

Civil Aviation: Covid-19 Impact

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Bottom Line

While many industries are now on the road to recovery, we know that some continue to face significant challenges due to COVID-19. Civil Aviation is certainly one of those industries severely impacted.

The airline industry's passenger hauling line of business in June 2020 declined 94 per cent from January 2020. **The IATA is forecasting a recovery for short-haul flights by 2023, and more generally by 2024.**

We know that **Canadian airports and airlines have taken extensive measures to harden their networks against COVID-19 in recent months.** Timing may be right to remove the extra geographic restrictions put in place earlier in 2020 due to COVID-19. This would make domestic flights to central Canadian airports, particularly the Toronto and Montreal hubs, more attractive, and support our airports and related businesses.¹ **Targeted cash flow support for Canadian airports will continue to be required to bridge the gap.**

One bright point for the airline industry is air cargo. There is a strong baseline demand for air cargo, with rising demand coming from the expansion of e-commerce (driven by a long-term trend and reinforced by COVID-19). Normally about 60% of air cargo rides in the belly of passenger jets. With much of that fleet sidelined, there is a strong incentive to convert passenger/cargo jets temporarily or permanently to cargo only. With a recovery to 2019 levels of revenue passenger kilometers expected to take several years, this conversion to cargo planes may be a continuing trend.

Actual and perceived safety will go a long way to restoring activity and cash flows in the civil aviation sector. This is a key enabling sector that needs to function well during the pandemic and post-pandemic eras to support the overall economy.

Analysis

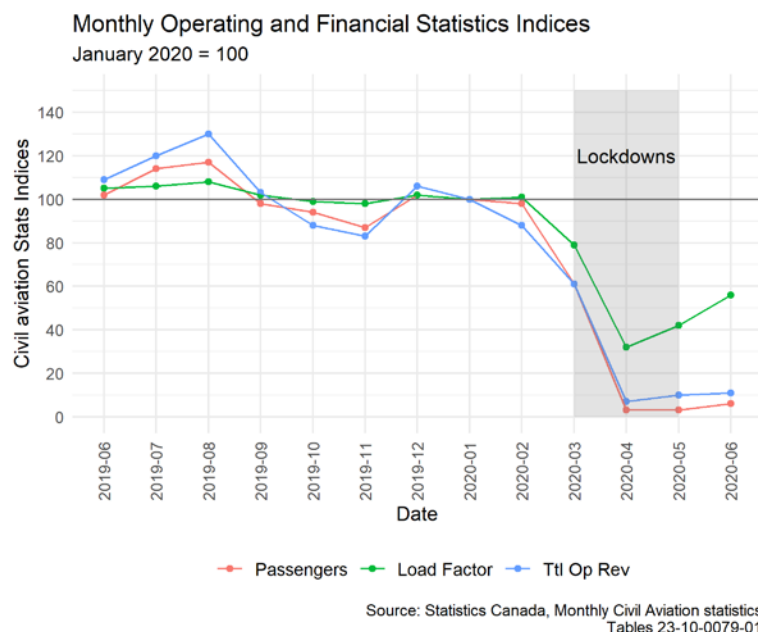
Canada's Airline Statistics (June 2020)

When we review the June 2020 data for Canada's Civil Aviation Statistics, the following trends became clear. (**Figure 1**).

The **number of airline passengers** bottomed out in April and May 2020, with an index of 3 (compared to January 2020). June 2020's index increased to a value of six.

¹ Demand for trans-border and other international flights is likely to remain low for some time, in part due to the 14-day quarantine requirements upon arrival in Canada for the majority of cases.

Figure 1: Index of Canada's Monthly Civil Aviation Statistics (Jan 2020 = 100)



While there has been a rebound, passenger counts remain 94 per cent below those of January 2020.

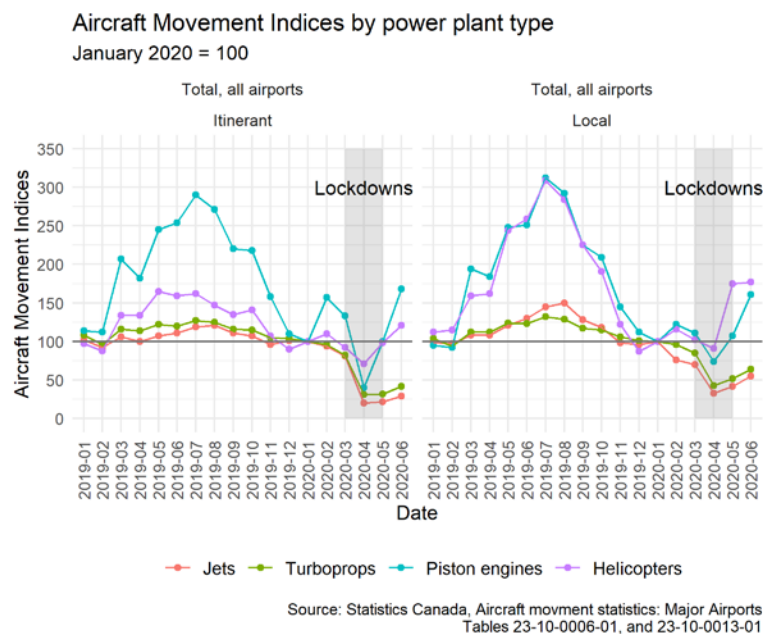
Total operating revenues have rebounded to an index of 11 in June 2020, indicating people are paying more for flights, and/or are choosing more expensive trips. This is still 89 per cent below Jan 2020.

