



# Vaccines, Variants and Airlines

## Article 4 – Explaining the Differences

---

Series 1, No. 4 Published Monday, April 19, 2021 8:37 AM EST | Royal Pacific Consulting Group

### Overview:

*The light is visible at the end of the tunnel for the COVID-19 crisis, but the tunnel is more of a cave filled with all sorts of nasty things as the whole world rallies towards an end to this pandemic nightmare. This time last year, airlines in North America were flying only a small fraction of their preCOVID-19 passengers. Canada was at 2% of their normal airline passenger levels on April 10, 2020<sup>1</sup> and the USA was at 4% of their normal airline passenger levels on April 13, 2020.<sup>2</sup> These were the worst days caused by the COVID-19 crisis. One year later to the date, in 2021, Canada has recovered to only 9% of their normal passenger levels: whereas, the USA has recovered to 57% of their normal passenger levels. What is causing this difference and what does it mean to airlines operating in North America?*

*This article will seek to answer these questions.*



Photo from WRCBtv<sup>3</sup>

### The Arrival of Covid-19

On March 11, 2020, the World Health Organization declared a world pandemic. Airlines and governments scrambled to make flying safer with added precautions like, a) requiring all staff and passengers to wear face coverings, b) policies that banned customers for refusing to follow mask requirements, c) maximizing



air flow volume for all aircraft high-efficiency particulate air (HEPA) filtration systems during the entire boarding and deplaning process, d) requiring all passengers to complete a health self-assessment during their check-in process, e) temperature testing for all passengers, f) ending the inflight service, g) providing all passengers individually wrapped hand wipes, snack bag, and water, h) blocking out the middle seat, and i) providing touchless check-in capabilities.<sup>4</sup>

Despite all these preventative measures, by mid-April 2020, one month after declaring the pandemic, virtually no one was flying. As a result, airline capacity was pulled out of the system. Aircraft were parked, staff were laid off and the world's airlines hunkered down into a survival mode.

By the summer of 2020, there was a growing belief that COVID-19 was a disease affecting mainly the elderly and that a careful return to normal was possible using social distancing, masks, and other preventative measures. This sentiment was demonstrated in the 2020 airline summer passenger numbers that reached 15% preCOVID-19 levels in Canada and 30% preCOVID-19 levels in the USA. Over the winter 2020 holiday season Canada saw 20% preCOVID-19 passenger levels and the USA saw 60% preCOVID-19 passenger levels. Despite this optimism, Canada has retracted back to strict travel restrictions that have not been seen in the USA. Under these circumstances, in April 2021, Canada is flying only 9% of its preCOVID-19 airline passengers, whereas the USA is flying 57% of its preCOVID-19 airline passengers.

