Airline Business Daily

From FlightGlobal

IATA AGM IN BOSTON | 3-5 OCTOBER 2021

IATA

'WE'RE EXCITED TO BE BACK MEETING FACE-TO-FACE'

Willie Walsh is upbeat on recovery prospects as the global industry meets again in Boston

IATA

LEWIS HARPER LONDON

For IATA director general Willie Walsh, the in-person portion of this year's AGM gathering in Boston sends a "very good signal" about the airline industry's recovery momentum.

"We wanted to do the AGM in person," he tells FlightGlobal on the eve of this year's event. "We're very keen to demonstrate that we're back doing business face-to-face."

An "excited" Walsh notes how encouraging it is that US embassies have been helpful in facilitating national interest exemptions for AGM delegates. "That in itself is a positive," he says. "The industry is seen as important."

Indeed, with delegate numbers "way better than we had expected", IATA and Walsh are in Boston with an upbeat message for the industry after 18 months that most would rather forget – tempered by his insistence that there is still much work to be done.

The turning point for international travel was the June-July period this year, Walsh recalls, with the reopening of borders in Europe. Then came a pleasant September surprise, as the Biden administration announced a relaxation of the USA's border restrictions.

"The announcement of fully vaccinated people being able to visit the US from November is another significant step forward and I think it sends a message to other large international markets," Walsh states.

In countries that still have significant barriers to entry, "the problem now is not one really caused by the virus, it's caused by the restrictions that governments continue to have in place", Walsh says. "Because all of the evidence supports our view that once the restrictions are relaxed or removed, you see an immediate response from customers.

"And that's very healthy. A fear of flying does not exist."

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Bastian honoured – 14

Inside this issue

Follow our coverage of the AGM and the wider industry at: flightglobal.com

JetBlue began Gatwick flights last week

JetBlue Airways

GRAHAM DUNN & LEWIS HARPER LONDON

Domestic stalls as borders open

Steps forward are being accompanied by steps back on the bumpy path out of the industry's biggest-ever crisis

The airline industry is in Boston with reasons for cautious optimism about the recovery momentum – but also having received a timely reminder that the journey out of the Covid-19 crisis is unlikely to be a smooth one.

Crucially for many IATA members, the recent news that the US was opening up to non-essential travellers was a huge boost going into the northern hemisphere winter season. In particular, it is difficult to overstate how important the transatlantic market is for a number of operators.

Those operators include the host of this year's AGM gathering, JetBlue Airways, which launched flights from New York JFK to London Gatwick on 30 September, complementing the Heathrow flights it launched in August.

Also on the eve of this year's gathering, Australia made its first, tentative steps back to allowing international travel, in a move that bodes well for other markets where the focus was previously on a zero-Covid approach to the health crisis.

Curiously, however, the domestic markets that had previously underpinned hopes for a wider airline recovery have wobbled, notably in the Asia-Pacific region.

IATA passenger traffic figures for August, released on 30 September, show that in key domestic markets such as China's, there was a faltering in the overall recovery in August compared with July.

Global passenger traffic had been 53% down on its pre-crisis levels in July, but it was 56% down on the 2019 level for August, IATA figures show.

In July, domestic passenger traffic had been just 16% below the 2019 level, but in August the figure was 32% down on the corresponding month in 2019.

This reflects the impact of efforts to counter the Delta variant of the Covid-19 virus in China, the world's biggest domestic market, which accounted for around a fifth of global traffic in 2020. Passenger traffic in the domestic Chinese market in July had been just 2.5% down on 2019 levels. In August, however, it was down some 57%, as capacity and demand were hit by rising Covid-19 cases.

Of the big domestic markets, only India and Russia reported improved passenger traffic levels against 2019 for August, compared with July.

"The rapid slowdown in the domestic traffic recovery in August, owing to a spike in the Delta variant shows how exposed air travel continues to be to the cycles of Covid-19," says IATA director general Willie Walsh in response to the figures.

August data also shows that the international passenger traffic recovery continues to lag domestic markets. International traffic was still some 69% down in August on the same month in 2019. That, though, does at least mark a slight improvement on July, when international traffic was 73% down versus 2019.

"In that regard, the recent US announcement to lift travel restrictions from early November on fully vaccinated travellers is very good news," says Walsh.

"But challenges remain," he adds. "September bookings indicate a deterioration in international recovery. That's bad news heading into the traditionally slower fourth quarter."

At the same time, while demand for air cargo continues to trend above pre-crisis levels, the supply-chain issues that are being reported around the world create big challenges for airlines to overcome in meeting record-high demand for their services.

No one said the recovery would be easy. ■

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Walsh on…

SUSTAINABILITY

"We need everybody else to step up and feel a bit of pain. If they're not squealing – airports, air navigation providers, aircraft and engine manufacturers – we need to see action"

THE UK GOVERNMENT

"I continue to be baffled by what goes on in the UK, where they make announcements about changes and then postpone the introduction of the changes for no reason whatsoever"

'MONOPOLISTIC' SUPPLIERS

"They are led by a rogues' gallery of companies who always make very nice, flowery, positive public statements and then show their true colours by pursuing massive increases in charges"

HIS ROLE AT IATA

"I've only one thing I want and that's the members being pleased that we serve and represent them. It's not about big fancy campaigns, it's about how members respond to what we're doing"

» Continued from page 1

But while "the world isn't moving at the same pace", Walsh is pleased that "we're gradually seeing a movement towards a consensus".

"Once people can travel with confidence and once the exorbitant price of testing has been removed or reduced, we'll see a very strong recovery," he says.

Ultimately, that makes the outlook for 2022 far more encouraging for the industry.

"We believe 2022 will clearly be a much better year than 2021," Walsh says. "There are still some challenges, but we'll have a much better year.

"The industry has demonstrated its resilience, demonstrated its ability to respond to crises, and I think we are now going into the cautious re-establishment of networks across the world."

As that happens, other challenges come into focus.

"We've got to hit back hard against the monopolistic suppliers in our value chain who have demonstrated once again that they have no understanding of commercial realities," Walsh argues.

