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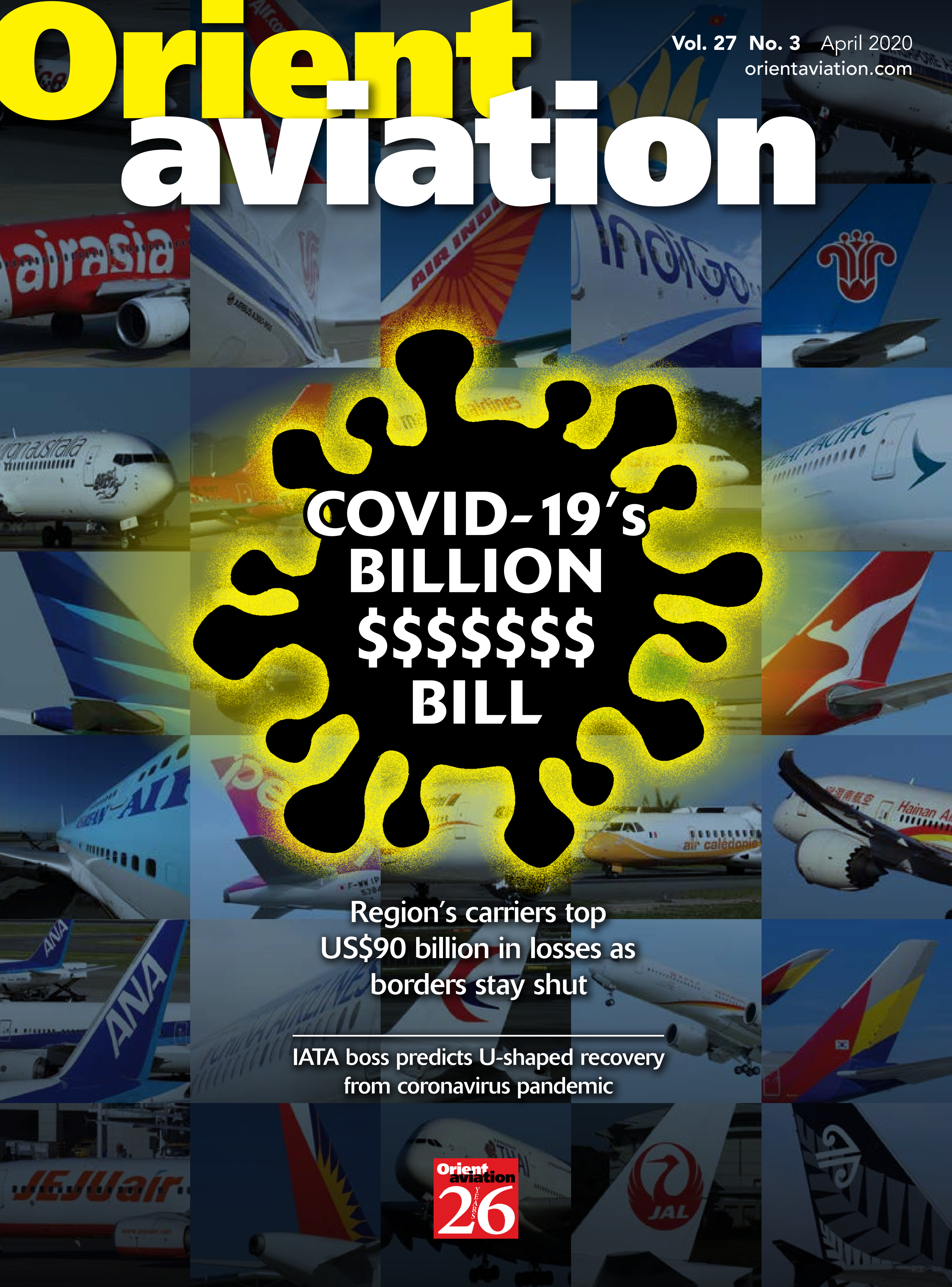

COVID-19's BILLION $$$$$$$ BILL

Region's carriers top US$90 billion in losses as borders stay shut

IATA boss predicts U-shaped recovery from coronavirus pandemic

Orient aviation 26 YEARS

ORIENT AVIATION MEDIA GROUP
17/F Hang Wai Commercial Building,
231-233 Queen's Road East,
Wanchai, Hong Kong
Editorial (852) 2865 1013
E-mail: info@orientaviation.com
Website: www.orientaviation.com
Mailing address:
GPO Box 11435 Hong Kong

Publisher & Editor-in-Chief
Christine McGee
E-mail: christine@orientaviation.com

Associate Editor & Chief Correspondent
Tom Ballantyne
Tel: (612) 9638 6895
Fax: (612) 9684 2776
E-mail: tomball@ozemail.com.au

North Asia Correspondent
Geoffrey Tudor
Tel: (813) 3373 8368
E-mail: tudorgeoffrey47@gmail.com

Photographers
Rob Finlayson, Graham Uden, Ryan Peters

Chief Designer
Chan Ping Kwan

Printing
Printing Station(2008)

ADMINISTRATION

General Manager
Shirley Ho
E-mail: shirley@orientaviation.com

ADVERTISING

Asia-Pacific, Europe & Middle East
Defne Alpay
Tel: +44 7712 829859
E-mail: defne@orientaviation.com

The Americas / Canada
Barnes Media Associates
Ray Barnes
Tel: +1 434 770 4108
Fax: +1 434 927 5101
E-mail: barnesrv@gmail.com
ray@orientaviation.com

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Making it to the other side

International Air Transport Association director general and CEO, Alexandre de Juniac, says for airlines COVID-19 is apocalypse now. It is not an exaggerated description of the situation given the damage the pandemic is wreaking on the global industry.

For airlines, the revenue black hole, and only if the crisis passes in three months, is estimated at US$252 billion. The Asia-Pacific component of that bill is $90 billion and climbing.

With no relief in sight from the worldwide travel bans – and no timetable for lifting border prohibitions for foreign travelers into most countries across the globe – the impact of the 9/11 terror attack, SARS (2003-2004) and the Global Financial Crisis (2008) pales into insignificance compared with the present calamity.

No-one has dared predict when the blight of COVID-19 will recede. In the past, airlines have bounced back relatively quickly from such setbacks but this time around the recovery is predicted to take longer and be U-shaped, de Juniac told Orient Aviation earlier this month.

What we do know is the industry post COVID-19 will be different. In the Asia-Pacific, not every carrier flying before the virus outbreak will be flying beyond it.

Some countries in our region have been quick in delivering multi-billion dollar rescue packages to airports and airlines to help them survive the crisis. Others, so far, have not.

Several Asia-Pacific carriers will emerge from the pandemic bloodied but back in the skies. The same cannot be said for a large number of the region's LLCs. They operate on wafer thin margins. Most are privately-owned so they don't necessarily have the support of governments – although a handful does. Many of them are on the way to being casualties of the pandemic. So too are some of the region's once celebrated full-service carriers.

At such a dire time, airline, airport and air traffic management bodies are urging collective action to keep the skies safe. Even now, there are more than 5,000 aircraft flying every day due mainly to air freight demand for medical supplies from every day masks to hi-tech monitoring and resuscitation equipment.

