

If Winter Comes, Can Spring Be Far Behind?

A Case Study on China Southern Airlines

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EXECUTIVE SUMMARY

This chapter discusses the impact of COVID-19 on the Chinese aviation industry. Specifically, China Southern Airlines (CSAIR) was chosen as a focal airline company, from which its approach and strategies in dealing with various challenges and difficulties brought by COVID-19 was investigated and analyzed. Challenges that airline companies faced during pandemic include a decline in traffic volume, operation funds shortage, and uncertain situations and difficulties in making predictions. The case starts with introducing general impact of COVID-19 on airline industry, followed by delineating regulations from the industry as prevention and control of the pandemic situation. It identifies several pathways to civil aviation industry recovery, namely group standard measures, fleet storage, domestic passengers flight operation, and transition to cargo flight.

BACKGROUND

Aviation Industry in China: Under Pandemic

According to the World Health Organization, as of August 2021, there have been more than 220 million confirmed cases of Covid-19 globally (Kumar & Gupta, 2021). The pandemic has had a profound impact on the global economy, particularly by limiting the movement of people across borders and geographical distances. Unsurprisingly, civil aviation has been one of the hardest hit industries due to the pandemic (Kumar & Malhotra, 2021). Statistics data issued by the International Air Transport Association (IATA), demonstrated that 2020 was the worst year for the airline industry on record (IATA, 2021) with 1.8 billion passengers flying in 2020 compared to 4.5 billion who flew in 2019 (60.2% decrease). Although some scholars have pointed out that Covid-19 may also have a positive impact on the aviation industry such as lower prices of aviation fuel which can help airline companies control operation costs (Mhalla, 2020) and increased opportunities in the cargo business (Li, 2020), Covid-19 has undoubtedly been devastating. Travel restrictions have contributed to the failure of 43 commercial airlines who completely ceased or suspended operations by October of 2020 (Ng, 2020). As the largest civil aviation industry in the world, China's aviation industry and the players within it were particularly hit hard by both the reluctance of customers to take flights and the governmental restrictions on transport services (Guo, 2021). These players include, but are not limited to, "airlines, airport authorities, air cargo providers, in-flight food caterers, aircraft or spare parts manufacturers and maintenance, repair and overhaul organizations" (Rahman, Rahim, Ahmad, & Hafizuddin-Syah, 2020). Although some gradual recovery has been noted, China's civil aviation industry still encounters challenges such as grounded aircrafts, declines in traffic volume, and a shortage of operational funds.

Grounded Aircrafts

Due to the withdrawal of services from aircraft operators, 44% of the total number of global commercial passenger fleets was grounded in storage in March 2020. Among these groundings, 10% of the passenger fleets came from Chinese operators. As shown in Figure 1, over 150 commercial passenger jets in China were grounded by the end of July 2020 (CIRIUM, 2021). With fleets grounded, Chinese airline operators are faced with wasted resources and inventory costs to compound their losses.

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