STEPPING UP

Sustainability is another big topic for the industry – even if Walsh insists that other stakeholders, not airlines, need to do more on the issue.

"I don't think there's pressure on the airline industry," he says of sustainability strategies. "Airlines have been alive to this for many years."

The big airframers need to step up, he says. "Boeing and Airbus talk about new technology, but quite honestly I don't think they've done enough," Walsh states. "I think it's time they did a lot more."

Oil companies have also "got to do a hell of a lot better", according to Walsh. "They need to be developing sustainable aviation fuels, because the technology exists, the commitment from airlines exists, but the problem is supply."

Addressing such challenges is part of a lengthy to-do list, reflecting the fact that "IATA is very much focused on doing whatever we can to help our members, serve our members, represent our members", Walsh says. "And I think we're doing that well."

But he is under no illusions about the scale of the task ahead.

"There's a hell of a lot of work that we need to do," Walsh says. "It's important that IATA is a strong voice… It does fall to us to be more vocal and more direct.

"It's my intention to continue doing that, as long as it's what our airline members want." ■

Stalwart: Walsh in action at 2017's AGM in Cancun

IATA

LEWIS HARPER LONDON

'We need more female role models'

As IATA celebrates the industry's standout women, work continues to put diversity at the heart of airline strategies

The Diversity and Inclusion Awards has become one of the key events at the IATA AGM gathering, as the industry seeks to highlight its progress on the issue.

And this year, more than ever, the stories of standout women and businesses are a welcome example of positive airline narratives.

"Despite all the bad news [during the Covid-19 crisis], it's really important that we celebrate the successes," says Jane Hoskisson, director of talent, learning, engagement and diversity at IATA, on the eve of this year's AGM. "I think the awards are a great example of the successes that we've still got despite the pandemic."

At the same time, the awards exist in an industry that, in some quarters at least, is still waking up to the importance of diversity, equity and inclusion (DE&I) in its approach to business.

"We always talk about how 'you can't be what you can't see' and of course that's why the awards are so important, because it's highlighting these very inspirational people and companies that are doing this really strong work on furthering the diversity, equity and inclusion agenda," says Hoskisson.

"The reality is that lots of women are coming into the industry and they want to see those role models, they want to see that possibility, because they are surrounded by men who got there."

LEADING EXAMPLES

A case in point is the number of airline chief executives who are women. Lynne Embleton took over as chief executive of Aer Lingus in early April, Annick Guerard was named as the new leader of Air Transat parent Transat AT in late May, and Christine Ourmieres-Widener was appointed chief executive of TAP Air Portugal in late June, but FlightGlobal data shows that despite those appointments, only six of the world's top 100 airlines have a female chief executive.

Hoskisson: industry needs to be attractive to future generations

IATA

It is such realities that spur Hoskisson on to address the imbalance – and those across airline workforces – with IATA's landmark 25by2025 initiative being a key driver.

While the headline target of that initiative is to increase the number of women in top airline roles, Hoskisson explains that the core of the programme is regular meetings where scheme members share "good practices" around making their entire workforces more diverse and inclusive.

"One of the things we are trying to do is connect airlines," she explains. "The mantra we have is that in the space of diversity and inclusion, we collaborate, we don't compete.

"The industry needs to be attractive to future generations, it needs to be attractive to a diverse group in future generations," Hoskisson says.

> "In the space of diversity and inclusion we collaborate, we don't compete"
>
> **Jane Hoskisson**
> Director of talent, learning, engagement and diversity, IATA

Helpfully, more airlines are being convinced by that argument.

"What's really surprised me about the pandemic is we went into it with about 48 signatories [for 25by2025]… we're at 77 now," she states. "During the 18 months of the pandemic we actually had a lot of people reach out to us and say 'we really want to build back with diversity and inclusion in mind'."

That is important, Hoskisson says, because research shows the pandemic has adversely impacted women far more than men.

"What I am so proud of is that airlines are recognising that," she states. "They are recognising that it is super important to build back and be mindful and purposeful about diversity and inclusion."

Crucially, Hoskisson insists that embracing DE&I helps to create fundamentally better and more successful companies.

"Research will tell you that if you have true diversity you have better business results," she says.

REPRESENTING MINORITIES

While much of IATA's work on the issue focuses on gender, Hoskisson also emphasises that diversity encompasses a much wider range of considerations.

She gives the example of "under-represented minorities" in an airline's particular geography, insisting that "if you haven't got that representation [within your workforce], you're not really looking after the whole gamut of diversity, equity and inclusion".

Ultimately, it is about "making sure you don't exclude anyone – that [employees] feel they can bring their best selves to the workplace", she states.

Hoskisson is also keen to stress that progress on the issue "doesn't mean that we're going to alienate" anyone.

"If you are starting to exclude groups, then you are not being diverse, equitable or inclusive," she says.

With lots of work for the industry to do on DE&I, Hoskisson is clear who can make the biggest difference to the airline story.

"None of this can happen without senior leadership looking in the mirror and really role-modelling the change," she states. "And that's about more than lip service, it's about proactively looking at their talent and making choices." ■

MARK PILLING LONDON

Airbus doubles down on hydrogen

Airframer says 2035 development target is achievable, but warns the momentum cannot just come from Toulouse

Timelines are incredibly tight, the technology is not there yet, the investment will be colossal, the airport, fuel and related infrastructure is a massive obstacle, but Airbus chief executive Guillaume Faury believes bringing a clean-sheet, zero-emission narrowbody sized airliner into service by "around" 2035 is very doable.

"I am more and more confident that is an achievable goal when it comes to the airplane," Faury said, speaking at the Airbus Summit in Toulouse on 22 September.

"But the plane is just one part of the challenge," he notes, with many other elements of the supply chain at least, if not more, problematic. "This is not something aviation can manage alone," he says.

Faury: strategy of this kind is a risk

Airbus

KEEPING FAITH

For its part, Airbus is pressing ahead. "2035 is tomorrow, therefore we have to be fast, and we have to go together," says Faury. Indeed, Airbus has put its faith in technology and especially hydrogen, and the entire summit, with its Pioneering Sustainable Aviation tagline, promoted the notion that aviation must decarbonise.