In such extreme circumstances, is it unreasonable for governments to provide aviation with holidays on fees and charges and loans to help airlines keep flying in an industry critical to a globally connected world? ■

TOM BALLANTYNE
Associate editor and chief correspondent
Orient Aviation Media Group

Game set and match to KAL's Walter Cho in leadership battle with siblings

The long and often bitter family battle for management control of Korean conglomerate, **Hanjin Group**, and its flagship company, **Korean Air (KAL)**, is over, at least for the time being.

Incumbent **Hanjin Group chairman and KAL president, Cho Won-tae, or Walter Cho**, convincingly defeated his sister, **Cho Hyun-ah**, in a shareholder vote at the chaebol's annual general meeting. The elder Cho, widely known as Heather Cho, had tried to remove her brother as chairman, assisted by the support of a coalition of critics of the conglomerate.

Well known in Korea, she achieved orbital infamy after a "nut rage" incident in December 2014 when she forced a KAL jet, taxi-ing to take-off, to return to the gate because she was unhappy with the way she was served nuts in first class. She wanted to offload the offending flight attendant from the flight.

The incident, which eventually resulted in a five-month jail term for Cho, shone more intense media light on a simmering battle between the siblings for control of Hanjin Group as the health of their father, Cho Yang-ho, the long-time chief of the conglomerate, was failing. Cho senior died, aged 70, in a California hospital a year ago.

Walter took control of the Hanjin Group in the months after his father's death, which infuriated Heather. In retaliation, she forged a third party alliance with sufficient other shareholders in an attempt to topple Walter and his management team from power.

At the AGM in the final week of last month, Walter secured the votes of 56% of shareholders. Around 43% opposed his reappointment. Despite the COVID-19 crisis, 3,619 shareholders participated in the regular shareholder meeting, with around 100 physically present at the gathering in the Hanjin Group headquarters in Seoul. Neither Walter nor his sister attended.

In a statement following his re-election, Walter expressed his "sincerest gratitude to all the shareholders of Hanjin KAL for helping us successfully complete the seventh annual general meeting of shareholders".

"The meeting served as an opportunity to hear the voices of various shareholders and employees and will act as a stepping stone in the future development and growth of Hanjin Group. Hanjin Group will now start afresh, respecting the wishes of the people," he said.

KAL faced grave challenges from COVID-19, he continued. "The whole world is suffering greatly due to the COVID-19 crisis. The airline industry, in particular, is facing an unprecedented crisis," he said.

"More than 90% of Korean Air's aircraft are grounded. All of us at Hanjin Group are devoting our efforts to overcoming the crisis. We will take the necessary self-help measures to improve our financial structure.

"In addition to the previously announced sale of idle assets, we will actively seek to raise funds by consulting the board of directors. As the crisis we are facing cannot be overcome by the efforts of a single company or industry, we earnestly ask for the strong support of the government.

"As a national flag carrier representing Korea, Korean Air will take the initiative to overcome the current crisis. I will take the lead and do everything I can. The COVID-19 crisis will soon pass and we will emerge even stronger." ■

Prestigious IATA annual gathering put on hold until late 2020

It was announced at the turn of the month that the **International Air Transport Association (IATA)** would postpone its 76th annual general meeting and World Air Transport Summit, to have been hosted this year by KLM in Amsterdam on June 22-23, until after the northern summer.

IATA said it anticipated the new date for the gathering would be in the late third or early fourth quarter of the year.

"Our members are in the deepest crisis the air transport industry has ever faced," the association leadership said in a statement at press time.

"With much of the passenger business grounded as part of the global fight against the coronavirus, many airlines are in a struggle to be viable.

"On the cargo side, many airlines are doing whatever they can to keep global supply chains moving with vital shipments, including those for medical supplies.

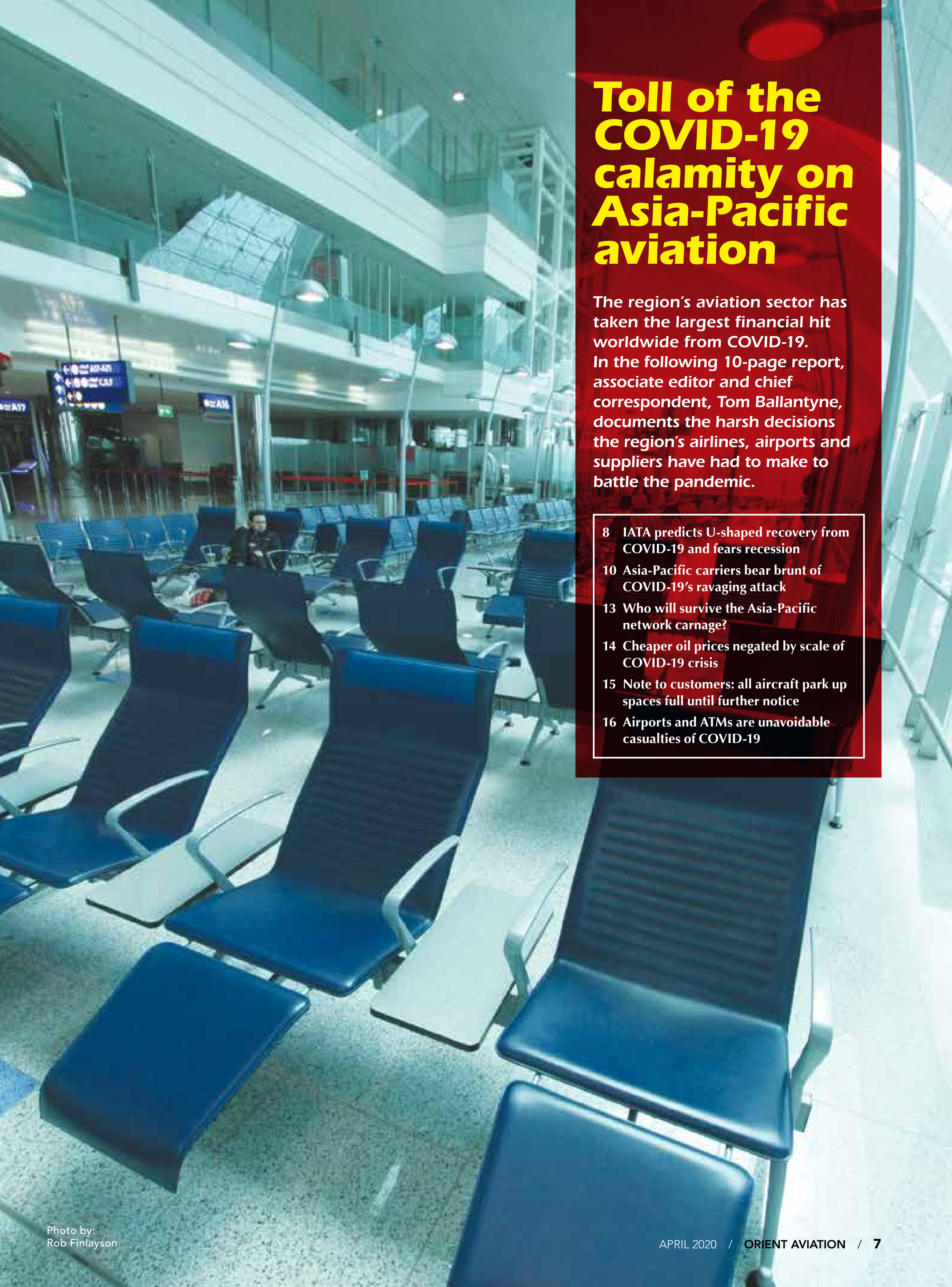
"We will come together as an industry when the freedom to travel has been restored and we can focus on air transport's critical role in driving the economic and social recovery from this unprecedented crisis."

