

Mideast airlines must tap handouts to survive virus crisis

March 27 2020, by Omar Hasan With Gregory Walton In Qatar



Emirates aircraft grounded at Dubai international Airport after the carrier suspended all passenger operations amid the COVID-19 coronavirus pandemic

As coronavirus grounds airlines, plunging the industry into unprecedented crisis, Middle East carriers that have been in the red for years must urgently tap assistance from governments facing their own revenue slump.

Authorities across the region have taken draconian measures to curb the disease, closing airports and halting passenger flights, and bringing major hubs like Dubai and Abu Dhabi to a standstill.

The Arab Air Carriers' Organization (AACO) and the International Air Transport Association (IATA) have appealed for urgent financial aid from governments, warning that inaction will imperil the industry's future.

"The [airline industry](#) faces its gravest crisis ... For airlines, it's apocalypse now," IATA chief Alexandre de Juniac said this week.

International airlines have in the past bitterly criticised Middle East carriers for receiving official support from governments flush with oil revenue, claiming that it undermines free competition.

But the pandemic that has forced regional fleets out of the skies has also sent energy markets into a tailspin as demand dries up, triggering a price war between Saudi Arabia and Russia as they rush to grab market share.

With the oil price plummeting, London-based Capital Economics tipped the region's economy to contract by 1.7 percent this year, the worst in almost four decades—limiting governments' ability to continue funding national airlines.

Help required

The AACO, which represents some 30 Arab public and private carriers, has called for support packages including tax relief, waivers of a string of fees and charges, and help with new virus-related costs.

"AACO sees the above measures as very important for governments to adopt in order to avoid a scenario where airlines would not be able to

provide the public with convenient services," it said in a statement.

It warned that without action, the post-coronavirus era will see a thinner line-up of carriers that will deprive regional passengers of the choice they enjoyed in the past.

IATA, which represents 290 airlines worldwide, said that 2020 revenues of Middle Eastern carriers, which operate over 1,300 aircraft, are expected to drop by \$19 billion, a 39-percent decline over last year.

The impact on the region's air transport sector imperils at least 800,000 jobs and could result in the loss of tens of millions of passengers this year, it warned.



Qatar Airways CEO Akbar al-Baker warned it will be "survival of the fittest" for

the airline industry devastated by the coronavirus epidemic

Swift cuts

Qatar Airways, the second largest in the region, is among a few carriers that are still operating through the crisis, though at just 40 percent of its schedule.

"We have adjusted operations. There is still demand regarding the repatriation business," its chief strategy and transformation officer Thierry Antinori told AFP, describing its services as the "last lifeline" for many.

He declined to comment on the prospect of staff layoffs, but said employees have been offered unpaid leave.

Other airlines have resorted to deep cost-cutting measures without delay, and cuts to the region's \$100 billion worth of aircraft orders may be on the cards.

"If government support is not provided, carriers may be forced to cancel orders," Muhammad AlBakri, IATA vice president for Africa and the Middle East, told AFP.

Dubai's Emirates Airline, the largest [carrier](#) in the region and one of the world's biggest, slashed staff salaries by between 25 percent and 50 percent for three months, saying the measure was designed to avoid layoffs.

Emirates is among a few regional airlines which have been posting profits, but those profits have moderated in recent years amid an

economic slowdown.

Many of the 19 state-owned Arab carriers have been posting losses, forcing governments to plug the gap.

Etihad Airways, based in the United Arab Emirates capital Abu Dhabi, has suffered \$5.5 billion in losses in the past four years and was already undergoing restructuring.

Its chief executive Tony Douglas posted a video this week offering assurance that "afterwards when we all want to get back to our normal lives, we want to travel, Etihad will still be there".

But Qatar Airways CEO Akbar al-Baker said many airlines will go bust as demand for travel is ravaged, and that the future of the industry will depend on which airlines take "very clever, very prudent decisions".

"People that were bragging about not taking state aid and being independent are now themselves all over the world asking for state aid," he told Bloomberg Television, predicting many airlines will go "belly up".

"In this very difficult period, it will only be the survival of the fittest."

© 2020 AFP

Citation: Mideast airlines must tap handouts to survive virus crisis (2020, March 27) retrieved 14 April 2024 from

<https://techxplore.com/news/2020-03-mideast-airlines-handouts-survive-virus.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.