



Vaccines, Lockdowns and Airline Recoveries

Article 5 – When will the pandemic be over?

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Overview

This article will look at when various countries should return to “normality” regarding airline flying and when could the pandemic be over. Also, how the health passport plays into the recovery and in the long run.

Sir Winston Churchill once said, “Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.” After 15 months of travel restrictions, it is now safe to say that we are in the end of the beginning of the COVID-19 pandemic. For many countries normality has arrived and for many more countries, normality will be achieved this fall. The pandemic itself will probably continue into 2022 and the health passport could help passengers navigate air travel during that time. In any event, airlines can now start to map out a clear path to their recovery.



PHOTO CREDIT Forbes Nov 24, 2020¹



Royal Pacific Consulting Group's January 2021 Forecast

In January 2021, Royal Pacific Consulting Group predicted the following, *"Thereby, in early 2021, the COVID-19 vaccine will be seen as simply another safety precaution to combat the coronavirus. During 2021, we can expect new strains of COVID-19 to be discovered, additional waves of COVID-19 outbreaks that will create regional lockdowns and the pandemic to stay topical in the media."*²

As way of a follow-up, we now know that fully vaccinated individuals can contract, spread and die from COVID-19.³ Also, variants of COVID-19 challenge the current vaccination effectiveness. Having accepted these factors, the vaccination initiatives and the lock downs are working. To understand what is happening, the various COVID-19 models need to be examined as follows.

Model One: Isolation & Lockdown

Australia and New Zealand isolated themselves from the rest of the world imposing severe lockdown policies. As a result, New Zealand has virtually no cases of COVID-19⁴, and Australia has around 7 cases per day⁵, despite a low vaccination rate. In fact, by mid-May 2021, Australia had only vaccinated 3 million citizens, well below their original goal.

IMPACT ON TRAVEL

Interestingly, REX Airlines is struggling to place new Boeing 737-800 seat capacity into the Australian "Golden Triangle" market (Melbourne, Brisbane, and Sydney). Rex Airlines has recently reported to the federal government that their passenger load factor was only 55% in March 2021 on these key routes despite lowering their airfare.¹ Currently, Rex Airlines is offering a one-way airfare of AUD \$39 on the Melbourne to Sydney sector for travel in late May and throughout June 2021. The issue is Virgin Australia is matching these ticket prices and Qantas owned JetStar Airways is offering an AUD \$30 one-way airfare on the same route and times. In the end, this market does not seem strong enough yet to allow for a new entrant.

Regarding international flights, the Australian and New Zealand governments have opened a travel bubble, between them permitting quarantine-free travel, and it is working well. Nevertheless, only after these countries are fully vaccinated, and an international travel policy on COVID-19 testing and vaccinations is set, will international travel beyond these two countries return to normal.

Australia now expects to fully vaccinate its residents by October 2021, which is behind their original targets, but in keeping with other countries.⁶ Even with this low vaccination rate, Australia and New Zealand have experienced few cases of COVID-19 since September 2020. Therefore, these countries are operating like they did pre-COVID-19, and their domestic airline system is heading back to normal levels.

However, due to their lock down philosophy, each Australian state and territory will immediately create travel restrictions based on regional COVID-19 outbreaks.

In fact, the State of Victoria placed stay at home restrictions

into effect on May 26 until June 3, 2021 based on only 26 cases in one week.

As a result, New Zealand paused in its quarantine-free travel arrangement with Victoria until June 4, 2021 to allow for the Australian states and territories to place tougher border rules for people travelling from Victoria.⁷

Model Two: Vaccinate and Open

The vaccinate and open model is led by the United States and the United Kingdom who are leading the

COVID-19 vaccination race. In the United States, domestic air traffic is nearly back to normal. With the UK out of the EU, they are lobbying hard to resume non-essential travel right away with the United States. However, the UK will want a health passport. Within the United States there is resistance to a health passport.

The issue is what would a health passport look like. American and Canadian governments are now messaging a 75% total vaccination level of its citizens later this fall. The other 25% of their population will refuse to get vaccinated. This means any health passport would need both a vaccination record and a current COVID-19 negative test. The process will have to validate the vaccination or test, negotiate standards between countries and verify the personal data as being correct.