Faury already explained the 2035 timeline to develop a likely hydrogen-powered airliner at a Eurocontrol webinar in March, and he stands by it.

"I am impressed by the momentum created by those technologies," he says. The plan sees Airbus selecting the fuel technology it will use by 2025, and there is enough time between now and then for industry to work on new fuels and propulsion systems to come up with solutions, he believes.

Then there will be two years of work to select partners and suppliers and bring the project to a position where it could be formally launched in 2027 or 2028, explains Faury. From that point it would take seven to eight years to go from launch to entry-into-service in 2035.

For Faury, the technology is a challenge, but the money needed is another matter. "The issue in 2027 is that we will have to launch major investment, not only at Airbus but with our partners," he says. "And we need certainty on the regulatory environment" for airlines aiming to operate the aircraft in 2035, he adds.

"I am more concerned about this than the engineering… that's why we are engaging with governments and the energy sector" to trigger solutions that will enable a zero-emission aircraft to come to reality, says Faury.

"Is it risky?" Faury is asked. "Of course," he says, acknowledging that many strands of activity must converge to make his strategy come off. However, the focus on hydrogen is clear as its energy density is so much higher than other fuels and compared to that of batteries. "We don't have to change the law of physics here," says Faury. "Hydrogen is made for aviation."

With the 2035 timeline becoming established, Faury was challenged during the Summit by Andrew Murphy, director aviation at green lobby group Transport & Environment, to "at least phase out the problem", meaning the production of fossil-fuel burning aircraft. "By 2035 we should end the sale of jet aircraft for short-haul operations in Europe," he says. There needs to be clear timelines and clarity on the amount of money required to develop such an airliner, he adds.

Not surprisingly, Faury rejected the phase-out idea. "We think we don't need to stop selling planes. On the contrary, we need to accelerate the replacement of old planes by new ones," he says, bringing more fuel-efficient models into service and thus contributing to emissions reduction.

Airbus's hydrogen strategy contrasts with the views of Boeing, which has shown far less enthusiasm for this fuel. However, Faury believes "there are more convergences than you think" between the two OEMs, with both agreeing that sustainable aviation fuels are a short-term opportunity and priority. ■

Boeing takes more cautious approach

While Airbus is pressing ahead with a goal to develop a hydrogen-powered aircraft by 2035, rival airframer Boeing has consistently taken a more cautious view on the likelihood of such an aircraft being significant to 2050 emissions targets.

Speaking to FlightGlobal in June, Boeing's chief sustainability officer Chris Raymond said: "We're not pooh-poohing it, and we're doing our hydrogen homework… but we don't want to artificially create an expectation that this is the answer when we're not convinced that it is."

Rather, Boeing believes that sustainable aviation fuel can offer the biggest carbon-reduction benefit to the industry in terms of its mid-century sustainability targets. While that plays out, new propulsion technologies can mature.

With that in mind, Boeing stated in January that by 2030 it will deliver aircraft capable of burning 100% SAF, while it continues to study other carbon-reducing technologies for the longer term, including hybrid-electric power.

In the meantime, fleet renewal programmes based on current technologies will help to deliver some emissions reduction, as will factors such as operational improvements.

"When you talk about sustainable aerospace… our view is that it is going to take a portfolio of things," says Raymond.


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LEWIS HARPER LONDON

Supply-chain pressure hits air cargo

While no airlines are upset about record-high freight demand, serving the market is proving increasingly challenging

By most accounts, the strong demand for air cargo seen during the Covid-19 pandemic is likely to continue into the peak freight season in the fourth quarter of this year.

"Air cargo demand had another strong month in August, up 7.7% compared to pre-Covid levels," said IATA director general Willie Walsh in late September, as the association released its latest data for the sector. "Many of the economic indicators point to a strong year-end peak season."

That outlook follows a buoyant 18 months, with the positive performance of air freight being in stark contrast to the desperate situation in passenger markets.

But the surge in demand for air cargo and attractive yields do not come without complications. Crucially, the sector is unavoidably part of the wider supply-chain issues that have been reported around the world in recent weeks.

"One of the main challenges to further economic growth is a severe global supply-chain congestion resulting from pandemic restrictions," says IATA in its latest market-outlook commentary.

As airlines ready themselves for the peak season, they do so knowing that those supply-chain issues are likely to be a feature of the market for some time yet.

"Hopes for an end to disruption around Chinese New Year look unlikely to be realised," wrote analysts at Bernstein in a late-September report. "Supply chains have been under immense pressure, transportation demand is relentless, ports are unable to cope, and a bullwhip effect continues to reverberate globally."

The "emerging view" is, therefore, that the market will normalise "more likely in the second half of 2022", according to Bernstein.

AirBridgeCargo

Most dedicated cargo carriers have been operating at full tilt

DISRUPTION WARNING

Amid that difficult operating environment, the International Air Cargo Association (TIACA) – which represents airlines, shippers, freight forwarders, ground handlers and airports – warned on 22 September that the sector faces "unprecedented challenges" and "supply chain disruptions" as it heads into the end of the year.

"Air cargo has played a vital role these past 18 months and is facing a potentially record fourth quarter, but planning must start now," says TIACA chairman Steven Polmans. "Resourcing and capacity will be issues, handling and facility space will be an issue, delivery and drivers will be an issue.

"We should be proud of the innovative, agile and flexible approaches adopted by the industry these past 18 months and now we must equally rise proactively to these new challenges as the weight of customer expectations mount."

The pandemic has already put "relentless pressure" on air cargo providers, TIACA explains, as the industry worked to meet high demand for shipments of PPE, e-commerce products, vaccines, perishables and other critical cargo, "while economies and society went into lockdowns then reopened".

Air cargo operators have met that demand while grappling with work and quarantine restrictions for crew, handling staff and other key workers. Crucial parts of the wider logistics chain have battled similar issues, further complicating the operating environment.

