

## Letter to editor

### How airline industry may rise post covid-19 pandemic

Nik Nur Shahira Nik Mustapha, Mohd Faizun Mohamad Yazid, Mohd Farid Shamsudin  
MBA, Universiti Kuala Lumpur, Business School  
shahira.mustapha@s.unikl.edu.my  
mfaizun@unikl.edu.my  
mfarid@unikl.edu.my

#### Introduction

The first case of the Coronavirus was found in Wuhan, China, on December 31, 2019. The outbreak was declared a Public Health Emergency of International Concern on January 30, 2020, and on February 11, 2020, WHO announced a name for the new coronavirus disease as COVID-19. As the number of cases increasing every day around the world, WHO has declared that COVID-19 as a pandemic. The recent data shows that more than 7 million positive cases of COVID-19 around the globe. The United States is the most affected country in the world. The widespread of the COVID-19 has made the affected countries take precautions such as imposed full lockdown, partial lockdown, travel restriction, travel ban, and many more. Because of the restriction and lockdown, Airline Industry was affected by the COVID-19 tremendously. All companies in the industry facing the same problem, such as cancellation of flight, employees have to take voluntary leave, and some of the airline companies have filed for bankruptcy, such as Virgin Australia, Thai Airways, and many more. Furthermore, according to the expert, the COVID-19 pandemic still not sure when will end; it probably will take one-year or more than that. So, to make sure the airline industry can rise back from the pandemic situations, few recommendations have been discussed. Pricing and aid from the government are some of the proposals for the airline industry.

According to the World Health Organization (WHO), coronaviruses are a large family of viruses that may cause illness in animals or humans. In humans, several coronaviruses are known to cause respiratory infections ranging from the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS). The first case of the Coronavirus was found in Wuhan, China, on December 31, 2019. WHO also has listed out the symptoms of the Coronavirus such as fever, dry cough, and tiredness. Other symptoms that are less common and may affect some patients include aches and pains, nasal congestion, headache, conjunctivitis, sore throat, diarrhea, loss of taste or smell, or a rash on skin or discoloration of fingers or toes. The outbreak was declared a Public Health Emergency of International Concern on January 30, 2020, and on February 11, 2020, WHO announced a name for the new coronavirus disease as COVID-19. As the number of cases increasing every day around the world, WHO has declared that COVID-19 as a pandemic. Until today, there are 213 countries around the world is affected by the COVID-19. As the number of countries increasing, the number of cases also growing daily, recent data show that over 7 million positive cases of COVID-19 around the world with the most affected country are the United States of America.

COVID-19 can be transmitted from symptomatic people to others in close contact through the respiratory droplets, by direct contact with infected persons, or by contact with contaminated objects and surfaces. To curb the spread of the COVID-19, many initiatives have been taken by the affected countries. WHO has prepared the guideline or precautions to reduce the range of COVID-19 to the public;

- I. Regularly and thoroughly clean your hands with an alcohol-based hand rub or wash them with soap and water.
- II. Maintain at least 1-meter distance between yourself and others. This is the new normal that people need to practice, and is usually called social distancing.
- III. Avoid going to crowded places because it is challenging to practice social distancing.
- IV. Avoid touching eyes, nose, and mouth because the virus can quickly transfer to your eyes, nose, or mouth.
- V. Stay at home and self-isolate even with minor symptoms such as cough, headache, mild fever, until you recover.
- VI. If you have a fever, cough and difficulty breathing, seek medical attention, but call by telephone in advance if possible and follow the directions of your local health authority.

Stay at home is one of the ways to reduce the spread of COVID-19. The country that hit by the COVID-19 pandemic has imposed its people to stay at home by announced the lockdown. The lockdown is considered an effective precaution action in reducing the spread of Coronavirus around the world. These countries include Spain, Italy, Denmark, Austria, Poland, and Germany. States have implemented the world's most extensive and most

restrictive mass quarantines as the number of cases in each country is high compared to others. However, some states imposed partial lockdown. New Zealand, Colombia, Saudi Arabia, China, Jordan, France, Ireland, India, Denmark, Indonesia, Thailand, and Malaysia.

The lockdown implementation has made several sectors, such as business, public transportation, and school, to close down their business. In several countries, mass gatherings have also been banned, such as in Germany, France, and Malaysia. Sports activities and religious events also have been prohibited from reducing the spreading of COVID-19 around the world. Other than that, the government also have encouraged employers to let their employees start new working normal, which is working from home. Currently, most companies encourage their employees to work from home except for essential businesses such as the health industry, food, beverage industry, and the retail industry. In terms of education, most universities have implemented an online class for their students. According to a group of researchers at the Centre for Infectious Disease Research and Policy (CIDRAP) suggest that the COVID-19 outbreak will not end until 60% to 70% of the human population is immune to the virus, which may take between 18 and 24 months. As the expert expected that the COVID-19 pandemic would last longer than one year, many sectors may be affected by the pandemic. The tourism industry and Hotel industry are few of the areas affected by the COVID-19 pandemic. Since the implementation of lockdown, the countries also have imposed travel restrictions amid the pandemic. Many flights have been canceled and lead to cancellation of hotel reservations. The closure of a few airports worldwide has also significantly affected the airline industry as a whole. The airport only operates for essential travel. This is one of the ways to curb the spreading spread from one country to another country.