The decision to postpone the global association's annual gathering followed the recent cancellation of the 2020 annual conference of the **Civil Air Navigation Services Organisation (CANSO)** and biennial landmark industry event, July's **Farnborough Airshow**.

CANSO director general, Simon Hocquard, said this week: "Our members are taking every step necessary to make sure we can continue to provide essential ATM services around the world".

"Even today, there are about 5,000 aircraft in the sky at a given time. No matter how air traffic levels fluctuate, our work never stops.

"None of us can do this alone. ATM needs to come together with all our industry stakeholders, including airlines and airports, to have a joined up approach to ensure financial security and operational resilience to keep our skies safe." ■



Toll of the COVID-19 calamity on Asia-Pacific aviation

The region's aviation sector has taken the largest financial hit worldwide from COVID-19. In the following 10-page report, associate editor and chief correspondent, Tom Ballantyne, documents the harsh decisions the region's airlines, airports and suppliers have had to make to battle the pandemic.

Photo by:
Rob Finlayson

IATA PREDICTS U-S FROM COVID-19 AN

Any fight for survival needs a champion. While individual airlines are mounting their own assaults against COVID-19, on the global stage the International Air Transport Association (IATA) is leading the charge. Associate editor and chief correspondent, Tom Ballantyne, spoke exclusively to the association's director general, Alexandre de Juniac, about his views on the outcome of the pandemic crisis.

Usually interviews are conducted face-to-face. Not this time, for obvious reasons. Because of the global COVID-19 virus and lockdowns on travel, the International Air Transport Association's Alexandre de Juniac last month explained the airline body's trajectory for recovery from one side of the world in Geneva, Switzerland to Orient Aviation in Sydney, Australia.

And there was no doubt, whatever the challenges and pressure he is under, that the former top-ranking French government bureaucrat and long-time airline aviation leader is determined to see the industry back where it belongs.

"For sure, it's an unprecedented crisis that has led to almost a stop in air traffic. It's happened before, probably only in wartime, when we have seen something similar. And that was a long time ago. Air traffic was not at the same level it is today," he told Orient Aviation at the turn of the month.

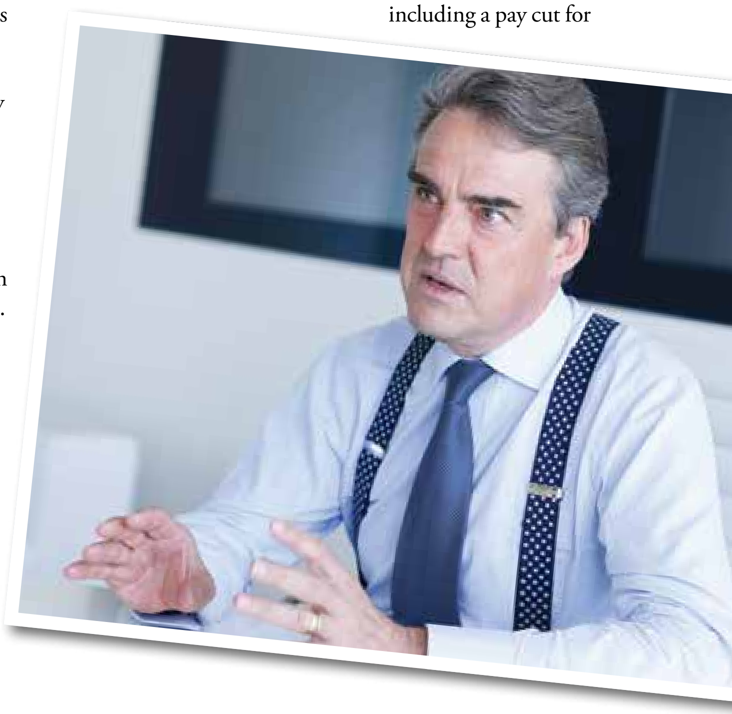
"It is heartbreaking," he said. But he declared IATA was "24/7 prioritized" to save the industry. "I think we are one of the only industries to have the firepower and this mobilization at the service of everybody. IATA is totally committed to that. We do not sleep a lot I can tell you," he said.

De Juniac, who took charge of IATA in 2016 – he was chairman and chief executive of Air France and then chairman and chief executive of Air France-KLM before he moved to the airline association – said current events revealed a situation he had believed for years.

"This industry is economically and financially too weak. We are not comfortable enough. We have weak balance sheets. On the other hand, it means everybody is now conscious of the fact, including governments, that aviation is a key industry for this planet, for the economy and even for this fight against the coronavirus. Without aviation the world would probably be in much worse shape," he said.

At IATA it was all hands on deck, said de Juniac. Staff around the world, in Geneva, Montreal, Miami, Singapore and elsewhere, are working from home. Steps have been taken to protect them, such as wearing masks. The association is paying for any hospitalization if and when it is required.

Like its member airlines, IATA has put together "a pretty tough" cost-cutting plan. "We are seeing a big decline in our revenues. It is a cost-cutting plan that is pretty harsh, including a pay cut for



HAPED RECOVERY D FEARS RECESSION

executives and myself. It means roughly 100 people have agreed to cut their salaries," he said.

There are regular video conferences with the 29 international airline CEOs who make up IATA's Board of Governors. Asia-Pacific members include All Nippon Airways (ANA), Cathay Pacific Airways, China Eastern Airlines, China Southern Airlines, Japan Airlines, Korean Air, Qantas and Singapore Airlines. They don't take up too much time [of members] because they are totally overwhelmed by the emergency, de Juniac said.

"They want us to lobby urgently on every potential subject that will give them some relief on the balance sheet, on everything. Regulatory issues. Tax issues. Charges issues. Everything we do they are interested in," he said.

IATA has moved into crisis mode. Its executive team meets every day, again by video, "working to look at everything everywhere in the world. Every day we have an assessment of the situation. What has to be done. What is new. What still is to be organized".

Secondly, all IATA resources are focused on helping the industry cope with the crisis. "It is not only the executives, but everybody is focused on supporting our members and the industry, mainly through lobbying, but also by managing our key functions such as the financial systems we provide and run on behalf of the industry," de Junaic said.

"We have put together a peer group to plan for the re-start and to develop a re-start plan, which is a tricky issue. There is a lot to do and there are big challenges in front of us. We are focused on helping members and preparing for the future. That is what we are doing."

