

A 'NEW NORMAL': THE CHANGING FACE OF AIR TRANSPORT POST-COVID-19



POSITIONING PAPER

SITA

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INTRODUCTION

Emerging from the COVID-19 pandemic will not be easy. It will have a far deeper impact on the way the air transport industry will operate in future than previous industry shocks such as 9/11 had. While it may be difficult to predict the future, we see three key trends that will shape the 'new normal' of the industry. SITA, as a trusted partner with a deep understanding of the industry, is working with airlines, airports and governments to make sense of the changes and start the long journey to recovery.

The COVID-19 pandemic is first and foremost a human crisis. It has had a devastating impact on many people's lives. The impact on millions of people around the world will be lasting.

But as we slowly begin to grapple with how we can/could emerge from this crisis, the focus will be on the financial and economic implications. And nowhere is the impact more profound than on the air transport industry.

Over the past few weeks, as countries scrambled to stop the spread of the pandemic and keep their citizens safe, there has been a concerted and global effort to contain the movement of people. We have seen countries shut down their borders and passengers opting not to travel. SITA data from April 2020 shows the number of flights dropped by almost 80% globally and more than 90% in Europe compared to last year. Major airlines have suspended operations and airport terminals have been shuttered.

IATA estimated in April that lost revenue would be in the region of US\$314 billion, a 55% drop on 2019. In the first half of 2020, it is expected that as many as two million flights have already, or will be, cancelled.

It is clear that the impact on aviation of COVID-19 will be long and complex. The recovery will also change the way we will travel, as it has done after major shocks in the past. The September 11, 2001 attacks on the US resulted in increased security checks to keep the flying public safe. In the same way this crisis too, will shape the air transport industry over the next few years.

We can no longer consider returning to a normal operating environment for our industry, but rather one that will become a 'new normal'.

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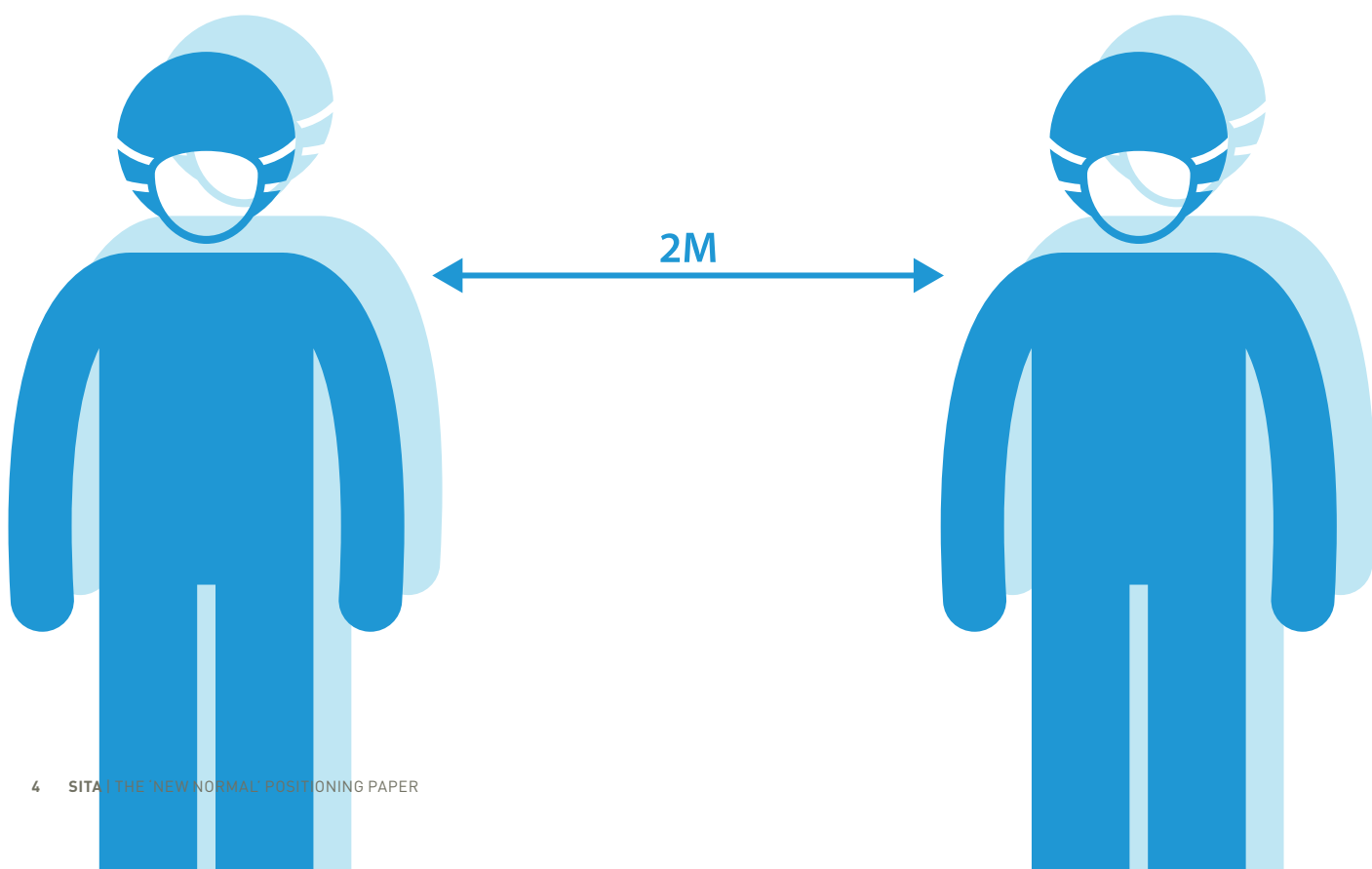
THE 'NEW NORMAL'

