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International Civil Aviation Organization
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Second Virtual Meeting of Civil Aviation General Directors of the South American Region on the Response to COVID-19
(Lima, Peru, 22 May 2020)

Agenda Item 2: Exchange of information on the current situation and progress of the State for the restarting of operations

IDENTIFICATION OF VARIABLES FOR THE CIVIL AVIATION RECOVERY STAGE

(Presented by AEROCIVIL Colombia)

SUMMARY

This working paper intends to build a scenario with the different medium-term variables of air transport, in order to identify them and develop, together with ICAO, guidelines or policies for their mitigation or management and thus promote demand, adapt services and adjust regulations as appropriate.

1. INTRODUCTION

1.1 Several relevant actors of the region involved in air transport (ICAO, IATA, ACI, CANSO, LACAC, ALTA, OAS, *inter alia*) have witnessed the impacts and have been building future demand scenarios in order to have hypotheses to support decisions concerning measures to address the current crisis. According to these scenarios, there is—and will be—an economic slowdown with a clear impact on aviation.

1.2 The documents analyse the scenarios and describe the causes, based on an understanding of the specific impact on the actors of the sector, identifying some active and other latent crosscutting variables, which need to be internalised and communicated as part of the work done in the SAM Region to reflect upon the crisis.

1.3 It should be noted that the suspension of global activities, not only in the aviation sector, has an impact on the trade of goods and services, affecting future growth. At present, activities and demand are shattered, in line with the global economic environment and, of course, the economic ecosystem of the region and of each State.

1.4 The impact on the value of aviation assets is manifest in all markets, where the value of airlines in the stock markets has dropped to a historical low, alienating investors and increasing risk for funding sources. This situation is transferred to aircraft manufacturers, maintenance providers, and part manufacturers. Likewise, airport concessions have reported the deferral of investments and significant reduction in the value of their revenues. Air navigation service providers are surely facing liquidity issues due to a reduction in the demand for their services. Simply put, as painful as it may be, demand drives the financial performance of our industry.

1.5 A newspaper article entitled "*Civil aviation between two scenarios: a bad one and a worse one*" described one scenario with a short recession followed by moderate recovery and another scenario of extended shrinkage and slow recovery, both showing the importance of some crosscutting variables.

2. DISCUSSION

2.1 The current crisis has been divided into several moments or stages, which we might designate as initial, reactive, reflective and proposal-based. At present, we are already in a process of reflection about the future, understanding the variables and leverages that can be used to change certain trends and find some elements that will enable and expedite reactivation.

2.2 We have heard the following concern at forums and meetings: *If it is a public health issue, how can aviation help to solve it?* And the answer is standard biosafety protocols. We all believe this is the key to opening doors and our letter of presentation before health authorities; it is our local, regional and global contribution.

2.3 Another question is: *If the global, regional or national economic activity destroys demand, what is the scenario?* This is precisely the focus of this working paper, aimed at identifying crosscutting variables in order to define and disaggregate the impacts and issues affecting civil aviation and its future development. The crosscutting variables identified are:

2.3.1 **Trust between air transport and public health must be strengthened**, especially because health authorities are the ones that, to a large extent, make the decisions. Therefore, aviation must work hand in hand with these authorities in order to operate in the COVID-19 pandemic or endemic setting, where CAPSCA and the standard biosafety protocol is key.

2.3.2 **Air transport users feel uncertain**. Excessive misleading information, the constant fear of contagion, and reduced family or business income generate unwillingness to use air transport or its deferral. We must define a way to change this perception through a suitable communication strategy based on scientific principles and in collaboration with downstream elements of the value chain, such as recreational and vacation travel promoters, or putting emphasis on visiting relatives and friends or business travel or professional activities.

2.3.3 **Financially speaking, some stakeholders will be more affected** and the economic impact will be transferred to the supply chain, such as airlines, schools, simulation centres, MROs, training centres, and part manufacturers, and to certain demand promoting sectors, such as tourism as the main partner, requiring a chain that will optimise any assistance needed.

2.3.4 **The economic impact will persist for some time**, not necessarily of COVID-19, but as a result of the preventive isolation decisions made by States. Due to economic slowdown, demand has been affected in some SAM States more than in others, becoming a regional macroeconomic issue.

2.3.5 **A digital world will prevail**, generating cyber dependence and the use of electronic media. New technological alternatives must be identified, using all that potential to modernise the way aviation connects with users and provides its services.

2.3.6 **Widespread exchange of opinions, ideals or new trends will translate**, somehow, into different visions of the post-COVID-19 era, and will create trends that will need to be used in favour of air transport.

2.4 These variables generate economic decisions, and trends that can be reinforced or mitigated. Consequently, we must together identify all the relevant variables and suggest collaborative actions. This will give us clarity to encourage demand, adjust services and modify regulations where appropriate, mindful of latent risks, such as those resulting from the emergence of a new pandemic or a revival of this one, or a failure in regional or global governance processes, or a severe error in aviation safety processes, or under-funding of civil aviation authorities as a result of the fiscal crisis in the States and other latent variables that require supportive actions from the directors of the region and from ICAO.

3. SUGGESTED ACTION

3.1 The Virtual Meeting of General Directors of Civil Aviation of SAM States is invited to:

a) take note of the information presented in this working paper; and

b) suggest, from their perspective, variables to consider for a regional analysis of those trends on which to act upon as authorities, and risks that need to be more intensely monitored.

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