### **COVID-19 Affect the Airline Industry**

As the number of cases shows increasing around the world, the affected countries have imposed the travel restrictions to curb or minimize the spread of the COVID-19. Many affected countries have announced travel restrictions such as the United States, Morocco, South Africa, Brazil, Canada, China, Hong Kong, Malaysia, India, Japan, Singapore, and many more. The travel restriction means that all activities related to travel from one country or state to another country or state is not allowed. The limits also including the citizens of the country and to the foreign citizen. It means that the affected countries will not receive tourists from other countries to enter their country. According to the latest data from the United Nations specialized agency for tourism, 100% of destinations now have restrictions.

The travel restrictions are one of the initiatives taken by the affected countries to curb or cut the circuit of COVID-19 from the spread. However, the action has affected one big industry as a whole. The airline industry has been tremendously affected by the COVID-19 pandemic. Flight cancellation, travel restriction, and travel ban across the world have made the airline industry faced a huge problem to sustain in the industry. The International Air Transport Association (IATA), which includes 290 airlines among its members, said that the sector faces a revenue drop of a mammoth US\$133 billion due to the COVID-19 pandemic. Thus, IATA is also warning of the catastrophic knock-on effects in related areas. The revenue drop can be seen in Asia-Pacific and Middle Eastern airports in three months into 2020 amidst the impact of the COVID-19 outbreak.

In general, the airport also affected the COVID-19 outbreak around the world. Since all the travel activities have been banned and all the flight has been canceled, airport revenue also facing significant decreasing. Moreover, the airport revenue generation is directly linked to travel levels. When the air traffic demand is reduced, then the income of the airport also decreases. This is because the airport management needs to cover the cost of operating the infrastructure, terminals, runways, and other expenses still maintain the same amidst COVID-19 pandemic. According to The Australian Airports Association (AAA), in March 2020, Australia's major airports would lose more than 500 million in aeronautical revenue alone, compared to 2019. However, it will depend on how long the travel restrictions remain and how the industry recover.

As the airport is also suffering to sustain its revenue, the airline industry is also experiencing the same. In a report by CAPA, by the end of May, most world airlines will be bankrupt. After the virus become widespread in January, the travel demand has plummeted. Nowadays, people become more cautious in planning their future travel, as the COVID-19 pandemic still uncertain will end, plus the scientists all around the world are always looking for the cure. However, in the US, The Trump administration has reached a deal with major airlines to give 25 million dollars in relief to help the crippled industry. The airline companies that received the aid, including Alaska Airlines, Allegiant Air, American Airlines, Delta Air Lines, Frontier Airlines, Hawaiian Airlines, JetBlue Airways, United Airlines, SkyWest Airlines, and Southwest Airlines. Those airlines say that the funding will help them keep hundreds of thousands of employees in the industry as the situation in the United States is worsening every day.

"Financially, 2020 will go down as the worst year in the history of aviation. On average, every day of this year will add 230 million dollars to industry losses. In total, that is a loss of 84.3 billion. It means that based on an estimate of 2.2 billion passengers this year, airlines will lose 37.54 dollars per passenger. That's why government

financial relief was and remains crucial as airlines burn through cash," said Alexandre de Juniac, IATA's Director General and CEO.

An aviation consultancy CAPA claimed that most airlines in the world would be bankrupt without coordinated government and industry intervention. According to the CAPA report, many airline companies have gone into bankruptcy and filed for Chapter 11 protection after being hit by COVID-19 pandemic. The list of airlines that have filed for bankruptcy as below. However, that list may be longer if the COVID-19 pandemic did not end soon.

- I. South African Airways,
- II. Avianca Holdings,
- III. Air Mauritius,
- IV. Virgin Australia,
- V. Miami Air International,
- VI. Flybe,
- VII. Thai Airways.

Aside from the announcement from several companies regarding the bankruptcy, several airline companies ask their employees to take voluntary unpaid leave as a measurement to reduce the management cost. In Malaysia, a national brand, Malaysia Airlines Bhd (MAS), was asked their 13,000 employees to take voluntary unpaid leave as the spread of COVID-19 became worse. The latest airline companies that face the same situation is AirAsia. The low-cost airline industry plan mass lay-offs, including 60% of cabin crew and pilots.

After several months of travel restrictions and banned, few countries have lifted restrictions such as Italy and Malaysia. Prime Minister Giuseppe Conte has announced that the limitation of travel between the country's region and the borders has officially reopened on June 3. According to the report, travelers from EU countries, including the United Kingdom (UK), can now enter Italy without undergoing 14 days of quarantine. However, in Malaysia, starting June 30 to August 31, the country has imposed the Recovery Movement Control Order (RMCO). Malaysian have been allowed to travel across the nation and travel domestic in Malaysia, but the border remains closed. Under RCMO, the government has a plan to enhance public health, reopen all sectors of the economy, embrace the new normal, and protect risk groups.