At this point, no one can predict what the future may bring. But we are beginning to develop scenarios about what shape the 'new normal' might take.

What radical changes might we see as the air transport industry evolves the way it operates as it emerges from the COVID-19 crisis? How will we ensure a smooth, efficient and safe flow of passengers throughout the journey? And importantly how do we re-establish trust among passengers, so that they return to the skies with peace of mind?

SITA has identified three areas that we believe will have a major impact as we move through the pandemic recovery and beyond:

- 1. Economic pressures:** With a protracted grounding of airline fleets globally, one of the primary focuses will be on how to drive new operational cost efficiencies. If the recovery takes longer than expected, will airlines shrink their fleets to manage a contraction in demand? How can airlines and airports use their assets to be more effective?
- 2. Safety and Security:** Until now, the air transport industry's focus on 'safety and security' has mainly concentrated on the aircraft and safety procedures. After 9/11, we began to consider 'anti-terrorism' measures as an essential aspect of the safety and security of passengers. Post 2020, will our industry add 'health' as one of our major considerations for travel? Will governments take a new – perhaps more rigid – approach to reopening and managing their borders? Will they look at ways to monitor the health of passengers crossing the border?
- 3. Sustainability:** Will we see new norms and regulations linked to sustainability? Will the pressure for a more sustainable air transport industry intensify, with a demand for cleaner skies? Is it likely that we will see a shift to leisure travel as businesses shift to digital solutions to connect with their customers and employees? Will concerns around sustainability see passengers shy away from short-haul travel to more infrequent long-haul trips?



HOW WILL WE RESPOND?

In order to meet the challenges of this 'new normal', the air transport industry will need to radically change the way it operates.

The recovery of the industry will require rebuilding trust among industry players and passengers, stepping up operational efficiencies and delivering a safe and enjoyable journey for passengers in a world where constraints will be higher. Technology, processes and ways of working, along with better collaboration among air transport industry players will play an essential role in facilitating the recovery.

