

Lessons learnt from Impact to World's Aviation due to Covid-19

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“ The world’s aviation industry had been skyrocketing for the past decades. The demand for new aircraft was so high that airlines complained to Airbus for failing to deliver aircraft on time. Suddenly right after Chinese New Year this year, the world of aviation has collapsed nearly completely. However, there are at least five key lessons the world of aviation has learnt from their biggest crisis in history.”

1. Cash Reserve

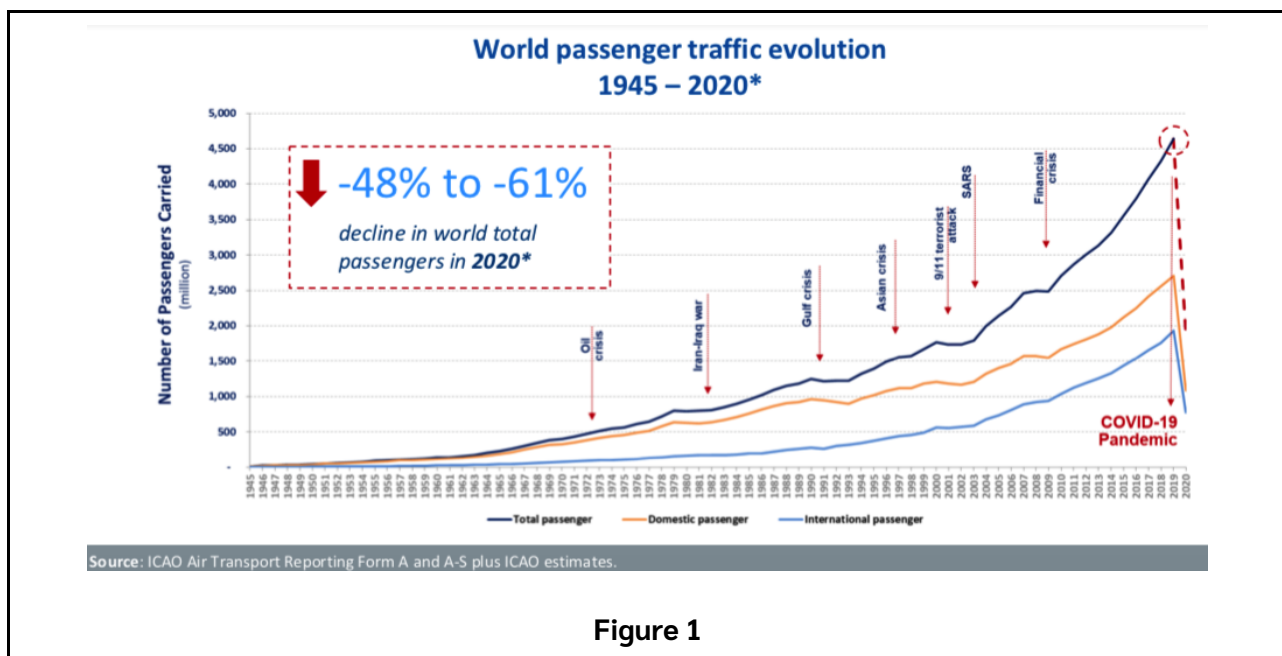
Boeing has had a big headache even before the pandemic due to B737 Max issues. In June this year, Airbus was just announcing 15,000 jobs cut world-wide to rescue itself. Many big-name airlines including LATAM, Virgin Australia, Flybe, or Thai Airways could not make it. They either collapsed or went bankrupt as the novel virus has swept our planet. Surviving airlines have resorted to major government’s financial packages, otherwise they would face extinction.

The key factor to prolong business longevity, either on a giant OEM level or small regional airlines, is their “reserve cash”. Modern business model tends to give importance to revenue growth even when it does mean that more debt is on the table. Good standstill reserve cash is often forgotten until the Covid-19 teaches us how important it is. Without this saving, bankruptcy is unavoidable within only a matter of weeks as fixed cost to maintain an aircraft fleet and highly-skilled workforce is so high. To say how much the reserve should be is not straight forward, but it will certainly be on every company’s agenda post Covid-19. Any helping financial measures from outside are understood to be on their way, but a fixed timeline is far from certain. Last but not least, savings are as important to us - every individual - to weather the storm of uncertainty during this difficult period.

