



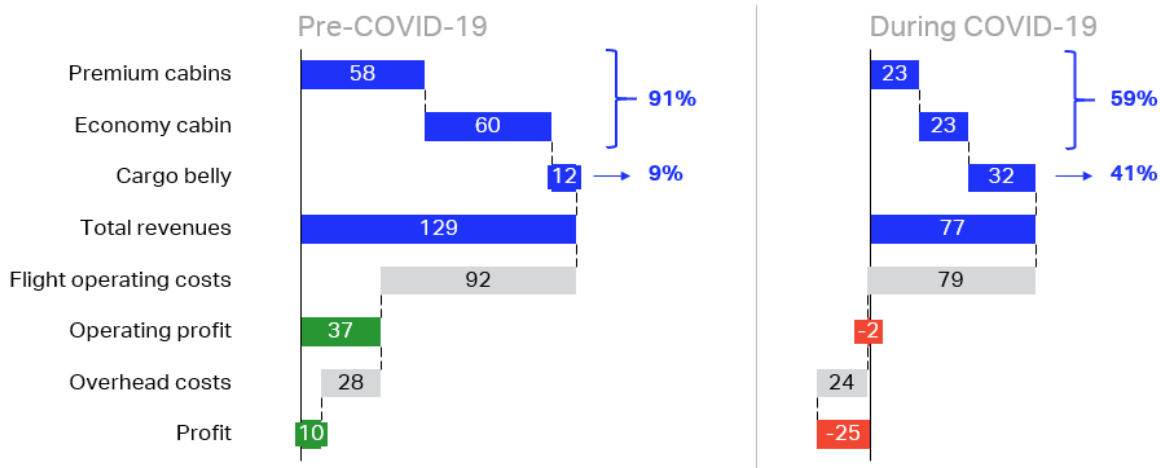
IATA Economics' Chart of the Week

20 November 2020

Strong cargo revenues making some long-haul services possible

Estimated economics of an average B777-300 operation on Transatlantic, under market conditions Pre-COVID-19 vs. During COVID-19 (Mar-Aug 2020), USD '000s

■ Revenues ■ Profit
■ Costs ■ Loss



IATA Economics analysis based on data from SRS, DDS, ACMG, Cargo IS, IATA Statistics, Platts

- Many of us have wondered about the viability of long-haul passenger flights during the pandemic that has decimated travel, in particular on international routes. This week's chart explores how the economics of such flights have evolved compared to before COVID-19.
- We have modelled a typical North Atlantic operation with a B777-300 aircraft, assuming the market conditions before and during the pandemic. We have found that, overall, the average flight is almost able to cover its flight-specific operating costs (loss of USD 2,000). This is in large part thanks to cargo revenues that now play a more important role than previously, accounting for 41% of revenues vs. 9%.
- However, the model also suggests that covering the non-flight specific fixed costs would be challenging with such low loads. This is all the more concerning as airlines need to spread those costs across their entire fleet, much of which is currently grounded or at least vastly under-utilised.
- The main assumptions of the model are that passenger load factors drop to the average that airlines have reported in recent months, whilst cargo load factors as well as yields increase as a result of the shrinkage of belly capacity in the market. Fuel costs are also adjusted to reflect the recent prices.
- It is worth noting that the above simulation is not necessarily representative of all routes and aircraft. Demand for cargo varies largely between route areas -with most demand for cargo from Asia to the rest of the world- and the B777-300 is an aircraft with one of the largest belly capacities. Depending on the size of the belly and other parameters (e.g. practicalities of loading cargo), the economics of other aircraft could be less favourable. Nevertheless, this does illustrate the importance of cargo at present.

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