As the year-end approaches, even higher e-commerce demand, among other market drivers, is expected to put more stress on the system, particularly amid Covid-related worker restrictions in countries such as China, which TIACA says are "causing cargo to be disbursed across neighbouring countries and airports, causing further challenges".

The air cargo association also notes that with passenger demand still depressed in many markets, the sector is unable to rely on the 45% of freight capacity that came from such services pre-Covid.

The most recent IATA data shows international belly capacity was down 38% in August 2021 compared with the same month in 2019.

"This will create further operational challenges, with freighter networks currently operating at unprecedented levels of efficiency, utilisation and optimisation," TIACA states.

IATA also warns of pressures on capacity caused by "delays and flight cancellations in airports and uncertainty about schedules". It notes that the cargo capacity recovery "paused in August", having levelled off in July – a month which already saw an "exceptionally tight" capacity situation, in IATA's view, with load factors at record levels.

Furthermore, "the combination of robust consumer demand and capacity pressures has been pushing up already elevated shipping rates", IATA says, which ultimately makes air cargo too expensive for some businesses.

EXPLORING OPTIONS

At the same time, TIACA notes that the maritime industry is facing its "own issues with ever growing port congestion, hinterland transfer delays, blank sailings and rising costs of shipping". As a result, the cargo body says, "many shippers, faced with such challenges to traditional supply chains, are exploring air cargo to ensure customer demands can be met", further stress-testing the airline system.

But if the air cargo sector can handle those challenges, the rewards might continue to be rich.

"One of the key indicators that continues to bode well for the near-term cargo demand is the low level of stock for businesses as shown by inventory-to-sales ratios," says IATA. "Historically, this pattern has been associated with rising air cargo volumes since businesses and shippers tend to favour air cargo over the other modes of transport to meet the strong customer demand as quickly as possible."

As a result, the airline association predicts that cargo demand "will remain strong" amid upcoming e-commerce events such as Black Friday and the Christmas holidays.

It cautions, however, that if the available capacity falls further, "there might be some setbacks on the way for volumes actually carried". ■


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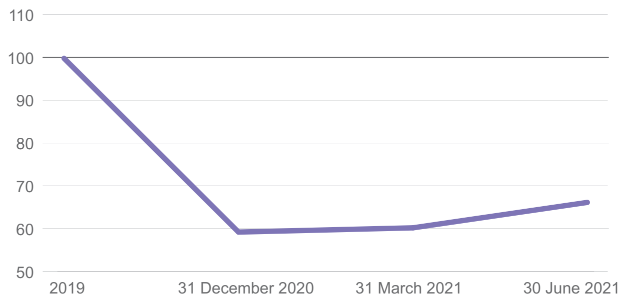
Coronavirus crisis recovery tracker

The latest global data for several important airline market indicators, including five-year share-price trends among leading airline groups, an index of the overall industry size, traffic and capacity across passenger and cargo markets, in-service fleet statistics, and five-year fuel-price trends. Subscribers to FlightGlobal Premium can view a monthly version of this data, which includes further metrics. Visit FlightGlobal.com/Subscribe for more information

Indexed five-year share price trend at world's largest airline groups

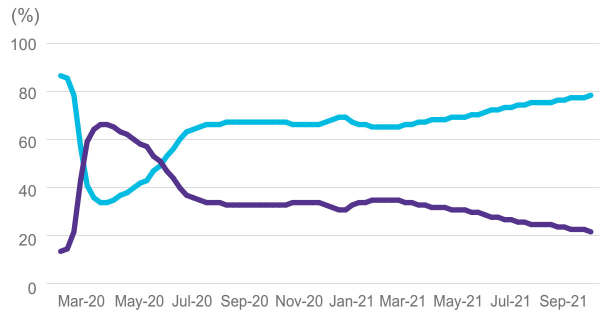
Notes: Basket of 18 airline groups covering North America, Europe and Asia-Pacific. Share price for w/c 26 September 2016 = 0. Data to 24 September 2021
Source: FlightGlobal analysis of Yahoo Finance data

Airline Business Index: Global airline industry size (2019 = 100)



Notes: Full index and explanation published quarterly on FlightGlobal Premium and in *Airline Business*. Figure is average of workforce size, fleet size, revenue and passenger numbers indexed to equivalent 2019 levels. Data from basket of 13 airlines based on the largest carriers/groups that report quarterly or half-yearly results
Source: FlightGlobal analysis of publicly available records

Global passenger fleet: stored versus in-service jets



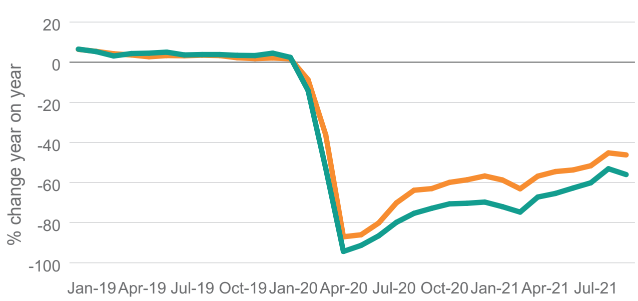
Note: Data to 20 September 2021
Source: Cirium

Stored | In service

Five-year weekly jet fuel price

Notes: US Gulf Coast kerosene jet fuel spot price FOB. Data to w/e 17 September 2021
Source: US Energy Information Administration

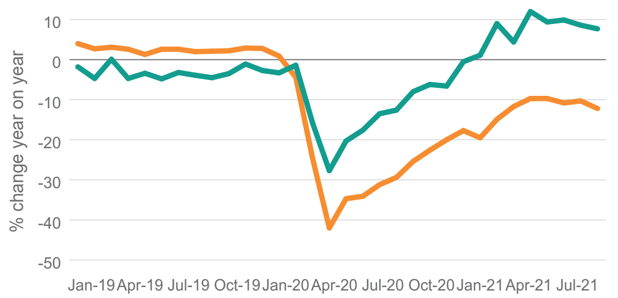
Global air passenger market, year-on-year* demand and capacity trends, to August 2021



Notes: RPK = revenue passenger kilometres ASK = available seat kilometres
*2021 data compared with 2019
Source: IATA

RPK | ASK

Global air cargo market, year-on-year* demand and capacity trends, to August 2021



Notes: CTK = cargo tonne kilometres ACTK = available cargo tonne kilometres
*2021 data compared with 2019
Source: IATA

CTK | ACTK

China Southern led the way in passenger traffic

Jiaye Liu/Shutterstock

GRAHAM DUNN LONDON

Pandemic upends airline standings

The punishing impact of the Covid-19 downturn around the world is laid bare in the latest World Airline Rankings

From the moment in March 2020 that it became evident the coronavirus outbreak was not being contained to the early hotspots, and that nations had nothing more in their locker to combat its spread than to close borders and lock down, it was clear the impact on the airline sector would be bigger than anything experienced before.