2. Aviation Bloc and Travel Bubble

As many countries have eased the lockdown thanks to more controllable situation, domestic flights are restarting. In a better scenario, international flights within the European Union (EU) have been allowed and resumed thanks to harmonized aviation regulations. However, the impact from Covid-19 is strongly felt to countries whose domestic aviation market is small or even non-existent such as Singapore for example. This is also true to many middle-east nations, e.g. Oman or Emirate of Dubai, which act as a connecting hub from Asia to Europe, but they themselves have a very small domestic routes network. Obviously, only domestic market is not economically sufficient for most world's airlines including Thai airlines, e.g. Thai AirAsia, Bangkok Airways, or Thai Airways as international flights make up a large sum of their annual revenue.

Aforementioned situations naturally highlight the importance of a harmonized, collaborated aviation market where certain sets of standards and regulations have been agreed upon amongst member nations. On top of that a more collaborated and standardized economics system would help accelerate the recovery process of any future setback. For Thailand and neighboring countries, ASEAN Economic Community (AEC) is the perfect platform to be developed. Unfortunately, the attention and serious interest from member states towards AEC have become more and more questionable in recent years. With a more developed AEC, a travel bubble within ASEAN would be much easier to establish - consequently the impact to ASEAN aviation industry would be much quicker to be alleviated.



3. Freight and Non-core Business

As airlines are all struggling to find a demand of air travelers, they need to resort to any alternative business that could help them relieve on-going financial burden. Any business opportunity is put on a top-level management meeting to be discussed and be implemented. The final goal at the moment is clear – “to survive”. Carrying cargo is the first measure an airline could try to utilize their aircraft, but as the fleet is dominated by passenger aircraft, this option is somehow limited (even with some conversion to their PAX cabin). In Thailand alone, we are seeing a lot of non-core businesses being trialed, especially in terms of food and drinks delivery. Already before the pandemic, Thai Airways' bakery outlet “Puff & Pie” has made its name to the locals. Its support towards the parent company has become more important during this period of time. The ability to quickly adapt and flexibly

transform an aviation company to be able to perform in other non-aero businesses is critical to airlines' survival. Not only for short-term success, airlines' agility to adapt to a new challenge is as well critical to post-Covid sustainable growth.

4. Single-aisle but long-range

The pandemic literally has frozen inter-continental flights. The main victims to this long-haul travel halt are those biggest members of commercial jets, especially the four-engine giants. Be it B747, A380, or A340, the current demand does not justify their capacity and fuel cost that would incur. Unfortunately, the burden for some airlines did not stop at airplanes grounding. Long-haul LCC, like NokScoot has ended up ceasing operation; all employees were jobless immediately.

On the other hand, single-aisle jets are easier to recover under this circumstance thanks to their short-haul, low-capacity nature. Either domestic or international short-haul flight, the best-selling aircraft family like B737 and A320 can serve the mission perfectly. Looking forward mid-term, medium-haul and long-haul flights will be back, but with a much thinner demand. The right answer to this market change is a single-aisle, long-range aircraft. Two pieces of info do support this claim. First, AirAsia X will resume some Thailand-Japan routes with A321neo instead of its wide-body sibling A330. Second, extra-long-range A321XLR will be launched in 2023, and none of its 450 orders have been cancelled until now. The project is also regarded highly by Airbus. These simply signal the upcoming trend in passengers air travel: narrow body aircraft no matter how long the flight is.

5. Never again

The complete aircraft fleet grounding, as happened in March 2020, is the last thing an aircraft manufacturer as well as an airline wants to happen again. The complete suspension obviously caused too much financial impact to the world's aviation industry.

They are working very hard to change people's perception towards air travel. By investing in technologies including personal app that provides travelers an accurate risk indicator rather than leaving a mere doubt without numbers, quite a number of people will return to fly to very low risk regions. Moreover, smoothening passengers' experience is also a key as there are already many extra measures and screening to cope with the virus spread. With these new implementations in the pipeline, world's aviation will also be well prepared for any future epidemic, which might break out more often in the future. All of these hard works and investments are being done to ensure that any other complete grounding will never happen again...

About the author

Tanut Ungwattapanit earned a doctorate in aerospace engineering from TU München, Germany in 2017. He is now a Fatigue & DT analysis engineer for the A321XLR development at Airbus, Hamburg, Germany.



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