ANNUAL REPORT 2020

Arab Air Carriers' Organization

53rd Annual General Meeting

3 November – Zoom Platform

Annual Report

Arab Air Carriers' Organization

53rd Annual General Meeting

AACO's Vision

To stand out globally as THE association that serves with dedication the Arab airlines and to be instrumental in dealing with an evolving aviation industry.

AACO's Mission

To serve the Arab airlines, represent their common interests and facilitate, in a manner consistent with all applicable competition and other laws their cooperation so as to improve their operational efficiencies and better serve the travelling public.

Strategy

To initiate and implement Specific, Measurable, Attainable, Relevant, and Time-bound (SMART) synergistic targets that serve its objectives.

AACO's Objectives

- To support the Arab airlines' quest for highest safety and security standards.
- To support the Arab airlines' quest for developing their environmental policies for processes in harmony with the environment.
- To actively contribute in the development of human resources.
- To interact with the regulatory bodies to support and protect the interests of the Arab airlines.
- To launch joint projects between member airlines with the objective of achieving efficiencies that will lower their costs in a manner consistent with all applicable competition and other laws and that enhance members' best practices.
- To provide forums for members and for industry partners to enhance the knowledge base.
- To reflect the positive image of The Arab Airlines Globally.

AACO Executive Committee*

Mr. Mohamad A. El-Hout
Chairman of the AGM and Chairman of the Executive Committee

Mr. Mohamad A. El-Hout, Chairman - Director General, Middle East Airlines
Capt. Mohamed Roshdy Zakaria, Chairman & CEO, EgyptAir Holding Company
Mr. Tony Douglas, Group Chief Executive Officer, Etihad Aviation Group
H.E. Mr. Akbar Al Baker, Group Chief Executive, Qatar Airways
Mr. Abdelhamid Addou, Chairman & Chief Executive Officer, Royal Air Maroc

*At the time this report was produced.

Our Partner Airlines

IAG International Airlines Group

Turkish Airlines
A Star Alliance Member

Our Industry Partners

ABJAD

accelya

AIRBUS

ALAFCO

ALTON
Aviation Consultancy

amadeus

Arabian Aerospace

ASSIC GIP USA GASJET
Air Transportation Support Group

ATN
Air Transport News

atpco routehappy

ATR

Aviation Business

Bloomberg

BOC Aviation

BOEING

CAPA
Centre for Aviation

cfm
The Power of Flight

CHAMP

CIRIUM

Collins Aerospace

EMBRAER

Engine Lease Finance

Flight Safety Foundation

GE

HEICO

HERMES
Air Transport Organisation

Hitit

ICF

inmarsat aviation

ishka
Aviation. Acumen. Attitude.