Until that point, hope remained that the outbreak might follow a similar course to the SARS and Ebola health crises that had struck before and which proved challenging, but relatively localised.

Instead, the world was left to speculate on when the next waves would follow and how many there would be, in much the same way economists argued about the great financial crisis recovery a decade before.

The financial crisis was the last and most sustained 'black swan' event to knock the airline industry off course. Since that moment, and despite a series of uncertainties that threatened to derail demand, the airline industry embarked on a golden era of sustained profitability. For the first time, the industry was consistently delivering profits – albeit largely driven by about 20 major airline groups – in many cases at margins previously never seen.

That, of course, feels like a distant memory now. And for all the progress the world has achieved in tackling the pandemic, the opening up of air travel markets has proved consistently challenging. Many key markets remain subject to restrictive measures or completely closed.

The result, as the latest *Airline Business* World Airline Rankings show, is the most abrupt shock to passenger traffic and the heaviest losses the industry has ever seen. What passenger traffic there was in 2020 was largely dominated by domestic travel, notably within some of the world's biggest markets. What profits were to be found were driven by freight, an inadvertent upside for airlines stemming from the lack of belly space capacity on passenger aircraft.

Data available for 92 of the 100 leading airline groups in 2020 shows collective operating losses reached a staggering $119 billion. That more than wipes out profits these carriers made over the previous two years – roughly $49 billion in both 2018 and 2019 – even before losses for the current year are factored in.

LONG-HAUL HIT

Passenger traffic among the 100 biggest airline groups collapsed by almost two-thirds in 2020, the World Airline Rankings show. In terms of passengers, the fall was slightly less pronounced at around 60% among leading operators. That reflects the fact that international, longer-haul routes have borne more of the hit from ongoing travel restrictions.

Load factor across these carriers stands at 64% – a figure from a bygone era, after the recent highs of 80%-plus. This reflects not only reduced demand, but airlines operating services in support of repatriation efforts, or to ensure minimum levels of service – in some cases a stipulation of securing government financial support packages – or on routes where lower passenger volumes could be offset by enough cargo demand to make flights cash-positive.

The top seven airline groups in terms of passenger traffic are from China or the USA, illustrating the relative demand and size of their respective domestic markets during the crisis. This was particularly the case in China, which was the first market where domestic capacity returned to and surpassed pre-crisis levels.

$119bn
Operating losses in 2020

64%
Load factor in 2020

54%
Fall in revenue in 2020

60%
Fall in passengers in 2020

Biggest airline groups by revenue in 2020

Airline group	Country/district	2020 revenue ($m)	Change v 2019
FedEx	USA	42,078	19%
Lufthansa Group	Germany	17,857	-59%
American Airlines Group	USA	17,337	-62%
Delta Air Lines	USA	17,095	-64%
United Airlines Holdings	USA	15,355	-65%
China Southern Airlines	China	13,437	-40%
Air France-KLM Group	France	12,697	-58%
Air China	China	10,722	-47%
Emirates Group	UAE	9,689	-66%
China Eastern Airlines	China	9,352	-50%

Source: World Airline Rankings, data sourced from Cirium

Biggest airlines groups by traffic (RPKs) in 2020

Airline group	Country/district	2020 RPKs (m)	Change v 2019
China Southern Airlines Group	China	153,442	-46%
American Airlines Group	USA	147,746	-62%
United Airlines Holdings	USA	118,878	-69%
Delta Air Lines Group	USA	118,120	-69%
Air China Group	China	109,832	-53%
China Eastern Airlines Holdings	China	107,302	-52%
Southwest Airlines	USA	87,242	-59%
Air France-KLM	France	81,212	-69%
Emirates Group	UAE	78,746	-66%
IAG	UK	72,262	-75%

Source: World Airline Rankings, data sourced from Cirium

Regional split by traffic and revenues in 2020

Region	2020 traffic RPKs (m)	Change	2020 revenue ($m)	Change
Asia-Pacific	1,053,110	-62.1%	103,112	-53.1%
North America	697,317	-64.8%	136,196	-48.0%
Europe	644,569	-69.6%	85,478	-60.3%
Latin America	148,397	-59.3%	11,550	-60.9%
Middle East	193,671	-71.6%	25,346	-57.6%
Africa	25,798	-62.3%	5,235	-30.7%
Total	**2,762,861**	**-65.5%**	**367,517**	**-53.7%**

Source: World Airline Rankings, data sourced from Cirium

China Southern Airlines Group, the seventh-biggest operator in 2019, led the way in terms of passenger traffic in 2020. China Southern is based at Guangzhou, which also surpassed Delta's Atlanta hub as the biggest airport in the world. However, China Southern group passenger traffic was still some 46% down, compared with 2019.

China's two other largest operators, Air China and China Eastern Airlines, ranked fifth and six. Nine of the 50 biggest airline groups in the world were from China.

The US majors – American Airlines, United Airlines and Delta Air Lines – were the three biggest airline groups behind China Southern. However, traffic across the three majors was down by at least 60%.

It was European airlines, non-Chinese Asia-Pacific long-haul operators and the Gulf connecting carriers which lost the most ground last year.

FREIGHT LIFT

Revenue among the 100 biggest airline groups was slashed from $787 billion in 2019 to $364 billion for the same group of operators. Just six of these operators, all freight carriers, increased revenues in 2020.