While continuing to lobby governments for emergency assistance, planning for a return to operations is just as crucial, he said. Given COVID-19 is showing no signs of going away soon, particularly in the U.S. and Europe, de Juniac conceded there was great uncertainty about the duration of the crisis.

"Our assumption and the figures we have given on loss of revenue, cash burn etc. are made on the basis the recovery will have the shape of a U curve and not a V curve. It will not be a drop and then a strong and quick result," he said.

"The reasoning is you have to consider the coronavirus and how it recovers plus the effect of the recession, a recession that will obviously be there. Then you have the addition of uncertainty that is appearing more and more.

"People are fearful there will be additional waves of the virus. I have to say that for the moment this has not been included in our figures, but it could trigger more collapses and affect not only the economy but the airline industry.

"If we have to close again in six months or nine months and all the borders are in the same situation, we would have to go back to governments to ask for additional funds."

Of one fact de Juniac is certain. "There will be a world after COVID-19. It will be a bit different from the world before. Does that mean people will use teleconferencing instead of flying? I don't think so. Nothing replaces human contact or tourism or going on site," he said.

"In similar past crises we have seen a strong recovery of the travel industry and recovered demand for business and leisure travel. It will come back. It will take time, but it will come back." ■

"To give you two key challenges. How are we going to organize, co-ordinate or whatever you call it, the lifting by governments of all the barriers they have put in place on their borders? The co-ordination of that is absolutely critical. If it is not coordinated, it will be a mess. We have to organize a process that is coordinated and safe, informing people that travelling is not dangerous anymore. The second subject is what type of procedures do we suggest or put in place to guarantee flying is safe in terms of a pandemic? And of course, we have to do that in conjunction with governments, health authorities and airports. So, we will try to organize regional meetings to talk about the risks and appropriate measures to convince governments and travelers flying is again safe"

Alexandre de Juniac
IATA director general and CEO

Asia-Pacifc carriers bear brunt of COVID-19's ravaging attack

The global aviation landscape is being changed, probably irrevocably by the COVID-19 pandemic. Airlines are struggling to negotiate the worst crisis in aviation's history and Asia-Pacific carriers are the suffering the most damage from the pandemic. The region's airlines, making money in 2020 is no longer a prospect. Survival is the name of the game. Associate editor and chief correspondent, Tom Ballantyne, looks at the crisis and its implications.

"For airlines, it's apocalypse now." These were the words of International Air Transport Association director general and CEO, Alexandre de Juniac as he pondered the financial bloodbath confronting the association's 290 member airlines brought on by the random destruction of the coronavirus, or COVID-19, pandemic.

With 260 of its member carriers on the financial brink or losing money before COVID-19 began assaulting global aviation, and with more than 80% of commercial passenger services grounded, the prospects for the world's airlines could be catastrophic.

At press time, their revenue losses, if worldwide travel bans remain in place for just three months, will be US$252 billion, more than double the figure predicted by IATA only week earlier. And only three months of crisis appears extremely optimistic.

IATA's latest forecast, said Asia-Pacific airlines would be hardest hit by the pandemic, losing more than $88 billion in revenue, followed by Europe ($76 billion) and the U.S. at $50 billion.

Losses in the second quarter, to June 30, will be $39 billion, compared with a $7 billion profit in the same period last year. Flight bookings were down by 50% in March and in April and predicted to decline by 40% for May.

Cash burn in the second quarter will be severe, said de Juniac. "We estimate airlines could be burning through $61 billion of their cash balances in the second quarter. Airlines cannot cut costs fast enough to stay ahead of the impact of this crisis. We are looking at a devastating net loss of $39 billion in the second quarter," he said.

"The impact on cash burn will be amplified by a $35 billion liability for potential ticket refunds. Without relief, the industry's cash position could deteriorate by $61 billion in the second quarter."

IATA does not expect airlines to return to their position of year-end 2019 and said past experience of a rapid recovery after the crisis has passed and would not happen this time. Full recovery won't be until 2021.

"Within a matter of a few weeks, our previous worst-case scenario is looking better than our latest estimates. But without immediate government relief measures, there will not be an industry left standing. Airlines need $200 billion in liquidity support to make it through. Some governments have stepped forward, but many more need to follow suit," he said.

IATA has written to the heads of 18 Asia-Pacific States to

appeal for emergency support, including Bangladesh, India, Japan, Malaysia, Pakistan, Philippines, Republic of Korea, Thailand and Vietnam. The letter asks they provide direct financial support to passenger and cargo carriers to compensate for reduced revenues and liquidity attributable to travel restrictions imposed by the COVID-19 pandemic.

IATA also has sought tax relief in the form of payroll tax rebates paid to date in 2020, and/or an extension of payment terms to the end of the year as well as a temporary waiver of ticket taxes and other government imposed levies.

"A growing number of governments in the Asia-Pacific, including Australia, New Zealand and Singapore, have announced financial relief packages for the airline industry. We are grateful to them for the assistance rendered during this dark period for the airline industry. But we need more governments to come on board to support the airline industry serving their markets," said IATA's regional vice president Asia-Pacific, Conrad Clifford.

With carriers fast running out of cash, a scenario likely to become reality within one or two months, a liquidity crunch is coming. With $35 billion to be refunded to customers for cancelled flights IATA is advocating airlines issue vouchers to passengers, in lieu of cash payments, that can be reclaimed for tickets after the crisis is over.

IATA chief economist, Brian Pearce, said the fall in demand will be deepest in the second quarter, with a 71% drop forecast. The impact will be severe, driven by the following factors:

- Revenues are expected to fall by 68%. This is less than the expected 71% decline due to the continuation of cargo operations, albeit at reduced levels of activity
- Variable costs are expected to drop sharply, by some 70% in the second quarter, largely in line with the reduction of an expected 65% cut in second quarter capacity. "The price of jet fuel has fallen sharply, although we estimate fuel hedging will limit the benefit to a 31% decline," Pearce said.
- Fixed and semi-fixed costs amount to nearly 50% of an airline's costs. "We expect semi-fixed costs (including crew costs) to be reduced by a third. Airlines are cutting where they can, while trying to preserve their workforce and businesses for recovery," IATA said.

Airlines is not the only aviation sector in trouble. Airports are suffering badly as their customers disappear. Along with air navigation service providers, they are losing billions of dollars after fees were suspended to ease the pain for airlines.

Airbus, Boeing and Embraer are steeling themselves for requests from airlines to cancel or defer deliveries of aircraft that no longer are required, at least for some time.

Millions of aviation industry workers and employees at support service companies and in the travel sector have been put on no-pay leave, stood down or made redundant. At airlines, recurring training programs for staff such as cockpit and cabin crew must continue so they can be ready for a rapid return to work when the recovery starts.

In the MRO sector, engineers must be kept on the payroll to maintain the thousands of aircraft grounded across the region to ensure airline fleets can be safely returned to service when called up to fly.

The one sector in the industry experiencing a revival in its business, after several years of woeful demand, is air freight. All-cargo aircraft are being kept busy delivering medical supplies to affected communities around the world.