JEPPESEN
A Boeing Company

KENYON
International Emergency Services

KORN FERRY

Lufthansa Consulting
Your Business Runway

Lufthansa Systems

MedAire
An International SOS Company

mınsaıt
An Indra company

nourish

OAG

Optiontown
Enjoy unique options™

Panasonic

Pratt & Whitney
GO BEYOND

ProDIGIQ

ProSafeT

Rolls-Royce

Sabre

Seabury Consulting
now part of accenture

Shell Aviation

SITA

SmartKargo

THALES

UATP

Willis Towers Watson

wirecard

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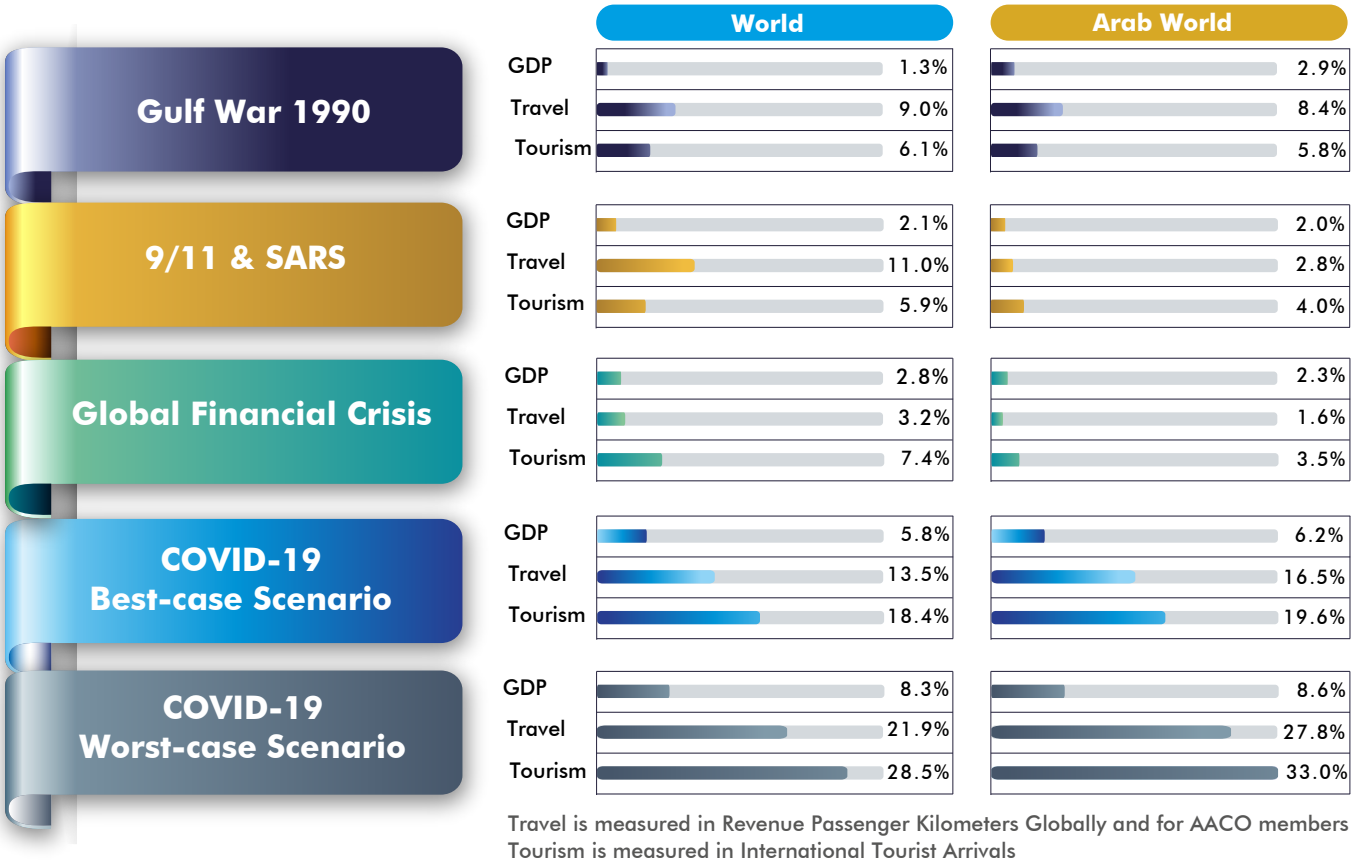
Comparative Analysis between Expected Impact of COVID-19 on the Economy, Travel, and Tourism Compared to Previous Crises

(Labels represent the lost opportunity of growth at the recovery year compared to business as usual scenario)



Travel is measured in Revenue Passenger Kilometers Globally and for AACO members
Tourism is measured in International Tourist Arrivals