We see changes to the passenger journey, tighter controls at borders, and demand from airlines for greater bandwidth to share more data in a secure way and make airport and aircraft operations more cost effective. This is a journey we will undertake with our airline, airport and government customers in the coming months.

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ACCELERATING CHANGES TO THE PASSENGER JOURNEY

TECHNOLOGY FOR TOUCHLESS AIR TRAVEL

During the recovery and beyond, the smooth, efficient and safe flow of passengers means increased social distancing and sanitization. Digital technologies and automation will play a critical role in meeting these new requirements.

It is at the airport that we see this having a notable effect. Through technology, the journey will become increasingly 'touchless'. Automation is of paramount importance. Contactless, self-service technologies at every step will facilitate passenger flow, cutting queues while ensuring a social distancing-friendly passenger experience.

Through the use of biometrics and next-generation touchpoints throughout the passenger's journey, SITA is enabling a low-touch airport experience.

For example, using SITA Flex, agents can use their airline's applications on a mobile device such as an iPad, anywhere, freeing them from a fixed location or station used by multiple parties that may be in close proximity. Similarly, passengers can operate process points such as kiosks, using their own mobile devices, without the need to touch screens on the airport's physical infrastructure. This solution has been successfully implemented at San Francisco Airport.

Similarly, using biometrics passengers can be identified at journey points such as check-in or boarding without having to touch a screen. This will provide greater efficiency and improved passenger satisfaction with the welcome benefit of enhanced safety for passengers and employees alike.

THE MOBILE-ENABLED JOURNEY

SITA believes the future is mobile, putting passengers and employees back in control and minimizing the need for infrastructure with its associated costs while reducing physical contact which may pose a health risk. More than ever, the industry will work towards the vision of an entirely mobile-enabled journey. This will keep passengers informed and moving at every step, delivering walkthrough contactless experiences right up to biometric boarding at the gate.

Underpinning this mobile-enabled self-service experience will be new generation platforms. These will enable cloud-based businesses, giving airlines and airports rapid scalability and flexibility. Apps and real-time information will be accessible from anywhere, at any time, for both passengers and employees.

In addition, open Application Programming Interfaces (APIs) will unlock the data needed for mobile boarding passes, baggage check-in and tagging, security, boarding, transfers and baggage claim.

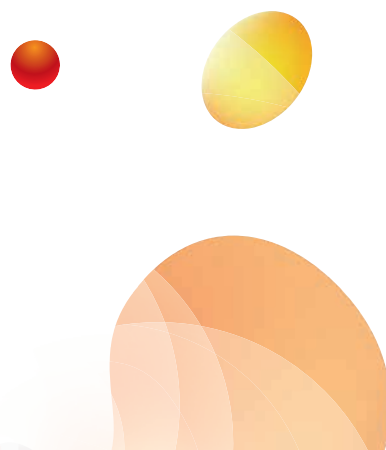
New kinds of digital identity will facilitate this smooth, touchless journey. This will allow passengers to breeze through the airport using digital IDs stored on their phone verified with facial recognition. Passengers will expect this to be both simple and safe.

Already, we are seeing important advances to this mobile-enabled technology. SITA's Smart Path™ biometric self-service solution keeps passengers moving by verifying identities in seconds, at multiple steps along the way.

As well as enabling SITA's own self-service applications, the company is bringing an ever-wider range of dedicated mobile solutions to market across all stages of the passenger journey.

A recent example is WorldTracer® Self Service which allows passengers to report and monitor the recovery of mishandled bags for themselves on an airline-branded mobile app. Instead of wasting time queueing in often cramped offices at the airport, passengers can self-report and track the resolution of the lost bag, quickly and easily on their phone.

Not only does this greatly improve the passenger experience, it also reduces handling costs while, in this 'new normal' of COVID-19 keeping passengers and staff safe from having to spend time in high-risk, crowded environments.



STAYING CONNECTED TO PASSENGERS AND EMPLOYEES

A key challenge for airlines in the coming months will be keeping their employees safe by enabling a more distributed workforce, including operating from a home environment.