## The Difference

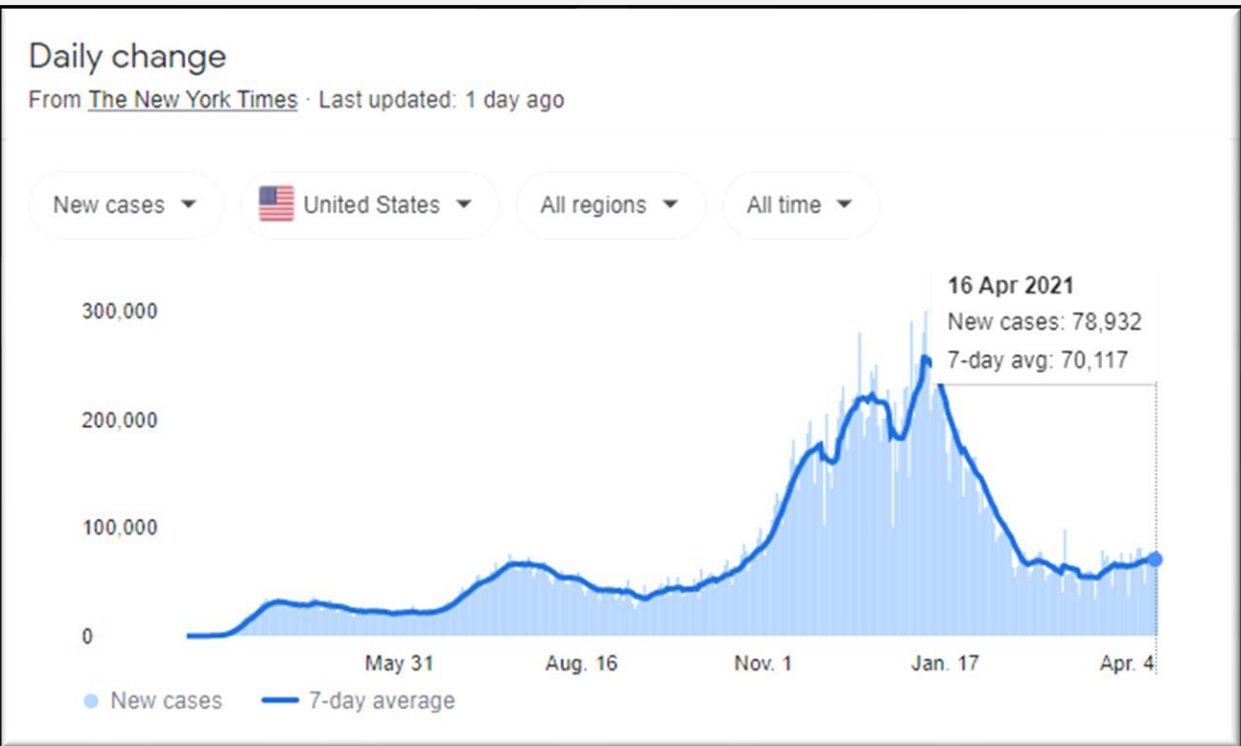
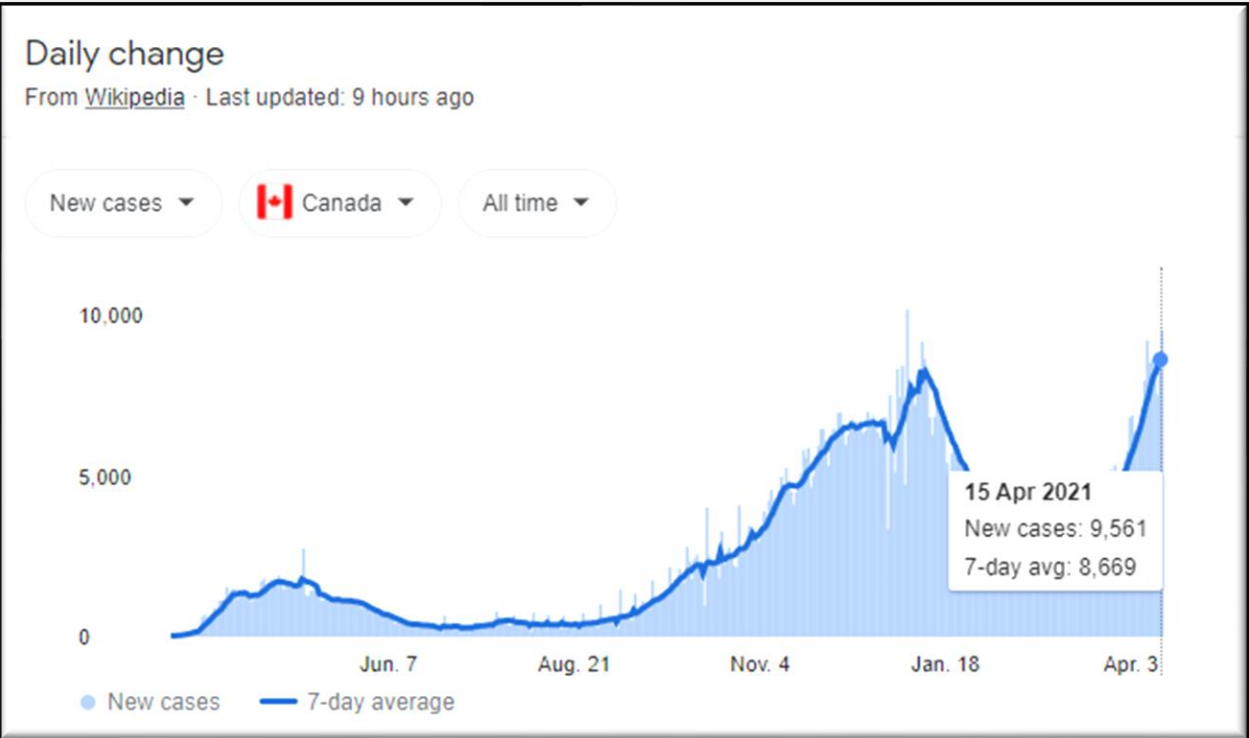
The data clearly shows that Canada has significantly restricted air travel when compared to the USA and here are some reasons why. Firstly, the USA is simply a country based on individual freedoms. Americans tended to resist government shutdowns and required quarantines more than Canadians. However, this behaviour has led the USA to having a higher COVID-19 death rate per capita than Canada.<sup>5</sup> In April 2021, the USA is at 1,724 COVID-19 deaths/1,000,000 and Canada is at 628 COVID-19 deaths/1,000,000. That is a USA COVID-19 death rate over 2.5 times that found in Canada. The more open economy in the USA comes at human cost in COVID-19 deaths that Canada is not prepared to endure.