Recovery Scenarios Explained

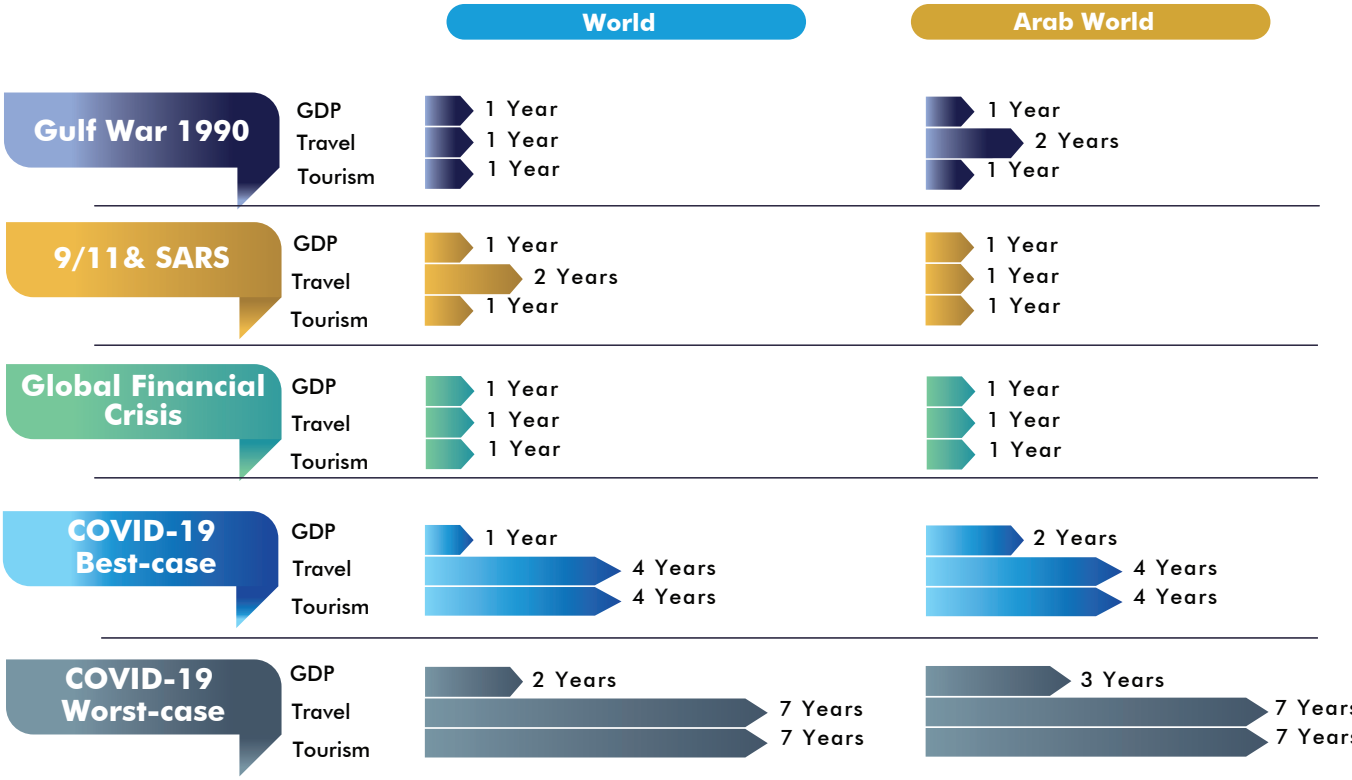
Best-case Scenario

Economies recovering gradually, the wide-use of technology in the travel journey, harmonious and risk-based health measures used by states, a vaccine is widely available by the end of 2021, or the virus dissipating by that time.

Worst-case Scenario

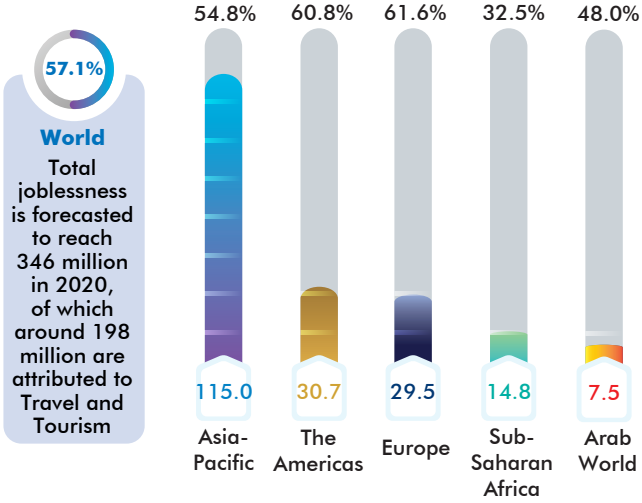
Economies will witness a slow recovery, lack of passenger confidence in travel due to excessive health measures and limited use of touchless technology, a global spike in infections, and the availability of a vaccine will take more than 18 months.

Expected Years to Recover from COVID-19 Compared to Previous Crises



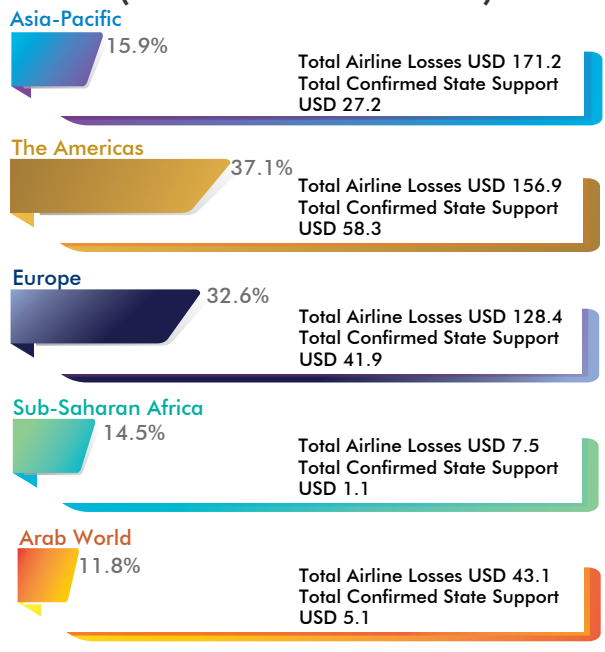
Travel is measured in Revenue Passenger Kilometers Globally and for AACO members
Tourism is measured in International Tourist Arrivals

Joblessness in Travel & Tourism Caused by COVID-19 (Values are in Millions)



% Labels represent share of Travel & Tourism in total forecasted job losses in 2020

Expected Drop in Airline Revenues and Support Received in % Thereof (Values are in USD Billions)



Total bar represents 100%

AACO'S **PRIORITIES**

OPERATIONAL SAFETY
To assist members in enhancing the safety of their operations through advocating the adoption of safety culture, contributing to capacity building, and fostering collaboration among airlines in emergency response planning.