## **Recommendation**

After several months of travel restriction and travel banned because of the COVID-19 pandemic, the Airline Industry faces its biggest ever problem in terms of the demands and the revenue. Many airline companies had to close down their business and filed for bankruptcy, and thousands of employees in this field also affected. The impacts of COVID-19 on the Airline Industry is considered harmful. People became scared to go travel, many flights have been canceled, and the hotel industry affected. As countries around the world are fighting against the COVID-19 pandemic, many sectors are also struggling to sustain the market, but the most affected sector is the Airline Industry. The expert also claimed that the COVID-19 might last longer than we expected. Therefore, we need to take precautions to ensure that the airline industry can maintain after the COVID-19 period in the future. Since COVID-19 attacks the world, a new normal need to be adept in every situation. Arline industry also needs to take precaution action before they entirely operate the business. The industry needs to generate cash as soon as possible to cover the management cost if they want to maintain in the industry.

Firstly, the airline industry needs to consider is pricing. After the travel restriction and travel banned lifted, many airline companies will make promotions to attract their customer to fly again. I believe that the oil pricing for aircraft will decrease amidst the COVID-19 as the demand decreases. People will likely and eagerly want to travel, but as post-COVID-19, the recession time for all sectors around the world. The recession has a significant impact on business and the customer. As the customer wants to travel, they stack with financial difficulties, and at the same time, the companies also have to face the challenges in increasing their revenue. Therefore, each airline company needs to come out with exciting promotions and pricing to ensure that both parties will get the benefits they should have. It is like a win-win situation whereby the customer spends their money to travel and the company able to gain their revenue. The package or promotion must able to attract the customer to gain profit. The companies to think about their customer first before their income to maintain in a more extended period.

Next, based on the condition now, people feel scared to travel even though the cases may reduce in the future. The trip for leisure purposes may not gain attention from the customer yet. However, business travel and essential travel may get a high demand from the customer. They have to go travel because of the work, and usually, business travel only lasts for a few days only. Therefore, the changes in the demand for the travel pattern are likely to shift, and the company should recognize it. Aside from business travel, the airline industry will start with domestics' flight and followed by regional and lastly international flights.

Moreover, the demand for travel likely depending on the customer's financial situation and the current situation across the world. As the airline companies need to generate cash, I think they should focus on the domestic flight and business travel. This is because most of the affected countries already allowed their people to travel around

their country, but the border remains closed. Therefore, the airline companies should do proper planning on the flight schedule. By doing the plan, the company able to identify and minimize the operation cost too.

Health, hygiene, and safety are the main concerns among people around the world because of the COVID-19 pandemic. To gain the confidence of the customer to fly again with the companies, precaution action should be taken seriously. This also affects the operational activities of the airline companies. In the airline industry, the efficiency of operational activities is a crucial part of the business. To do that, all airline companies should look back at their operation activities. Since now we have to adapt to the normal such as wearing masks, hand sanitizer, and social distancing, they will also affect the operations activities. In other words, all airline companies need to re-start from zero back. They need to think about social distancing and hygiene, especially in the aircraft. The industry needs to think about how social distancing should be implemented. In every plane, there have a certain number of passengers and weights before the aircraft can fly. This detail should have to look carefully. Therefore, the airline should all discuss and come out with a new standard operating procedure (SOP) post-COVID-19 for all companies. For example, after the flight disembarking, deep cleaning and sanitizing need to be done correctly by trained staff before letting another group of customers enter the aircraft. Other than that, pilots, stewards, stewardess, and ground floor staff should be trained and have to understand regarding COVID-19 too.

The government should play its role to help the airline industry to rise back after the COVID-19 pandemic. As a CAPA report, they said that the government should help the industry keep its market. A good example is when Donald Trump announced that the US government would help the airline companies admits the COVID-19. Aid or relief from the government will help the industry cover its operation cost, including the employee's salary and maintenance salary. Other than that, if the companies have to re-start with the new normal adaption, the companies need to spend a tremendous amount of money to implement it and may have to bear losses. The relief is not only giving a chance to the company to grow but also to the government in terms of the revenue from the tourism industry. In general, the relief or help from the government not only benefits the airline industry but also to the tourism industry and hotel industry as a whole.

Lastly, I would like to show how two Malaysian brands in the airline industry, Malaysian Airlines Berhad (MAB) and low-cost airlines Air Asia Group Berhad, face the COVID-19. Datuk Seri Azmin Ali, Malaysia's Minister of International Trade and Industry, said that merging money-losing state carriers between two brands is one of the options to save them from the crisis. He said that the deliberations would soon take place on various options to help the country's airline industry. However, the mergers between MAS and Air Asia progress still undefined. It can be one of the ways the airline industry considers the possibilities to cooperate in helping each other to maintain admits the COVID-19.