19 testing measures to re-open borders without quarantine, we must be prepared for when a vaccine is ready. This guidance material is an important part of those preparations.”

The guidance document comes in the wake of renewed calls by IATA for governments to replace border closures and quarantines for international air travellers and replace them with better track and trace systems.

The association believes as many as 4.8

Air travel has been hit hard by the Covid-19 pandemic

million aviation workers' jobs are currently at risk as air travel figures remain deeply depressed in the wake of the pandemic.

The latest figures released by IATA show that total global demand in September measured in revenue passenger kilometres (RPKs) was 72.8 per cent below September 2019 levels while capacity was down 63 per cent year on year.

Worse yet, international passenger demand was down 88.8 per cent year on year with capacity down 78.9 per cent, further highlighting the need for governments to start considering now how best to spread any vaccines around the world.

De Juniac says: "We have hit a wall in the industry's recovery. A resurgence in Covid-19 outbreaks, particularly in Europe and the US, combined with governments' reliance on the blunt instrument of quarantine in the absence of globally aligned testing regimes, has halted momentum toward re-opening borders to travel."

He adds while domestic travel might have been less hard hit at 43.3 per cent down year on year for September, the improvements have been largely limited to China and Russia while domestic traffic accounts for about a third of total traffic, meaning it is unlikely to drive a full-blown recovery.

Instead, he argues the solution is to introduce a globally harmonised system of pre-Covid-19 testing in order to reopen borders with quarantine, while further financial support for struggling airlines should also be possible.

De Juniac says: "Aviation faces an unprecedented employment catastrophe. Airlines have cut costs to the bone, but have just 8.5 months of cash left under current conditions. Tens of thousands of jobs have already been lost, and unless governments provide more financial relief, these are likely to increase to the hundreds of thousands.

"Aviation plays an essential role connecting nations and carrying essential cargo, and it is in governments' own interests to offer further financial aid to keep the industry viable.

"But more importantly, governments need to work together to safely re-open borders. That means putting in place a global scheme for testing passengers for COVID-19. With that in place, quarantine can be removed and passengers can have the confidence to fly again."

De Juniac also reiterates the point that the aviation industry has a key role to play in helping the world come of out of the crisis as a key distributor of any vaccines that are approved for human use.

His comments have won the backing of the International Transport Workers' Federation (ITF) with its general secretary Stephen Cotton adding: "The aviation workforce is a skilled workforce that has been, and will continue to be, vital to nations' COVID response and recovery.

"If governments fail to act and support aviation, not only will they hurt the industry, the impacts will be hard felt by society at large."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