FedEx Express, which lifted revenues almost a fifth, to $42 billion, was the biggest airline operator by revenue in 2020.

Cargolux, Atlas Air, ATSG, Polar Air Cargo and Volga Dnepr Group were, alongside FedEx, the only six of last year's biggest 100 operators to increase their revenues in 2020.

By contrast, the biggest airline groups to incorporate passenger operations – Lufthansa Group, American Airlines and Delta Air Lines – had revenues of less than half that of FedEx. Luthansa Group, the largest passenger airline group in 2020, was itself aided by a 10% jump in its cargo revenues, but still reported an overall 59% fall in revenues.

Notably, cargo revenues among leading airline groups jumped by a quarter last year as they upscaled their freight operations, including converting or deploying passenger aircraft to carry cargo, to meet heightened demand.

The ability for the big airline groups to meet improved cargo demand, and the pivoting by big passenger transit hub players such as Emirates into increasing freight activity, means there was slightly less churn in the top 10 of leading airline groups by revenue than was seen by passenger traffic.

But this increased freight demand was in part a result of the reduced belly capacity, as passenger capacity was slashed, and cargo remains a relatively small part of most airlines' overall business models.

As a result of this exposure to the passenger business, almost two-thirds of airline groups in the top 100 saw revenues fall in 2020 by at least half. Nearly a fifth of operators endured a collapse in revenues of 70% or more last year.

FedEx bucked the trend in 2020

Joseph Creamer/Shutterstock

Unsurprisingly, freight specialists – or those passenger operators with a larger presence in the cargo market – have been the businesses best positioned for profitability since the pandemic hit.

Out of 89 airline groups among the 100 biggest operators in 2019 to disclose an operating result, just 11 recorded a profit in 2020. That included six dedicated freight operators – all of whom increased their profits – led by express giant FedEx.

Of operators with a financial year covering the 2020 calendar year or the 12 months to March 2021, Korean Air and China Airlines are the standout passenger operators. Helped by their active cargo businesses, they delivered operating profits of $202 million and $166 million, respectively.

US regional carrier Skywest also recorded an operating profit for the year. But it was far from a bright story for US regionals, as mainline carriers restructured their feeder agreements. Compass Airlines, ExpressJet and Trans States Airlines all shut down during 2020 – though plans are under way for ExpressJet to resume operations this year.

But for most operators, the bigger they were, the larger their exposure to the virtual shutdown of international air travel markets was. Neither was the pandemic any respecter of business model, regardless of its success prior to the crisis.

This was underlined by Delta Air Lines, the poster child for industry profits among airlines over recent years, losing almost $12.5 billion in 2020. ■

The Delta chief accepts his award

Ed Telling Photography

Bastian takes top accolade

The Airline Strategy Awards returned last week to recognise standout crisis leadership

LEWIS HARPER LONDON

FlightGlobal was delighted to welcome representatives of the global industry to its annual Airline Strategy Awards in London on the eve of this year's IATA AGM.

Winners at the in-person 27 September event included Delta Air Lines chief executive Ed Bastian in the Executive Leadership category, while David Neeleman, the founder of airlines including Breeze Airways, Azul, JetBlue Airways and WestJet, won the *Airline Business* Award.

The awards recognise individuals, airlines and companies supporting air transport that have demonstrated dynamic leadership and clear vision, this year with a particular focus on outstanding performance during the Covid-19 pandemic.

Indeed, there had been plenty of challenges for the industry to grapple with since the first running of the awards in 2002, but nothing compares with the upheaval experienced over the past 18 months.

For the vast majority of airline leadership teams, much of the focus has been on survival.

That is why, amid the early months of the crisis in 2020, we paused the Airline Strategy Awards for 12 months to instead run the Decade of Airline Excellence Awards, which considered top industry performers in the 10 years leading up to the pandemic.

But as we made our way through 2021 and signs of life returned in many markets, it became clear that the challenges created by the crisis were not being navigated at the expense of strategic nous and innovation.

The Airline Strategy Awards therefore returned this year for its 19th iteration.

On the night, Bastian received the Executive Leadership Award to recognise his guidance of Delta during the Covid-19 crisis. Judges described his leadership as the "complete package", with many areas of industry-leading highlights, such as first-class communication skills and an "empathetic and human-centred approach to his staff".

All judges agreed that Delta under Bastian has achieved the right balance between taking important steps to ensure the airline's financial survival and staying consistent with a customer- and employee-centric culture.

"Bastian's skillful leadership before and during the Covid-19 crisis has ensured Delta is well positioned to continue its journey as a world-class airline, with an enviable reputation among its staff, customers and the industry," says Graham Dunn, head of content at FlightGlobal and host of the Airline Strategy Awards.

Guests gathered in London

Ed Telling Photography

INDUSTRY INNOVATOR

Neeleman received the *Airline Business* Award to recognise three decades as an industry innovator. During that time, his unique talent for understanding customer needs has been reflected in the launches of successful carriers such as Azul, JetBlue Airways and WestJet.

But Neeleman's continuing story and impact on the industry are equally as important. Indeed, his launch of low-cost operator Breeze Airways in late May – despite the devastating impact of the pandemic – again marks him out as one of the sector's great leaders and makes him as relevant to the industry's future today as he was 30 years ago.

"Neeleman's various successful airline projects stand out because of his clean-sheet approach and open mind regarding fundamental strategic directions. He continues to be a force for positive change and innovation in the industry," says Dunn.

Other winners on the night were Copa Airlines chief executive Pedro Heilbron, who took the Sector Leadership Award, while Wizz Air chief executive Jozsef Varadi was recognised for Low-cost Leadership.

Ethiopian Airlines chief executive Tewolde GebreMariam took the Air-cargo Leadership Award, while the leadership team at AirAsia won for Digital Innovation, and the leadership team at Alaska Airlines was recognised in the Corporate Social Responsibility category.

The Airline Strategy Awards event is organised by FlightGlobal's *Airline Business* in partnership with the civil aviation practice of Korn Ferry, the largest human-capital solutions provider in the world.