Load factors,² a form of capacity use, have made a much stronger recovery. This was achieved by sharply

reducing the number of available seat kilometers (or cutting flights) to better match to current demand.

Aircraft Movement Statistics: Major Airports (June 2020)

Figure 2: All Airports - Aircraft movement indices by power plant type



The data in the aircraft movement stats for June 2020 shows that there is a sharp recovery in domestic flights while passenger numbers are not experiencing the same increase.³

Looking at all airports (Figure 2), we can see that flights by jets and turboprops are still well below the level in January 2020. These planes accommodate the bulk of passenger capacity. We can also see that while piston engine, and/or helicopters have

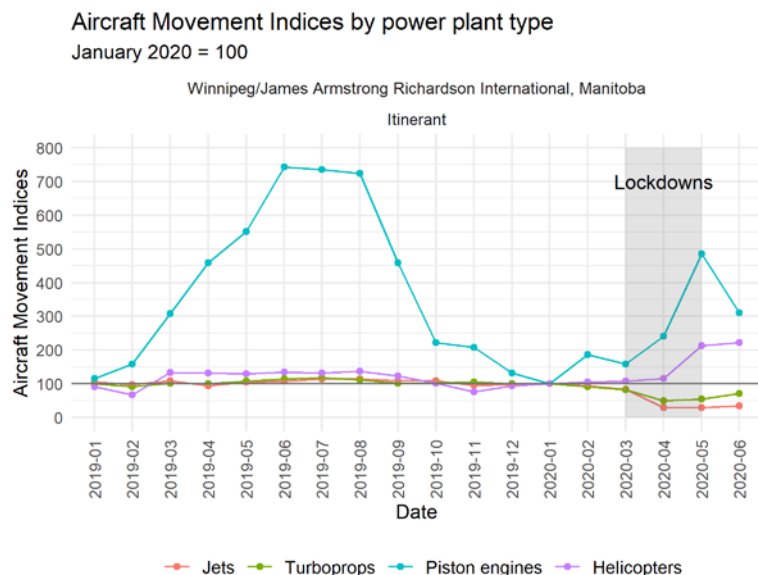
² Load factor = (passenger KMs)/(available seat KMs). This is a form of a capacity utilization measure.

³ Itinerant movements are flights from one airport to another. Local movements are flights that remain near the airport. Most movements are itinerant.

increased over Jan 2020, they have declined year-over-year, because they follow seasonal trends.

There is a similar pattern for Winnipeg/James Armstrong Richardson International Airport, with Jets and Turboprop flights both down from January (Figure 3).

Figure 3: Winnipeg/JARI– Movement Indices by power plant type



Looking Forward

The data shows that the effect of COVID-19 pandemic has been to sharply curtail passenger use of airports and airlines. Massive use of video conferencing, the temporary domestic travel restrictions and underlying COVID-19 transmission concerns have suppressed domestic passenger trips.

The International Air Transport Association ([IATA](https://www.iata.org)) has forecast that it will take until 2024 for

revenue passenger kilometers (RPK) to recover, but short-haul is expected to recover in 2023. Some are saying until [2025](#) to recover. Quarantine zones within Canada may be suppressing a restoration of more normal short-haul domestic travel patterns. A review of the most pressing issues is almost surely needed for the health of airlines, airports, and related up- and down-stream industries.

The airlines and airports have adopted significant public health related changes to harden air travel against the risk of COVID-19 transmission. For example, most airports are requiring non-medical mask use throughout their footprint, for staff and customers.⁴ The airlines also require non-medical mask use on flights.

These precautions may be sufficient to enable the restoration of flights to domestic destinations, and encourage necessary domestic travel between other airports and the hub airports in Toronto and Montreal. Public confidence in health safety protocols will remain a challenge, but restoring both the safety and perception of safety will be key to rebuilding short- and long-haul RPK. **Financial support may be required to help bridge the airports until a sustainable return of passenger service levels is achieved.**⁵

⁴ See the Winnipeg Airport Authority <https://www.waa.ca/waa/newywgtravelexperience>.

⁵ See Temur Durrani (Sep 3, 2020) [Crash Landing Feared](#), Winnipeg Free Press. Also [Bloomberg](#).

Air Cargo

Air cargo demand has been the one bright spot for the airline industry, but about 60% of air cargo was typically carried in belly of passenger airlines. From the base air-cargo demand, combined with increased demand for e-commerce and the crash in passenger demand, airplane conversions to cargo only have become increasingly attractive strategies for airlines. As a result, we continue to hear about [airlines converting](#) more of their passenger jets from a mix of air cargo and passengers to air cargo.

We expect this conversion trend to continue, but to slow down once passenger numbers start to recover. If work-from-home, use of video conferencing, and reduction of business trips continue to be well above pre-pandemic levels, the mix of cargo and passenger capacity is likely to remain tilted toward cargo.

EDW Contacts for Assistance or Inquiries:

- **For Winnipeg businesses looking for help accessing government programs, please reach out to our Yes! Winnipeg Team** through our [Help us help you form](#) if you are not sure who to contact on the Y!W team.
- For general inquires please email wpginfo@edwinnipeg.com.
- For Marketing & Communications Inquiries, please email marketingandbranding@edwinnipeg.com.