As a comparison to other countries, COVID-19 deaths per 1,000,000 are as follows:

France - 1,500	UK - 1,909	Mexico – 1,659	Australia - 36	New Zealand - 5
----------------	------------	----------------	----------------	-----------------

Second, as of mid-April 2021, Canada has only provided a vaccine shot to 25% of its population with only 3% receiving the required second dose. In contrast, as of the same time, the USA has provided a vaccine shot to 40% of its population with 25% receiving the required second dose. The data shows that Canada is one month behind the USA in single vaccine shots, but over two months behind the USA in second doses.<sup>6</sup>

Not only is the higher vaccination rate a confidence booster for the travelling public, but it appears that the USA has avoided, or delayed, a deadly third wave of COVID-19 cases. The graphs below show that both Canada and the USA experienced a spike in COVID-19 cases in December 2020 through January 2021. However, the USA was able to prevent a massive outbreak of cases in April 2021 that Canada was unable to control. To address this third wave of COVID-19 infection in Canada, on April 16, 2021, Premier Doug Ford, of Canada's largest province, Ontario, put in place severe lock down provisions. Premier Ford stated, *"I've never shied away from telling you the brutal, honest truth," Ford said. "We're losing the battle between the variants and vaccines ... We're on our heels."*<sup>7</sup>





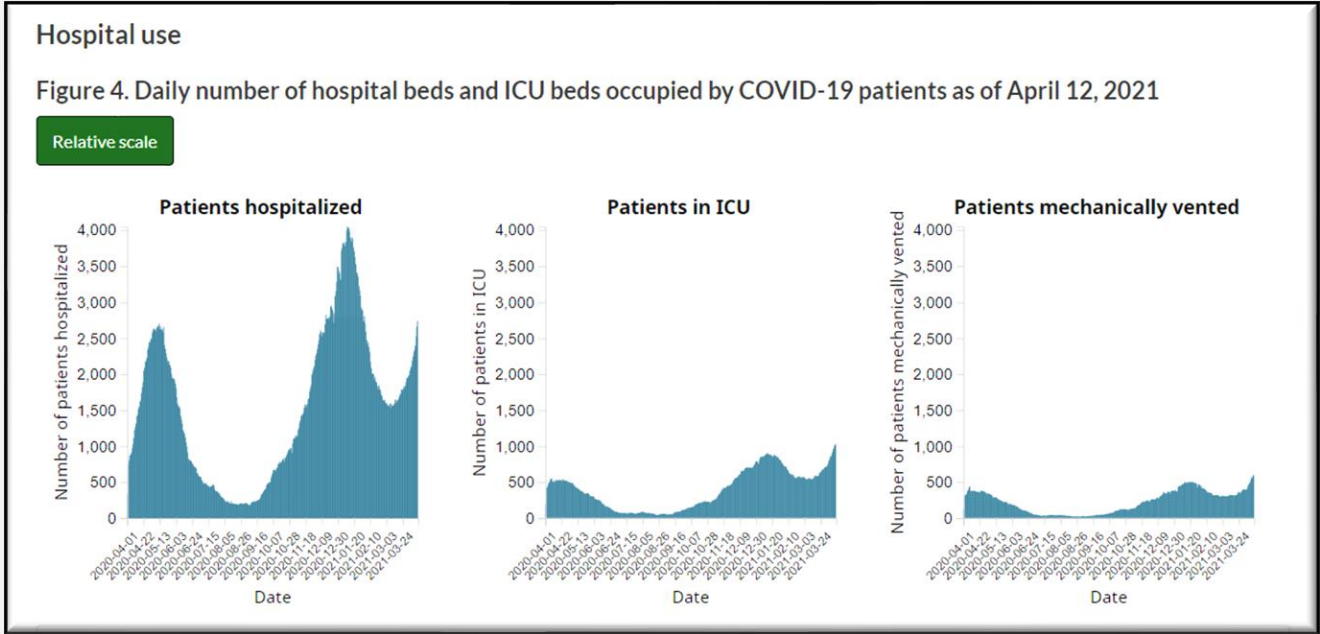
Third, of Canada’s growing COVID-19 cases, many of these cases are attributed to the three variants originating in the UK, Brazil, and South Africa. These variants have a higher infection and death rate than the original COVID-19 strain. Yet the bigger concern for health authorities is that these variants might jump the body’s immune system. Thereby, the new variants may be able to reinfect a recovered COVID-19 patient or a person with a COVID-19 vaccine.

