

# Chapter 9

## Precautions and Support Packages During COVID-19 for Aviation Companies

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### ABSTRACT

*The aviation industry is one of the most strategic industries because of economic, logistic, and defense reasons. The aviation sector, however, is a low-profit industry while requiring high investment and operating costs. This situation hinders the sustainability of the aviation industry by causing the sector to be adversely affected by any size of local or global crisis. The recent COVID-19 pandemic showed how vulnerable the sector is. Although almost all the countries have prepared support packages for the aviation sector, several companies have ceased their operations or filed for bankruptcy. For the rest that continue to operate, the trade-off between ensuring the operations and maintaining competition during and after the COVID-19 pandemic is challenging because of several political and economic factors. This chapter discusses the conditions of the aviation sector during the COVID-19 pandemic, its effect on the aviation sector, and the support packages created by states for the aviation sector to survive.*

### INTRODUCTION

The aviation sector is closely linked with the activities of other sectors, although it represents a very small portion of Gross Domestic Products (GDP). As a result, other industries' operations have an influence on the aviation industry, and the aviation sector has an impact on other sectors. For example, every year, about 52 million m<sup>3</sup> of goods, which is less than 1% of the global trade by volume but more than 35% by value, are transported by airlines. Therefore, most states prioritize maintaining air transport connectivity due to the importance of the sector and its effect on other sectors and protecting the economic activities of the aviation companies and employment.

However, regardless of their nature and origin, all the crises have a negative impact on the aviation sector. From the 9/11 terrorist attack on World Trade Center (WTC) buildings to the 2008 financial

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crisis, the aviation sector has been one of the most affected sectors. The latest COVID-19 pandemic is no different. As a matter of fact, the COVID-19 pandemic has affected the aviation industry more than any other crisis since the beginning of the history of civil aviation.

During the pandemic, normal life has transformed into a stationary state: tourism activities and exhibitions have almost ceased, all business activities have been at the lowest level, and the transportation of goods has almost stopped. Regulations adopted and red-lists declared by countries made the conditions worse for the aviation sector. Meanwhile, other institutions (e.g., ICAO, ACI, CANSO, IATA, TIACA, WFP, and WHO) have worked together to develop a single source of aviation-specific guidance to ensure that appropriate planning and actions are taken at all levels to mitigate human outbreaks because diseases such as COVID-19 pose a high risk to the traveling public.

Despite all the efforts and precautions, dramatic drops in the number of passengers on top of the precautions taken to prevent the spread of the COVID-19 onboard have started to kill the aviation industry. As a result, over 40 commercial airline companies, including Virgin Atlantic, Thai Airways, Virgin Australia, SunExpress Deutschland, AirAsia Japan, Norwegian Air, and Philippine Airlines, have filed for bankruptcy, and many more are expected to follow. Even some flag carrier airlines such as Austrian Airlines, Air Canada, Emirates, and El Al have been affected by pandemics and stopped all operations or reduced the number of flights and destinations due to ongoing pandemics.

Due to the strategic importance and position of the aviation industry, countries have started to take some measures and create support packages for airlines to survive this catastrophic situation. For example, airlines received \$80 billion in aid from the government in the USA to avoid broad bankruptcies. In Europe, Air France-KLM Group (France) received €11 billion, Air France-KLM Group (Netherlands) €3.4 billion, Lufthansa AG €9 billion, TUI Group €3.35 billion government aids.

However, the trade-off between ensuring the operations and maintaining competition during and after the COVID-19 pandemic is challenging because of several political and economic factors. This chapter discusses the conditions that airlines have been experiencing during the COVID-19 pandemic and the support packages created by states for airlines to survive.

## **PANDEMIC AND AVIATION SECTOR**

### **The Importance of the Aviation Sector**

Although the aviation industry represents a very small portion of the global GDP, it is closely linked with the activities of other industries (OECD, 2020), and therefore, is one of the most critical industries for world economic developments and trade. Over 4.5 billion passengers, 57 million tonnes of goods were carried by air in 2019. A total of USD 841 billion in revenue is generated with about 5.3% (USD 45 billion) operating profit (ICAO, 2020). The total amount of goods transported by air cargo is less than 1% in volume but over 35% by value (Evans, 2014).

The aviation sector provides the fastest global transportation network, and Therefore, it has vital importance for global business. The aviation sector creates over 10 million direct jobs and supports over 65.5 million jobs globally. The airlines, air navigation service providers, and aerodromes directly employ over 3.5 million people and civil aviation over 1.2 million. A total of 5.6 million people are employed in other on-airport positions, and another around 55.3 million people are employed indirect, induced, and tourism-related sectors, which are supported by the aviation sector (ICAO, 2019).

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