China's slow emergence from its virus crisis has re-opened Mainland d factories and produced a rise in overseas shipments that are keeping global supply chains working. Qatar Airways Cargo has resumed scheduled belly-hold cargo operations to China with wide-body passenger-configured aircraft on March 30, adding to its existing freighter service.

"We are pleased to resume belly-hold cargo operations to China where the COVID-19 pandemic has been significantly contained and industrial production is being restored nationwide," Qatar Airways Group chief executive, Akbar Al Baker, said. Several other airlines are doing the same, using

"We are trying to put together how we will restart operations and return to normal after the health crisis. The co-ordination between States to lift barriers to travel is a key issue we will have to work out with governments about organizing the lifting of travel restrictions. We are working on that. It has to be organized, otherwise it will be impossible to predict and work out by the airlines. If it is a case-by-case bilateral restriction to lift it will be difficult to implement. So, we are trying to find a coordinated solution"

Alexandre de Juniac
IATA director general and CEO

passenger aircraft to carry freight.

There are two questions everyone wants answered: How long will the crisis last and who will survive? The response to the first is easy. No-one knows. Optimists suggest recovery could begin as early as June. Others believe it will be much later in the year or sometime in 2021.

The extent of the collapse and the difficulty of getting back to normal is reflected in the latest data from airline data provider OAG. It reported that in the last week of March alone, airlines removed just over 20 million scheduled seats from schedules worldwide.

In percentage terms it was the single largest cut in capacity recorded by OAG at a global level. "The aviation industry is now less than half the size reported in mid-January as carriers in the United States and India have worked through their recently announced changes," OAG said.

"The ten largest regional markets all report more capacity reductions with South Asia and the Southwest Pacific both recording around two-thirds of capacity dropped week on week as carriers such as Singapore Airlines, Qantas, and Air New Zealand have made additional reductions to their planned programs," OAG said.

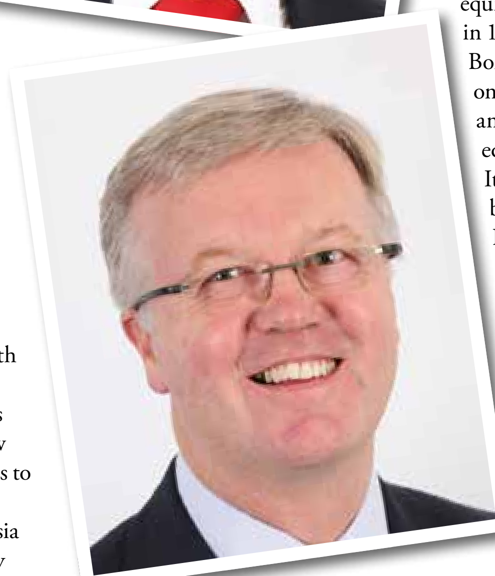
"Recent optimism that Northeast Asia was seeing the first signs of some capacity additions have been dampened with China and Japan reporting week on week capacity cuts, although the Mainland domestic market does see an increase in levels."

OAG said it took the airline industry eight weeks for global capacity to fall from 106 million to 90 million and another two weeks to decline to 49 million. "With a number of schedule updates expected and no real signs of capacity [recovery] we could expect capacity to be closer to 44 million seats a week," it said.

"If deeper cuts take place in some of the major markets then perhaps we will come close to 40 million. At that point, we would hope to see some signs of a recovery occurring."

Another factor critical to recovery is when governments across the region and the world will open their borders to travelers. China is freeing up its domestic market, but has imposed more restrictions on international flights. IATA has commenced discussions with governments to ordinate an orderly resumption of route re-starts post the pandemic outbreak.

So who will survive and who will disappear? IATA said there is clearly a substantial risk of bankruptcies among airlines but the extent of them depended on the strategies of various governments.



"At this stage, it is difficult to give you a number of potential bankruptcies in the second quarter because the effects of all these [government] packages and relief measures are not easy to quantify and appreciate now," de Juniac said.

Clearly, there are stronger airlines well equipped to withstand the COVID-19 onslaught. Singapore Airlines, for example, is offering shareholders US$3.7 billion in new equity and up to another $6.8 billion in 10-year Mandatory Convertible Bonds (MCB). They will be offered on a pro-rata basis via a rights issue and both issuances will be treated as equity in the group's balance sheet. It also has arranged a $2.8 billion bridging loan facility with DBS Bank, supporting the group's near-term liquidity requirements.

The Qantas Group has completed a new round of debt funding, securing $640 million in additional liquidity, to strengthen its position during the Coronavirus outbreak. The debt was secured against part of the Group's fleet of unencumbered aircraft, which were bought with cash in recent years.

This funding increases the Group's available cash balance to $1.8 billion, with an additional $600 million undrawn facility remaining available. In the United Arab Emirates, Dubai has undertaken to pump cash into Emirates Airline, though it has not specified an amount.

However, there are several regional carriers who already struggling financially before the crisis and will almost certainly face virtual bankruptcy and closure without government backing. These include Malaysia Airlines, Thai Airways International (THAI), Air India and Phillipine Airlines.

Nevertheless, the first four are government owned and it is unlikely that three of them will be allowed to perish. For example, Thailand's deputy prime minister, Somkid Jatusripitak, said the government would not allow THAI to collapse and dismissed rumours of lay-offs because of the crisis.

We do know, when sanity returns to the market, that Asia-Pacific airlines in financial trouble before the pandemic must implement deeper corporate re-engineering to stay alive and ensure, if a new crisis erupts, they can see it through. ■

Who will survive the Asia-Pacific network carnage?

For Asia-Pacific airlines profitable international flying has evaporated. In some cases, the same fate is hitting domestic networks. Orient Aviation reports on the flight and staff purges, announced to March 30, that the region's airlines have enacted to survive the COVID-19 outbreak.

The **AirAsia Group** grounded most of its fleets on March 28 and will suspend all flights, with the exception of skeleton services to Indonesia and Thailand, from the same date. Its joint ventures elsewhere in the region are being operated near to suspension point.

AirAsia Philippines has stopped flying until April 14 and **AirAsia India** has suspended flights until the Indian government lifts its travel ban. **AirAsia Indonesia** and **AirAsia Thailand** have stopped flying international routes but will continue to operate limited domestic services. **Thai AirAsia X** suspended operations for three months from mid-March.

Malaysia Airlines has grounded 65% of its fleet and is operating at 20% capacity with some domestic services being maintained. More capacity reductions are expected at the time of writing.

Singapore Airlines has cut 96% of capacity originally scheduled up to end-April. This resulted in the grounding of around 138 SIA and SilkAir aircraft, out of a total fleet of 147. The Group's low-cost unit, Scoot, will suspend most of its network, resulting in the grounding of 47 of its fleet of 49 aircraft. SIA is in discussion with aircraft manufacturers to defer aircraft deliveries. Executives, including board members, are taking salary cuts and unpaid leave. Talks are underway with unions to apply similar measures to staff.

Cathay Pacific Airways has reduced passenger capacity by 96% in April and May. Cathay and **Cathay Dragon** have at least 120 aircraft idling on the ground at any given time, which accounts for more than half of their fleet. In addition, the group cut more than three quarters of weekly flights in March. Cathay Pacific asked their 27,000 employees to take three weeks unpaid leave.