Organizations like the International Air Transport Association (IATA) and the World Health Organization (WHO) are advocating their version of the health passport. However, others

IMPACT ON TRAVEL

As a result of the vaccination effort in the United States, the US air carriers are reporting a good recovery in 2021. American Airlines report a 2021 first quarter passenger load factor of 60%, with Spirit Airlines reporting a 2021 first quarter passenger load factor of 71%, and domestically United Airlines reported a 2021 first quarter passenger load factor of 57%. This is in line with the 68% United States domestic passenger load factor reported in March by IATA.¹ In addition, the USA airline passenger airport screening number increased to a 2021 record of 90% of 2019 levels on May 24, 2021.¹

Unfortunately, Canada, that was, by world standards, leading the vaccination race, was hit with a 3rd wave of COVID-19 just prior to their major vaccination program rollout. The increase in COVID-19 cases caused the cancellation of nearly every major summer event across the nation, except maybe the Calgary Stampede.¹ Heading into June 2021, Canada has inter-provincial and intra-provincial travel restrictions that are dramatically affecting air travel. For example, Canada is operating in May 2021 at 10% of its pre-COVID-19 airline passenger demand. Canada's various governments will be spending all summer reducing these lockdown travel restrictions, which will slash domestic air travel to no more than 50% of its normal summer levels for 2021 despite a robust vaccination program. A 10% Canadian passenger load factor compared to a 90% American passenger load factor at the same time may seem unfair, but for airline leaders it is the reality of understanding your own market and managing it. This lack of passenger demand has created a situation where Air Canada, a 4-Star airline, is offering all summer long CAD \$128 airfares from Toronto to Vancouver. After taxes, this airfare nets Air Canada \$76 for a five-hour flight during the traditionally high passenger demand period. Competitors WestJet and Air Transat are matching this airfare. Despite these record low airfares, which normally stimulates demand, Air Canada reported on May 7, 2021 their 2021 first quarter results listing a 44% passenger load factor for that period.

For those airlines operating in Canada, the summer is probably lost as a profitable period and all eyes are on the reopening of the US border to facilitate south bound flying in the winter. A season when millions of Canadians normally fly to warmer, sunnier destinations in the United States, Mexico and the Caribbean.



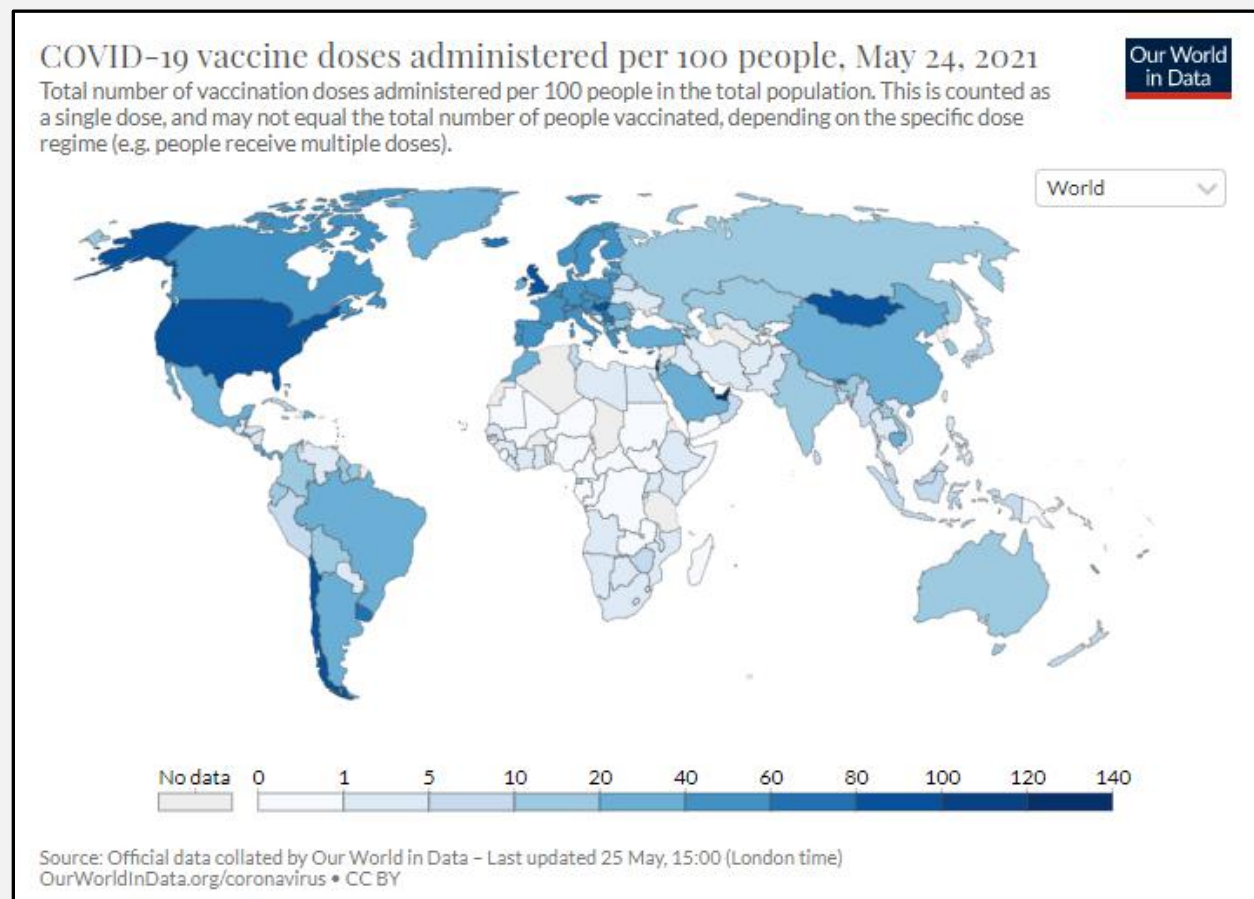
lobby that the pandemic will be over in 2022 and there is no need for a permanent record of a person's health profile.