Winners are selected by an independent panel of industry experts, aside from the *Airline Business* Award.

Key sponsors of the awards include CFM International, Collins Aerospace, Cirium, Pratt & Whitney, SmartKargo, Tampa International Airport, Volantio and Panasonic. ■

New metal opens up opportunities

Despite the devastating impact of the Covid-19 pandemic, IATA members around the world have been debuting aircraft types in their fleets over the past few months, from the nimblest narrowbodies to heavyweight widebodies

Airbus

JetBlue in for the long-haul

JetBlue Airways took delivery of its first Airbus A321LR in April this year, with the type eventually deployed on its first transatlantic services from August.

The aircraft with the tail number N4022J was handed over to the US airline at the European airframer's facility in Hamburg, Germany and arrived at its home base at New York's JFK International airport on 29 April.

"The A321LR platform … is the right size for us and will allow us to effectively compete with our award-winning service and low fares on flights between the US and London," said JetBlue chief executive Robin Hayes.

The carrier has since taken four more of the LR variant, according to Cirium fleets data.

The jet is powered by two Pratt & Whitney geared turbofan engines, offering "the range of a widebody but with the economics of a single-aisle aircraft", the airline says.

Blue Air

Blue Air cites Max efficiencies

Romanian operator Blue Air started taking delivery of Boeing 737 Max jets in late March, with the first of a batch introduced from US lessor Air Lease.

"As we increasingly acknowledge the responsibility of the airline industry for a greener future, Blue Air joins the airline community as an active player in delivering the lowest carbon emissions known to date by a narrowbody passenger aircraft," said Blue Air majority shareholder Cristian Rada.

"Accelerated replacement of our 'Classic' fleet is ensured by the long-lasting strategic partnership with Air Lease as Blue Air's main lessor," he adds.

Cirium fleets data shows the carrier had four of the CFM International Leap-1B-powered narrowbodies in service by late September, with deliveries set to continue through 2022.

The carrier is due to receive six more Max 8 jets from Air Lease, according to Cirium fleets data.

Embraer

Staggered seating for Air Peace

Nigerian carrier Air Peace took delivery of a brand new E195-E2 in January at Embraer's Sao Jose dos Campos facility, with the aircraft eventually making its first commercial flight in July.

The airline has configured the Pratt & Whitney PW1900G-powered twinjet – of which it now has three in service – with a two-class cabin layout for 124 passengers, and was the first operator to select a staggered seat arrangement for the 12-seat business section, Embraer says.

Window and aisle seats are slightly offset to provide passengers with more space and privacy, the Brazilian airframer says.

Air Peace originally ordered 10 E195-E2s in 2019 and later added three more to the agreement.

Chief executive Allen Onyema states that the E195-E2 was a "clear choice" for the Lagos-based carrier. "The fuel efficiency of the GTF engine will allow us to explore additional regional route offerings, and supports our long-term goals to continue expanding our fleet."

Airbus

Corsair goes heavy on Neos

French leisure carrier Corsair took delivery of its first Airbus A330-900 on lease from Avolon in late March, becoming the first operator to receive the higher-weight version of the widebody.

The airline has since taken two more from a commitment for five A330neos as part of a strategy first unveiled in 2019 to become an all-A330 operator, as it replaces its Boeing 747s with the new Airbus widebody.

Its fourth A330neo is due in December and its final example in June 2022.

Corsair deploys the Rolls-Royce Trent 7000-powered A330neos in a three-class, 352-seat configuration.

The Corsair aircraft was the first A330neo to feature an increased maximum take-off weight of 251t, after Airbus in October 2020 secured certification from the European airworthiness authority for the higher-weight A330-900. Airbus says this allows Corsair to fly long-haul destinations up to 13,400 km (7,200nm) or benefit from more payload on board.

Air France

Air France gets first A220-300

Air France took delivery of its first of 60 Airbus A220-300 jets in late September and outlined the initial destinations to be served by the type.

The aircraft – registration F-HZUA – was delivered at the airframer's Mirabel facility in Canada, before being unveiled during a ceremony at Paris Charles de Gaulle airport on 29 September.

From 31 October, the aircraft will fly to Berlin, Barcelona, Madrid, Milan and Venice from Paris Charles de Gaulle, Air France states, with Bologna, Rome, Lisbon and Copenhagen to follow.

The carrier expects to have 60 Pratt & Whitney PW1500G-powered A220s in service by 2025.

Airbus

Aircalin expands Neo jets roster

New Caledonian carrier Aircalin took delivery of its first Airbus A320neo in late December 2020.

The aircraft is powered by two Pratt & Whitney PW1000 turbofans and has 168 seats in a single class layout.

"With its new fleet the airline benefits from the lowest operating costs in the respective size categories, as well as the unique commonality between variants of the Airbus Family," says Airbus.

Cirium fleets data shows that Aircalin operates a total of four aircraft: two A330neos, one A320neo and one Viking Air Twin Otter.

The airline has an outstanding order for one additional A320neo.

China Airlines

777Fs lift China Airlines fleet

China Airlines took delivery of its first Boeing 777F in mid-December 2020.

The aircraft, registered B-18771, was the first of six that China Airlines will operate, with deliveries continuing through to 2023.

By September 2021, the carrier said it had three General Electric GE90-powered 777Fs in service.

The aircraft are operated on routes between Taiwan and North America, as well as to other destinations within Asia.

China Airlines is using the 777Fs to replace its 747-400Fs.

The carrier has doubled down on cargo during the pandemic, helping it to achieve a rare profit among network airlines.

Cathay Pacific

Cathay's new narrow focus

Cathay Pacific put its first two Airbus A321neos into service in August this year.

The Hong Kong carrier has two further examples – which were delivered last year – in storage, according to Cirium fleets data.

The CFM International Leap-1A-powerecd A321neos were originally meant to operate with now-shuttered regional unit Cathay Dragon.

The aircraft is configured to seat 202 passengers.

Cathay expects to receive two further A321neos this year, taking its fleet to six jets. The carrier then expects all 16 A321neos on order to have been delivered by the end of 2023.