Vietnam Airlines has suspended all international routes until April 30. All domestic routes have been suspended until further notice with the exception of one return flight a day between Hanoi and Ho Chi Minh City and Da Nang-Phu Quoc.

Qantas Airways and its budget subsidiary, **Jetstar**, have suspended scheduled international flights. They also have cut 60% of domestic operations. More than 150 aircraft will be temporarily grounded, including all of Qantas' A380s, B747s and B787-9s and Jetstar's B787-8s. Up to 20,000 staff are on unpaid leave and executives are taking significant pay cuts.

Virgin Australia, has cancelled all international flying and 90% of domestic operations and stood down 8,000 of its 10,000 staff. It has grounded the fleet of its budget arm, Tigerair Australia.

Air New Zealand has cut its long-haul capacity by 85% and imposed employee redundancies as it shrinks to a skeleton operation in response to the coronavirus. Domestic services have been reduced by about 30%, while flights to Australia and the Pacific islands have became very limited.

Korean Air has suspended 10 of its 12 European routes and fellow Korean carrier, **Asiana Airlines**, has scrapped its eight European routes. In the second week of March, KAL has grounded more than 100 of its 140-strong fleet.

Among Korea's seven budget operators only two are operating internationally. One of these, Jin Air, is flying Seoul to Tokyo and Osaka.

Thai Airways International (THAI) has suspended all international flights at least until the end of May. It also has shut down its overseas offices.

Thai Lion Air suspended operations from March 25. All cabin crew have been stood down. Pilots are being kept on the payroll, but at a monthly salary reduction of 40%. **THAI Smile**, **Thai AirAsia** and **Bangkok Airways** have suspended international flying.

Budget carriers, **Jetstar Pacific** and **Vietjet Air**, suspended operating routes to and from ASEAN countries, including Thailand, Singapore, Malaysia, Cambodia, Myanmar, Indonesia, from March 20.

Garuda Indonesia is one of the few airlines to resist significant cuts in flights. Its president director, Irfan Setiaputra, said on March 26 the airline would be operating as usual despite taking a hit from the coronavirus outbreak. "We are still operating normally. The airline has not yet closed many routes or flight schedules or laid off employees. Not yet," he said.

Philippine Airlines suspended all international flights from March 26 until at least April 14. It had suspended all domestic flights on March 17, following a government decision to impose a month-long quarantine period until mid-April.

Air Astana and **FlyArystan** suspended most flights at least until April 15, saying they will only operate flights for the purpose of repatriating the citizens of Kazakhstan or providing foreign citizens with the opportunity to leave the country.

Both of Japan's major operations, **Japan Airlines** (JAL) and **All Nippon Airways** (ANA) have significantly reduced international flying as well as domestic operations. For example, JAL has cut flights on international routes from the country by about 64% between March 29 and April 30 and cancelled 1,468 flights on 60 domestic routes. At press time, ANA had reduced its international flying schedule from March 29 to April 24 by 3,813 flights on 68 routes, including comprehensive services to all major Mainland and southeast Asian destinations and its Australian, European, Indian and North American routes ex Japan.

In the Gulf, both **Emirates Airline** and **Etihad Airways** have grounded their fleets and ceased operations. Qatar Airways is continuing to operate flights so that as many Qatari nationals as possible can get home safely, but has said its cash reserves are running out.

China is the most affected country in the region from the coronavirus. **China Southern Airlines**, the largest airline outside the U.S. by fleet size, has cancelled an estimated 70% of all flights. Its most popular route, Guangzhou - Beijing, has been trimmed from 15 daily round trips to two. It's fleet of five A380s has been grounded since February. **China Eastern Airlines** and **Air China** were in similar positions. However, since the easing of restrictions in China all carriers have begun increasing capacity, but **Hainan Airlines**, the fourth largest airline in China, has suspended international flights. ■

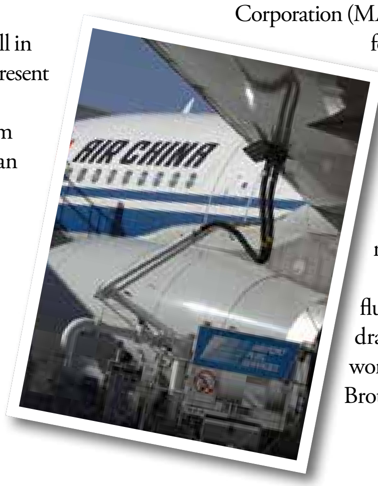
Cheaper oil negated by scale of COVID-19 crisis

At any other time airlines would be celebrating. One of their biggest operational costs, the price of fuel, plummeted dramatically last month after a price war erupted between Saudi Arabian and Russian oil producers. The plunge in price was a reaction to the rout of stock markets worldwide brought on by the COVID-19 pandemic. "We have seen something like a US$20 a barrel fall in the price of oil and jet fuel since the start of the crisis, down to the range of $30 a barrel or so," International Air Transport Association (IATA) chief economist, Brian Pearce, said in March. "In a full year, that would save the industry around $45 billion on fuel."

It would have been a big win. In 2019, fuel cost the industry $188 billion. Forecasts suggested the figure would rise to $182 billion this year, accounting for 22.1% of airline operating expenses.

But as the health crisis worsened globally and airlines grounded huge numbers of aircraft, some reducing flights by 96%, such predictions were history.

"Obviously, the revenue losses are way in excess of that (the fuel cost savings)," Pearce said. He added carriers would probably need more than $250 billion in government aid to keep them afloat. "The fall in the fuel price is rather small in terms of the present crisis. It is irrelevant."



Pearce said benefits carriers received from the drop in fuel costs also would depend on an airline's hedging policy. Airlines that have locked in their fuel at a price above the new low will lose out, he said.

The scale of global flight cancellations is actually destroying demand in a jet fuel market that normally sits at seven million barrels a day. And it is creating another problem: where to store all the jet fuel that is unused.

Last month, about 20% of land-based storage for the product remained available. The collapse in air travel due to the coronavirus pandemic has brought with it the threat of a shortage of places to keep unwanted supplies.

The impact is being felt far beyond airline operations. For example, in Australia, Caltex said last month its profits from producing jet fuel are plummeting with its already battered fuel refining margins collapsed by nearly 30% in a month.

Its losses are on course to deepen after Australia's two dominant carriers, the Qantas Group and Virgin Australia, cancelled all international flying and also large parts of their domestic network schedules.

Caltex said its refining margin had fallen 20%, from $US7.34 a barrel in February 2019 to $5.78 in January 2020. In February, average margins were $4.14, or 28% lower, than the previous month.

Malaysia also is hard hit. As an oil producing country, it is relatively reliant on the price of oil to generate the government's revenue and trade account. According to Malaysian Rating Corporation (MARC), Malaysia's oil-related products accounted for about 9% of total exports in 2019 and generated about 21% of the government's annual revenue.

CGS CIMB Research said crude oil at $48 per barrel would see Malaysia lose $1.02 billion in projected oil revenue. If the price drifted down to $20 to $25 per barrel, additional losses would range from $2.5 billion and $2.9 billion.