It is hard to conceive an international travel resumption without some sort of health passport. The devil will be in the details that are being addressed by each country at this time.

Although, the United States and the UK are ahead of other European countries and Canada is close behind in their vaccination programs, most other "western" countries will meet their vaccination execution objectives by September/October 2021 with the opportunity for all their citizens to have access to the COVID-19 vaccine if they want. Herd immunity will be achieved, and the virus will find it difficult to find a new host to live off. This will end the COVID-10 crisis in these countries, but not the whole world.

Model Three: Contain and Wait for the Vaccine

On May 25, 2021 with only 5% of the world's population vaccinated, many countries like Brazil, Ethiopia, India, and Pakistan are just trying to do the best they can while waiting for enough COVID-19 vaccinations to stop the spread of the COVID-19 virus in their country. Until then, these countries have basically been cut off from travel to the Western World. The following map demonstrates the different vaccination rates amongst countries⁸



It is clear that the world will not exit from the current pandemic until these countries have a significant vaccination rate. Due to their younger mean age and their fitter (less obese) health profile, the people in



these countries have done well with lock downs and other preventative methods. However, the sudden explosion of cases in India demonstrated how fast the virus can infect a region.

Thereby, to move from a pandemic, which is the worldwide spread of a disease, to an endemic, the constant presence and/or usual prevalence of a disease or infectious agent in a population within a geographic area, the final COVID-19 battle grounds will be fought in countries in Africa and Asia. These

IMPACT ON TRAVEL

As stated above, after the pandemic is over, COVID-19 in some form will continue to surface, maybe seasonally. This will probably require booster shots and regional lock downs. It will also forever change the health protocols for airlines. Gone are the days of allowing infectious passengers onto the aircraft.

Once the pandemic is declared ended, the international travel market will need a couple of years to recover as it takes time for the average person to plan for such travel. They normally need time off work, money saved up and a travel plan that may involve others. In any event, international travel should be normalized in 2024.

battles are thought to continue into 2022. After which COVID-19 will still exist, like four common cold coronaviruses plus the SARS and MERS viruses, but will be treated like other such diseases with regional outbreak or a seasonal reoccurrence.⁹

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Summary:

Countries like the United states, the UK, New Zealand, and Australia are already approaching domestic normality when it comes to air travel provided there are no major COVID-19 outbreaks. These countries now must wait for the other European countries and others, like Canada, to catch up to them this fall. In the meantime, inter-nation health protocols must be completed, so these “vaccinated” countries can link up via air travel.

The health passport matter is quite a complex undertaking that would normally take years to resolve. However, given the pressure to start up international travel again in earnest, there is a timeline here expressed in months not years.

By October 2021, the real focus to end the pandemic will be on vaccinations in developing nations in Asia and Africa. Nevertheless, the pandemic should end in 2022 and become an endemic.

After the end of the pandemic, international travel will return, but it may take an additional two years, until 2024, to completely restore that market.



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ENDNOTES

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