

Airline cash burn continues, says IATA

According to analysis released by the International Air Transport Association (IATA), the cash burn is expected to continue through 2021 for the battered airline industry. The association's previous analysis released in November had indicated a return to cash positive for airlines in Q4 2021, but this is now not expected to occur at the industry level until 2022.

Additionally, the estimates of cash burn in 2021 have almost doubled, from the previously expected US\$48 billion to between US\$75 and US\$95 billion.

Because of tightened travel restrictions in response to new COVID-19 variants, travel has been much lower in Q1 of 2021 than had been anticipated, and confidence is low for future bookings. Summer bookings, for example, are currently down 78% compared to bookings at the same time in 2019.

IATA's optimistic scenario shows travel restrictions being lifted as vulnerable populations are vaccinated, but that would not happen in time to rescue the peak summer season. At best, this puts air travel at 38% of 2019 levels, meaning airlines would burn through \$75 billion over the year.

In the pessimistic scenario, governments would significant travel restrictions through the peak northern summer travel season, which would result in total-year travel of only 33% of 2019 levels. In this case, airlines would burn through \$95 billion over the year.

"With governments having tightening border restrictions, 2021 is shaping up to be a much tougher year than previously expected. Our best-case scenario sees airlines burning through \$75 billion in cash this year. And it could be as bad as \$95 billion. More emergency relief from governments will be needed. A functioning airline industry can eventually energize the economic recovery from COVID-19. But that won't happen if there are massive failures before the crisis ends. If governments are unable to open their borders, we will need them to open their wallets with financial relief to keep airlines viable," said Alexandre de Juniac, IATA's Director General and CEO.

Prepare to reopen

IATA says it is imperative that governments and the industry be fully prepared to restart the moment governments agree that it is safe to re-open borders, making three initiatives critical:

Planning: Careful planning and preparation will be necessary to restart the industry after a year-long virtual shutdown.

"The UK has set a good example. Earlier this week it laid out a structure for re-opening based on an improvement in the COVID-19 situation. This gives airlines a framework to plan the restart, even if it needs to be adjusted along the way. Other governments should take note as a best practice for working with industry," said de Juniac.

Health Credentials: Testing requirements and possibly proof of vaccination will be imperative for travel, and the IATA says many airlines are committed to trial its Travel Pass.

"Efficient digital management of health credentials is vital to restart. Manual processes will not be able to cope with volumes once the recovery begins. Digital solutions must be secure, work with existing systems, align with global standards and respect data privacy. In developing the IATA Travel Pass these are fully in focus. The IATA Travel App will help to set the bar very high for managing health credentials, protecting against fraud and enabling a convenient travel process. While there is

choice in the market for solutions, there should be no compromise on the fundamentals, or we risk failing systems, disappointed governments and travelers, and a delayed restart,” said de Juniac.

Global Standards: For international travel to occur smoothly, it’s important to have global standards to record tests and vaccines and also a plan to record those who have already been vaccinated.

“Speed is critical. Fraudulent COVID-19 test results are already proving to be an issue. And as vaccine programs ramp up governments are using paper processes and differing digital standards to record who has been vaccinated. These are not the conditions needed to support a successful restart at scale when governments open borders. The WHO, ICAO, and OECD are working on standards, but each day without them means the challenge gets bigger. We need an early conclusion by competent authorities that the industry can plan around,” said de Juniac.

“Even as governments focus on managing the COVID-19 crisis, we must be thinking a step ahead to the plans, tools and standards needed to restart flying and energize the economic recovery from COVID-19. Working in partnership is nothing new for airlines or for governments. It’s how we have delivered safe, efficient, and reliable connectivity for decades. For a year it’s been lockdowns and restrictions as vaccines were developed and testing capacity expanded. The reason for all the pain that this has caused is to keep people safe and to eventually be able to restore their well-being and that of the economy. With good news on vaccines and growing testing capacity, there is a glimmer of light at the end of the tunnel. So, it’s the time to ask governments for their restart plan and to offer any support from industry that could help,” said de Juniac.