So for airlines, ever plagued with the fluctuations in the price of its kerosene, the dramatic cost of oil is cold comfort as they face the worst crisis in the industry since the Wright Brothers first flew. ■

Note to customers: all aircraft park up spaces full until further notice

The COVID-19 pandemic has hit airlines hard on the financial front but also has landed them with another major problem: where to park all the aircraft they have had to ground. There is not enough space for them all, even at big hub airports. Travel industry data and analytics specialist, Cirium, said in one 24-hour period last month nearly 800 additional aircraft were grounded, bringing the total jets taken out of service in the face of disappearing demand to around 7,000 across the globe.

The rate of contraction of the global in-service passenger jet fleet continues to accelerate unabated, it said, with the number of grounded airplanes increasing even more as major airlines continue to suspend flights.

Cirium's update, on March 25, said since the day before nearly 300 additional Airbus narrow-bodies met its criteria for having been withdrawn from active duty. The corresponding figure for Boeing was a little above 200.

Wide-body fleets continue to be severely impacted by the region's capacity cuts, with another another 100 Boeing twin-aisles parked up, together with approximately 60 more A330s, A340s, A350s and A380s.

Using the A330 wide-body fleet as an example, Cirum said on March 23 just above 300 aircraft were operating nearly 600 flights and approaching 3,000 flight hours. These figures had declined by approximately 50% compared with a week earlier. A comparison with March 25, 2019, shows a decline of 70% in the number of active aircraft and close to a 80% reduction in daily hours and cycles.

While many airlines can park a significant number of aircraft at their home airports, few carriers have room to cope with the grounding of an entire airline fleet. In Hong Kong for example, Cathay Pacific Airways, one of hardest hit airlines by the twin calamities of COVID-19 and seven months of civil unrest, is using remote bays, taxiways and other operational areas at Hong Kong International Airport to park its planes, but it still does not have sufficient space to accommodate all of its parked fleet.

The Qantas Group, which has grounded more than 150 jets and has ceased international flying, is parking 50 of its planes at small regional airport, Avalon, west of Melbourne. Apart from Sydney, both Qantas and Virgin Australia, which has a far smaller fleet, will park some aircraft at Brisbane airport and at other airports around Australia.

In Manila, some Philippine Airlines jets are parked in the Lufthansa Technik Philippines hangar. A number of airlines, both Australian and from elsewhere in the Asia-Pacific, are considering parking aircraft in central Australia at a facility run by Asia Pacific Aircraft Storage (APAS) in Alice Springs.

Already, a number of grounded 737 MAXs belonging to Singapore's SilkAir and also to Fiji Airways are parked there because of the year-long grounding of the Boeing single aisle type.

Korean Air (KAL) and Asiana are parking jets at Seoul's Incheon International Airport. KAL has its own airport facility on Jeju Island, normally used as a pilot training base. Thai Airways International has U-Tapao–Rayong–Pattaya International Airport available to it, a joint civil–military public airport south of Bangkok, where it operates MRO services. ■

Airports and ATMs are casualities of COVID-19

Airports and air navigation service providers (ANSPs) are being hit just as hard by COVID-19 as their airline customers. But unlike carriers, they can't close down operations. Even if commercial passenger services come to a halt, airports and ATM systems must stay open and fully operational to ensure the safety of other flights – such as cargo services – that are still flying.

The latest Airports Council International (ACI) Asia-Pacific's revenue forecast said the 2020 impact of the pandemic stands at US$23.9 billion for the region and $5.7 billion for the Middle East, impacting airports of all sizes.

Preliminary weekly passenger data from January to mid-March at 12 major hubs that handle around 22% of the region's traffic showed an average decrease in traffic of more than 80% by the second week of March compared with the same period in 2019.

A number of small airports in the region, defined by handling less than one million passengers a year, also are heavily affected by the crisis and the resulting drop in traffic, ACI Asia-Pacific said.

"The updated analysis paints an extremely challenging picture for our airport members who have burnt through about 10% of total yearly revenues in just three months. Every passenger lost by an airline is equally a passenger lost by an airport," said the director general ACI Asia-Pacific, Stefano Baronci. "Relief measures are needed now for the sake of the entire aviation sector's resilience to save jobs and allow economic recovery."

ACI calculated a prolonged pandemic may result in a traffic volume loss in the range of 1.5 billion passengers for the Asia-Pacific.

The Asia-Pacific and Middle East employs more than 63% of aviation industry jobs, providing a variety of services from airport management, maintenance and security to retail outlets, food and beverage and duty-free concessionaires.

Taking into account the rapid developments, ACI estimated the first quarter loss for airports and ATM services in the Asia-Pacific from COVID-19 would be about US$5.6 billion, almost double earlier estimates. A large portion of the losses would come from a contraction in traffic and non-aeronautical revenue. Middle East airports will generate a loss of approximately $1 billion for the first quarter and at least double that figure for the full year, the airport association said.

"Legislators have to carefully balance survival and revival measures, addressing both the urgency of short-term needs with smart initiatives that will facilitate a strong recovery. Several governments are still pondering measures to apply as the crisis unfolds. ACI Asia-Pacific strongly advocates for policy measures that benefit all parties of the aviation sector without prejudice in favouring airlines," Baronci said.

Like the International Air Transport Association (IATA), ACI Asia-Pacific is asking governments and

> ANSP revenues are directly related to the volume of air traffic they control. They are extremely vulnerable to the decreasing traffic. But there is no doubt the decrease in revenue could significantly impair their ability to safely and seamlessly handle traffic when the volumes inevitably pick up again

Simon Hocquard
CANSO director general

unavoidable

regulators to alleviate airport slots usage requirements until June 2020, offer aviation sector tax relief and suspend or defer airport operator concession fees to governments.

Like airlines, the sector has requested government financial support, in some circumstances government subsidies, to safeguard the industry beyond the current pandemic.

CANSO (Civil Air Navigation Services Organization) director general, Simon Hocquard, said last month: "While our airline customers are understandably the worst hit, ANSPs are experiencing severe consequences."

Typical of the pressure airports face is in Australia, where the Qantas Group and Virgin Australia have cancelled all international flying and a significant proportion of domestic services. The Australian Airports Association (AAA) said its members faced a $500 million aeronautical revenue hit from the pandemic when their costs are changing little "because of the need to keep runways open and lights on" in terminals.

"We need to keep our airports safe and secure as we welcome the passengers that continue to fly," said AAA acting chief executive, Simon Bourke. "We must be ready for the post-virus rebound and plan for a strong recovery. Airports are taking a hit to maintain their investment and infrastructure pipelines, which are so critical to keeping airports open and people in jobs."

Major hubs and second tier airports across the region, from Hong Kong to Beijing, Tokyo Haneda to Singapore Changi, have experienced unprecedented declines in passenger numbers. Seoul Incheon International Airport, South Korea's main air hub, 60 kilometers west of the capital, has entered "emergency mode" as the number of users nosedive.

The airport is handling 10,000 passengers a day compared with normal volumes of 200,000 a day in pre-pandemic times. If numbers continued to decline, it would have to consider closing terminals, the airport operator said.