Sam Almo-Milkin/Creative Commons

Alaska orders go to the Max

Alaska Airlines took delivery of its first Boeing 737 Max 9 aircraft in January this year.

"We've eagerly waited for this day. It was a proud moment to board our newest 737 aircraft and fly it home," said Alaska Airlines' then-president, and now chief executive, Ben Minicucci.

Amid a flurry of changes to its Max orders, Alaska Airlines ordered another 12 Max 9s and took 25 new purchase options in mid-August.

By September, Alaska's outstanding orders for CFM International Leap-1B-powered 737 Max 9 jets stood at 86, with seven examples in service, Cirium fleets data shows.

KLM

KLM touts E2 sustainability role

KLM took delivery of its first Embraer 195-E2 jet for its Cityhopper subsidiary in February.

"The addition of the E195-E2 to our fleet is a vital part of our plan to reduce our carbon footprint at least 50% per [passenger-kilometre] by 2030," said Warner Rootliep, managing director of KLM Cityhopper.

The Pratt & Whitney PW1900G-powered E195-E2 was Cityhopper's 50th E-Jet, Embraer says, with it already having 17 E175s and 32 E190s.

By late September the airline had four E195-E2s in service, with 21 on order, bringing its in-service fleet to 53 jets, according to Cirium fleets data.

MARK PILLING LONDON

How 9/11 sped up industry reforms

The acceleration of sector restructuring in the years after the terror attacks hints at what could follow the current crisis

As the airline industry gathers less than a month after the USA marked the 20th anniversary of 11 September 2001, many delegates will recall the impact of that momentous day – and how parallels might be drawn to the short- and long-term effects of the current crisis.

In the decade following the terror attacks, the airline business was a sorry story when it came to making money. Giovanni Bisignani, the plain-speaking Italian who led IATA for a decade from 2002, said in his annual report of 2010 that the industry had lost nearly $50 billion in that decade.

Less than two years after the 9/11 attacks, Bisignani told airline bosses at the IATA annual meeting in June 2003: "Our industry has been hit by the Four Horsemen of the Apocalypse. The successive impact of September 11, a world economic slowdown, Iraq, and SARS has been devastating. Our industry was like the boxer who gets hit harder after every knockdown."

In the early 2000s, this was described as a crisis, but the word 'crisis' is not even close to describing how bad the past 18 months have been amid the Covid-19 pandemic. In 2020, IATA estimates the industry lost $126.4 billion, with a further loss of $47.7 billion expected this year.

Even so, the developments that follow the latest industry downturn might not be dissimilar.

EVOLUTIONARY PROCESS

"9/11 was one of a number of catalysts that drove industry restructuring at the time, but it did not change the ultimate direction of the business," says Mark Dunkerley, who had taken the chief commercial officer role at Belgium's Sabena just weeks prior to 9/11 and joined Hawaiian Airlines as president in 2002. "And this is exactly what Covid will do – it will speed up an evolutionary process that has already been taking place."

Bisignani led IATA post-9/11

IATA

The 2000s was a period of intense airline restructuring, particularly in the USA. But there is some irony in the fact that government financial support and Chapter 11 bankruptcy processes that many US carriers entered slowed change. "The weakest did not fade away. They restructured and came back stronger," says Dunkerley. "The impact of not letting market forces play out is like taking a bandage off slowly; it prolonged the pain."

There were failures of course in this decade. Famous names such as Ansett Australia, Air Afrique, Sabena, Swissair, Transbrasil, and TWA went away.

However, just as now, there were upstarts and disruptors ready to take advantage. As *Airline Business* wrote in September 2002: "While others have suffered, the crisis has provided a springboard for the new breed of low-fare operators, with JetBlue as its poster child." In Europe, Ryanair, Go and EasyJet were making waves, with WestJet in Canada and Virgin Blue in Australia growing fast too.

For Jeff Katz, a digital air travel services pioneer, who was chief executive of Swissair from 1997-2000 and on the board of Northwest Airlines from 2005-2009, airline consolidation that was triggered by the financial shock was the single biggest impact of 9/11 in the years that followed. The biggest saw the merger of America West and US Airways in 2005, the joining of Delta Air Lines and Northwest in 2008 and the union of Continental and United in 2010.

"Europe did different versions of consolidation with Air France-KLM, British Airways-Iberia and the formation of the Lufthansa Group, but overall, whether in the US or Europe, they have been good for airlines," says Katz. "In the US, you now have four very powerful airlines that dominate networks. Europe is a little softer, but the by-product of carefully managing capacity has happened."

Another major outcome of the immediate post-9/11 period was the rise of the internet to sell air tickets and travel, and the acceleration of digital technology, says Katz. In June 2002, he was the chief executive of new global online travel business Orbitz Worldwide, set up by the US majors in response to the rise of online travel agencies like Expedia and Travelocity. "Orbitz took off as online access to life became essential rather than a nice-to-have. It was a much better designed website than those of the airlines," says Katz.

The European carriers founded their own online travel agency, Opodo, in November 2001 as the online booking of travel increasingly became the norm in this decade. It was also a time when IATA brought in electronic ticketing to automate several outdated processes and save money.

IMPORTANT LESSON

For Dunkerley, who retired as chief executive of Hawaiian in 2018, one of the lessons of 9/11, and the series of shocks that followed during that decade, including SARs, Hurricane Katrina, oil prices spiking to $140 a barrel and the global financial crisis of 2008, was that industry change had not gone far enough. "What was revealing about that decade was how the impact of each major shock showed that restructuring wasn't yet done," he says. "The industry still was not working well. It was still not producing sensible returns in good times or demonstrating resilience in bad."

Following the big US mergers, and with capacity discipline the order of the day rather than the chase of market share, the 2010-2020 decade did usher in a period of unprecedented profitability for the US carriers and for airlines globally.

The impact of Covid has undone virtually all that progress, leaving the airline industry to prove that while it has been rocked by its latest crisis, it has not been shaken off its foundations. ■


SUSTAINABILITY
A CLEAR AMBITION
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