Canada's Chief Public Health Officer Dr. Theresa Tam says, "That was the initial event that caused us to be concerned about this P1," she said. "There was reinfection in a particular person that already had COVID-19 before." "Variants of concern are posing new challenges in different locations across the country. Now is not the time to travel for recreational purposes... Limit your travel to essential trips only and do your part to stop the spread."<sup>8</sup>

There is also the fact that other parts of the world could create another variant of the COVID-19 virus. In mid-April 2021 only 6.25% of the world’s population had received a COVID-19 vaccination, with only 2.5% of the world’s population being fully vaccinated.<sup>9</sup> Such a low overall world vaccination rate makes the issue of deadly COVID-19 variances a real threat to people’s health and their desire to travel, whether allowed or not by their governments.

Lastly, in Canada, with their public medical system, the government pays for all basic medical care, hospital stays. As both the single health care payer and the COVID-19 lock down regulator, the federal and provincial governments will use travel quarantines and population lockdowns to reduce hospital stays. In fact, the various governments in Canada have been fully transparent in saying that they look at the hospital Intensive Care Unit (ICU) bed availability data as a leading factor in placing travel restrictions onto the Canadian population. See table below.<sup>10</sup>

In Canada, the message is clear, the various levels of government will wait until at least June 2021 to re-assess the vaccination program, the impact of the variants, and the demand on hospital ICU beds before lifting any travel quarantines or overall public lockdowns.





## Two Approaches

Canada's position on COVID-19 is to reduce the demand on hospital ICU beds by locking down the population, continuing preventive measures such as face masks, and placing one vaccine shot into all Canadians by early summer 2021<sup>11</sup> – even if the second dose is provided outside of the recommended period, but completed by early fall 2021. This is a 2021 COVID-19 harm reduction model.

The United States is in a different situation. They have so far avoided a third wave of Covid-19 infections, they have a sizable number of their citizens vaccinated and they apparently are more accepting of a higher death rate than other countries. This is a 2021 economic recovery model.

## Summary

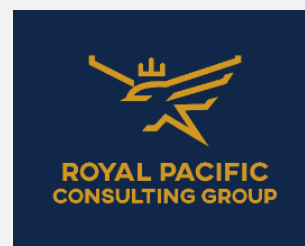
Expect the USA to focus on recovering its economy in 2021, resulting in up to an 80% preCOVID-19 passenger level for the summer of 2021 (possibly a higher percentage for strictly domestic airline flying). Whereas Canada will take a wait and see approach until June 2021, with expected phased relaxation of quarantines and lockdowns starting in the summer of 2021. Nevertheless, the net result will be no more than 50% preCOVID-19 passenger levels for the whole summer of 2021, with little international flying.