At the same time, service disruptions in the form of changing schedules and new travel requirements make it more important than ever to stay close to your passengers. The status of flights will remain unpredictable and change often. Government rules and regulations for travel will mean border changes will be constant. Therefore, vast numbers of passengers need to be reassured and empowered with timely and accurate information.

This will mean that there will be increased demand for network connectivity. At SITA, we see the demand for connectivity beyond the airport growing rapidly and the need for fast, agile solutions to meet that demand. For example, we have introduced our Omnichannel Cloud Communications, which is our one-stop solution for a cloud-based contact center – enabling staff to work remotely.



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RAPIDLY CHANGING BORDERS

As countries around the globe begin to ease restrictions on air travel and movement in general, authorities will be mindful of preventing a resurgence of cases.

As we have seen in previous outbreaks such as SARS and MERS, the pattern and speed by which a disease moves around the globe is inextricably linked to the pattern and speed by which passengers move.

Countries will open up their borders in a controlled manner considering, for example, the health status of passengers at points of embarkation or the ability to easily identify or assist at-risk passengers. This not only includes where they are traveling from or countries visited, but also may attempt to identify passengers that have come into contact with infected travelers. We may also see specific regions wishing to allow limited movement within that zone first. For governments, this requires an information-driven approach based on real-time data and responsiveness to handle rapidly changing situations.

Passengers in turn will increasingly demand easy-to-use solutions, that provide the right information, for them to plan their travel. Will they be able to enter and leave the country they are visiting and are additional measures such as mandated self-isolation required?

Over the past weeks, SITA has already played a vital role in supporting governments the world over to balance the requirements for the free movement of passengers and preventing the spread of further infections.



OPPORTUNITY TO REVIEW FLEET REQUIREMENTS

Images of large airline fleets sitting idly on aprons of airports around the world have become a common sight in recent weeks. Airline executives contemplating an exit to the current crisis are faced with some tough decisions on their future fleet requirements. However, there are also opportunities.

As we have seen with airlines such as Lufthansa and British Airways, faced with a prolonged slowdown, executives will take the opportunity to scale back the number of aircraft in their fleets and pivot to newer, connected aircraft. These aircraft hold the promise of greater efficiency in the medium to long term. And beyond the immediate impact of the pandemic, it is clear that the focus on sustainability in the long term will remain, an added driver to newer, more efficient aircraft fleets.

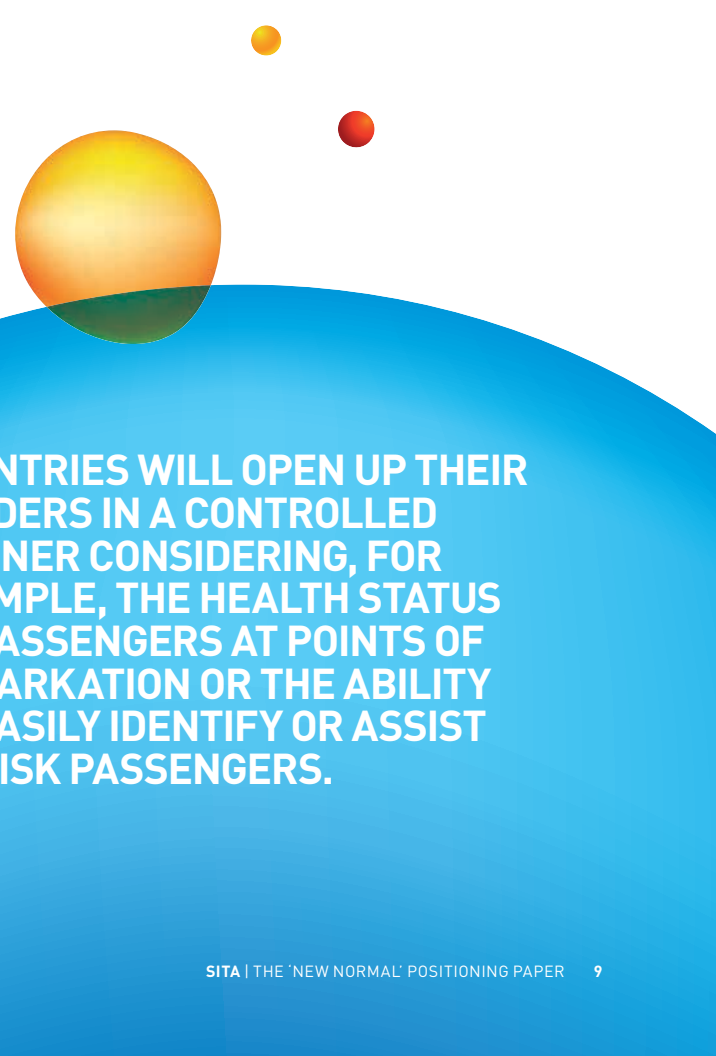
Before the crisis, there were 18,000 connected aircraft. We expect this to ramp up in the coming months, as older aircraft are retired and replaced with newer models.