Some regulators in Asia-Pacific have heeded airline pleas for relief from fees and taxes during the crisis and some governments have agreed to financial rescue packages. In Vietnam, for example, the Ministry of Transport has cut several taxes and service charges for the aviation industry, including a 50% reduction in take-off and landing fees.

At the same time, the ministry asked the Vientnamese government to apply a minimum tax and a zero fee for specialized aviation services, including catering, ramp and push back services.

The Civil Aviation Authority of the Philippines (CAAP) and the Manila International Airport Authority (MIAA) are deferring payment for take-off, landing and parking fees for local airlines for a minimum of one year. Airlines will have to pay after the crisis is over.

Australia has announced an $430 million aid package of refunds and forward waivers on fuel taxes, domestic air navigation and regional aviation security charges.

Singapore has unveiled a US$33.7 billion stimulus package to counter the impact of COVID-19 on the country's economy including the aviation sector. An earlier relief initiative of $82 million included rebates on airport charges, assistance to ground handling agents and rental rebates at Changi Airport.

At press time, it was amalgamating some of its terminals.

"Safety is the industry's top priority. Countries have a well-established licensing system to ensure this. In this extraordinarily difficult environment, we are grateful for actions to ease regulatory requirements that do not impact the safety of flights," said IATA's senior vice president, safety and flight operations, Gilberto Lopez Meyer.

CANSO's Hocquard said: "The travel bans and border closures put in place to prevent the spread of COVID-19 are having a major impact on air navigation service providers (ANSPs) across the globe."

"This has included creating new rosters for operational staff to prevent the spread of the disease and ensure contingency in the event of staff illness – an activity that has proved increasingly challenging, with an unpredictable air traffic picture that changes daily.

"In addition, ANSPs have been working with their States to support national aviation plans for handling public health emergencies and collaborating with neighbouring States, airports and airlines to prepare contingency should staffing levels be hit by a COVID-19 outbreak.

"There is no doubt the challenges we face in contingency and operational planning would benefit from strong coordination between the industry and States. New technologies and infrastructure also are vital." ■

AIRLINES

ANA HOLDINGS introduces avatar technology company

All Nippon Airways parent, **ANA HOLDINGS (ANAHD)**, has announced the formation of avatarin Inc. to accelerate the development of the world's first robotic avatar service platform.

The co-directors of the project, **Akira Fukabori** and **Kevin Kajitani**, are the CEO and COO, respectively, of the new company.

avaratin is ANAHD's first original start-up, its parent said. It aims to become a new innovation model for other large companies and through its independent structure "encourage external collaborations" and attract new core partners and investors.

"The new capabilities offered by this technology will allow the world to share human resources effortlessly and will usher in an era of global collaboration and democratic access to necessary services," the two leaders of the new venture said. ■

MRO & COMPONENTS

HAECO Group equipped for 787 landing gear MRO

HAECO Group's **HAECO Landing Gear Services** has attained 787 landing gear overhaul capability in preparation for fast-approaching landing gear maintenance due on 787 fleets, the MRO said last month.

The landing gear services subsidiary holds MRO capabilities for several aircraft types, including 737s, 747s, 757s, 767s, 777s and Embraer's E190/E195.

The group also has acquired Dallas-based **Jet Engine Solutions (JES)**. The U.S. aircraft engine MRO specializes in quick-turn repairs and lease returns for commercial aircraft engines.

HAECO Group CEO, Frank Walschot, said: "Together with **HAESL** and **TEXL**, our Rolls-Royce and GE overhaul businesses, the HAECO Group will provide a full range of services from wing repairs to full performance restoration for a wide range of the most modern engines being operated on commercial aircraft."

The JES acquisition is part of the group's plan to develop its Global Engine Support (GES) business, which includes the opening of a GES facility close to Amsterdam's Schiphol Airport.

Sixteen operating companies make up the HAECO Group, which employs 17,000 staff in Hong Kong, China and the U.S, a number that will increase with the opening of a GES in The Netherlands. ■

Sumitomo Corporation and AAR partner in aftermarket supply chain solutions venture

Fortune 500 conglomerate, Japan's **Sumitomo Corporation**, has launched **AAR Sumisho Aviation Services** to supply parts to the global commercial sector and Japanese defence customers.

The joint venture will distribute parts from OEMs based in Japan to the global aviation market, AAR said.

The U.S. aerospace and defence aftermarket solutions provider, headquartered in Chicago, has served as a stocking distributor for OEM new factory parts to Japanese defence customers through the Sumitomo Corporation since 2012.

"This new venture with Sumitomo presents a tremendous opportunity to expand our market reach and capabilities in Japan, a highly strategic market for us," **AAR president and CEO, John Holmes,** said.

"Both our companies have proven track records within the international defence industry and we look forward to joining forces to become a leading aircraft parts distributor and provider of services to the defence sector and the global aviation aftermarket," he said.

Establishment of the joint venture is subject to regulatory approval. ■

PEOPLE

Mainland-controlled Acro Seating names new CEO

Acro Aircraft Seating, owned by Mainland China listed **Zhejiang Tiancheng Controls Co. Ltd**, has chosen **Neil Cairns** to run the UK-based manufacturer of aircraft seating.

Cairns was most recently vice president and general manager of Collins Aerospace in both Arizona and North Carolina, a position he held after running B/E Aerospace's seating division in Northern Ireland.

Founded in 2007, Gatwick-headquartered Acro has delivered cabin seating to 45 airlines and lessors, including Asia-Pacific and Gulf carriers Air New Zealand, Etihad Airways, Hawaiian Airlines, Spring Airlines and lessor BOC Aviation. It has a manufacturing facility and a regional office in Shanghai and also offices in Miami and Singapore. ■

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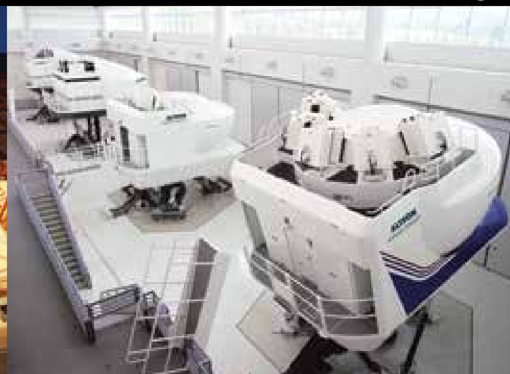
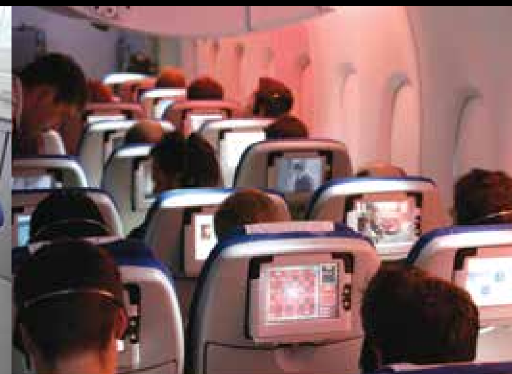

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