Certainly, network planning will be more difficult in Canada as over capacity is a real risk. The major Canadian carriers will be protecting their market share as other smaller carriers may be trying to increase their market share as Southwest Airlines did after the 2008 financial crisis, where they increased their USA domestic share from 17% to 21%.<sup>12</sup> However, that was thirteen years ago and today all carriers have a discount airfare that guards against low airfare market share attempts. In addition, airlines in North America see 2021 as a transition year to profitability.<sup>13 14</sup> Consequently, adding capacity into this market in 2021 comes with the need to financially subsidize these route networks. This makes 2021 a pivotal year in capacity growth versus debt management.

In coming articles, the effect of airline debt, and at what debt terms, will be examined. Already, the industry is seeing new airline entrances with “clean” balance sheets. The question is will history say that the COVID-19 airline recovery favoured airlines with reduced total costs due to reduced debt or will those airlines with established market share win out in the end.

## Author

**Jim Scott**, BGS, MA, ATPL  
Managing Partner  
Royal Pacific Consulting Group  
Vancouver International Airport  
British Columbia, Canada  
E-mail: [jim.scott@royal-pacific.ca](mailto:jim.scott@royal-pacific.ca)



[www.royal-pacific.com](http://www.royal-pacific.com)

*Royal Pacific Consulting Group is an organization of experienced airline and hospitality executives along with subject matter experts who enjoy working on individual, dynamic and confidential business ventures that achieve maximum result for our clients.*



## ENDNOTES

- <sup>1</sup> <https://www.catsa-acsta.gc.ca/en/screened-passenger-data>
- <sup>2</sup> <https://www.tsa.gov/coronavirus/passenger-throughput>
- <sup>3</sup> <https://www.wrcbtv.com/story/43223172/update-hamilton-county-opens-enterprise-south-covid19-vaccination-site-adds-first-dose-appointments>
- <sup>4</sup> <https://hub.united.com/2020-07-21-united-airlines-took-industry-leading-steps-to-manage-historic-impact-of-covid-19-in-q2-2646447006.html>
- <sup>5</sup> [https://www.google.com/search?q=usa+covid-19+death+rate&rlz=1C1GCEA\\_enCA947CA947&oq=usa+covid-19+death+rate&aqs=chrome..69i57j0i22i30i457j0i22i30i8.7094j0j15&sourceid=chrome&ie=UTF-8](https://www.google.com/search?q=usa+covid-19+death+rate&rlz=1C1GCEA_enCA947CA947&oq=usa+covid-19+death+rate&aqs=chrome..69i57j0i22i30i457j0i22i30i8.7094j0j15&sourceid=chrome&ie=UTF-8)
- <sup>6</sup> [https://www.google.com/search?q=usa+covid-19+death+rate&rlz=1C1GCEA\\_enCA947CA947&oq=usa+covid-19+death+rate&aqs=chrome..69i57j0i22i30i457j0i22i30i8.7094j0j15&sourceid=chrome&ie=UTF-8](https://www.google.com/search?q=usa+covid-19+death+rate&rlz=1C1GCEA_enCA947CA947&oq=usa+covid-19+death+rate&aqs=chrome..69i57j0i22i30i457j0i22i30i8.7094j0j15&sourceid=chrome&ie=UTF-8)
- <sup>7</sup> <https://www.cbc.ca/news/canada/toronto/covid-19-ontario-april-16-2021-new-restrictions-modelling-1.5990092>
- <sup>8</sup> <https://www.cbc.ca/news/health/coronavirus-variants-canada-covid-19-vaccine-third-wave-1.5978394>
- <sup>9</sup> <https://www.ctvnews.ca/health/coronavirus/coronavirus-vaccination-tracker-how-many-people-in-canada-have-received-shots-1.5247509>
- <sup>10</sup> <https://health-infobase.canada.ca/covid-19/epidemiological-summary-covid-19-cases.html>
- <sup>11</sup> <https://www.cbc.ca/news/politics/moderna-delay-1.5990166>
- <sup>12</sup> <https://aviationstrategy.aero/newsletter/Feb-2011/4/Southwest Airlines%3A Return to growth mode>
- <sup>13</sup> <https://hub.united.com/2021-01-20-united-announces-2020-financial-results-2021-will-focus-on-transition-to-recovery-expects-to-exceed-2019-adjusted-ebitda-margin-by-2023-2650045521.html>
- <sup>14</sup> <https://ir.delta.com/news/news-details/2021/Delta-Air-Lines-Announces-March-Quarter-2021-Financial-Results/default.aspx>