For example, SITA FOR AIRCRAFT is bringing together technology solutions and a deep understanding of airport operations to improve aircraft turnaround times, fuel efficiency and on-time performance.

SITA FOR AIRCRAFT's suite of application solutions helps your airline evolve and adapt. From pre-flight to post-flight processes, our goal lies in transforming data from the day of operations into value for the different departments. Ultimately our application solutions serve to assist airlines, ensure the safe tracking of flights and enhance air-ground communications for the overall optimization of flight operations.

While having your fleet grounded for weeks on end is the worst nightmare for an airline, therein lies an opportunity. Vital upgrades that are put off during normal time due to busy flight schedules and limited hangar space due to ongoing maintenance, can now be done.

These include everything from WiFi installation to other digital systems that allow airlines to fully utilize the digital aircraft.



COUNTRIES WILL OPEN UP THEIR BORDERS IN A CONTROLLED MANNER CONSIDERING, FOR EXAMPLE, THE HEALTH STATUS OF PASSENGERS AT POINTS OF EMBARKATION OR THE ABILITY TO EASILY IDENTIFY OR ASSIST AT-RISK PASSENGERS.

CONCLUSION

In the coming weeks and months, once the threat of the pandemic ebbs, the industry will look to return to the skies. But this return will not be without risk and will face some unique challenges.

SITA, being owned by the industry, has the industry expertise, the right balance of technology solutions and deep unrivalled understanding of the industry's processes to make sense of the changes that will face our industry. Ours has always been a collaborative approach, one that builds trust with all industry players.

We are already working with airlines, airports, governments, ground handlers and other organizations to address these new common challenges.

WE ARE IN THIS TOGETHER.







SITA AT A GLANCE

Easy air travel every step of the way.

- Through information and communications technology, we help to make the end-to-end journey easier for passengers – from pre-travel, check-in and baggage processing, to boarding, border control and inflight connectivity.
- We work with about 400 air transport industry members and 2,800 customers in over 200 countries and territories. Almost every airline and airport in the world does business with SITA.
- Our customers include airlines, airports, GDSs and governments.
- Created and owned 100% by the industry, SITA is the community's dedicated partner for IT and communications, uniquely able to respond to community needs and issues.
- We innovate and develop collaboratively with our air transport customers, industry bodies and partners. Our portfolio and strategic direction are driven by the community, through the SITA Board and Council, comprising air transport industry members the world over.
- We provide services over the world's most extensive communications network. It's the vital asset that keeps the global air transport industry connected.
- With a customer service team of over 2,000 people around the world, we invest significantly in achieving best-in-class customer service, providing 24/7 integrated local and global support for our services.
- Our annual Air Transport and Passenger IT Insights reports for airlines, airports and passengers are industry-renowned, as is our Baggage IT Insights report.
- In 2018, we had consolidated revenues of US\$ 1.7 billion.

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