BIOSAFETY
To advocate and consult with governments and stakeholders for harmonious and transparent biosafety air travel measures that are risk based.

SECURITY
To provide a platform to share information and risk assessments, address emerging threats, contribute to capacity building, and promote and support collaboration among all stakeholders in aviation security.

REGULATIONS
To advocate for policies and regulatory principles that are clear and balanced and that are adopted through transparent methods that include adequate consultations with the relevant stakeholders.

CLIMATE CHANGE
To mitigate the impact of international aviation's emissions on climate change through supporting the efforts of ICAO to ensure successful implementation of its global scheme and to join efforts to improve operational performance, waste management and promote R&D in alternative fuel.

TECHNOLOGY
To shed light on the importance of digitalizing travel processes and call upon governments to speed up the use of advanced biometrics technologies on security, customs, and passport control points. Moreover, to work with the Industry to adopt a standard which allows the integration of passengers' travel data with the airport biometrics.

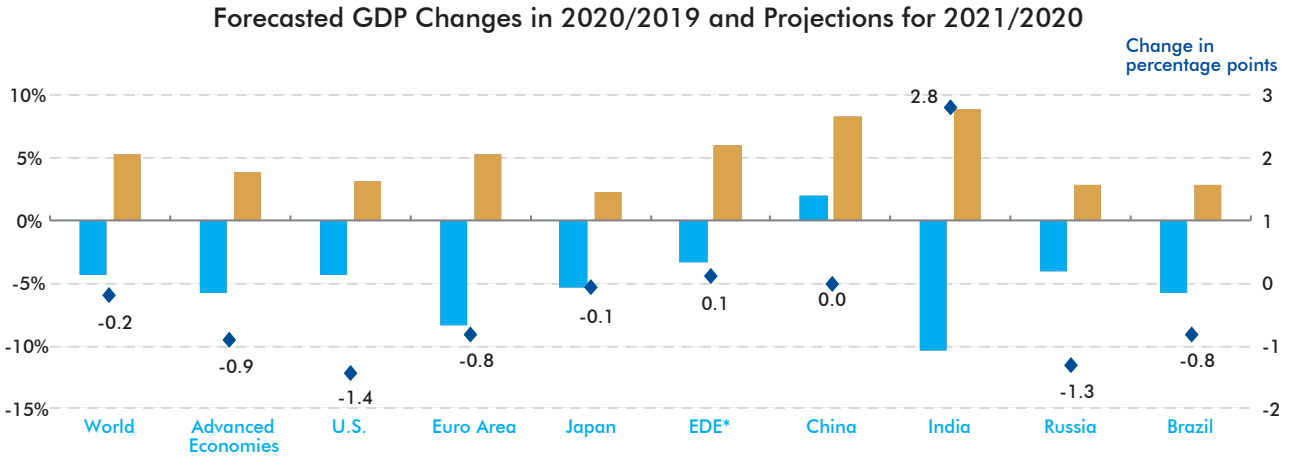
AIRSPACE INFRASTRUCTURE
To promote and support enhancing the region's airspace infrastructure through enhancing the ATS route network, advocating civil/military collaboration and cross-FIR collaboration, fostering PBN implementation, and supporting the implementation of a regional ATFM mechanism.

COST
To assist member airlines in optimizing their operational environment, promote best practices while rationalizing their cost through cooperative activities, within the boundaries of competition laws.

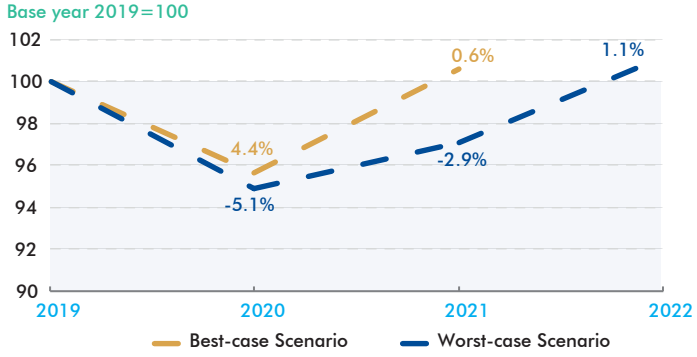
AWARENESS & CAPACITY BUILDING
To provide the highest quality e-learning training modules that are cost-effective and that cover broad aspects of the air transport industry in order to maximize the performance of the human capital in the Arab region, and to provide networking opportunities through specialized forums about the latest air transport developments.

Economy

Impact of COVID-19 on the Economy and Possible Recovery Scenarios (Global & Regional)

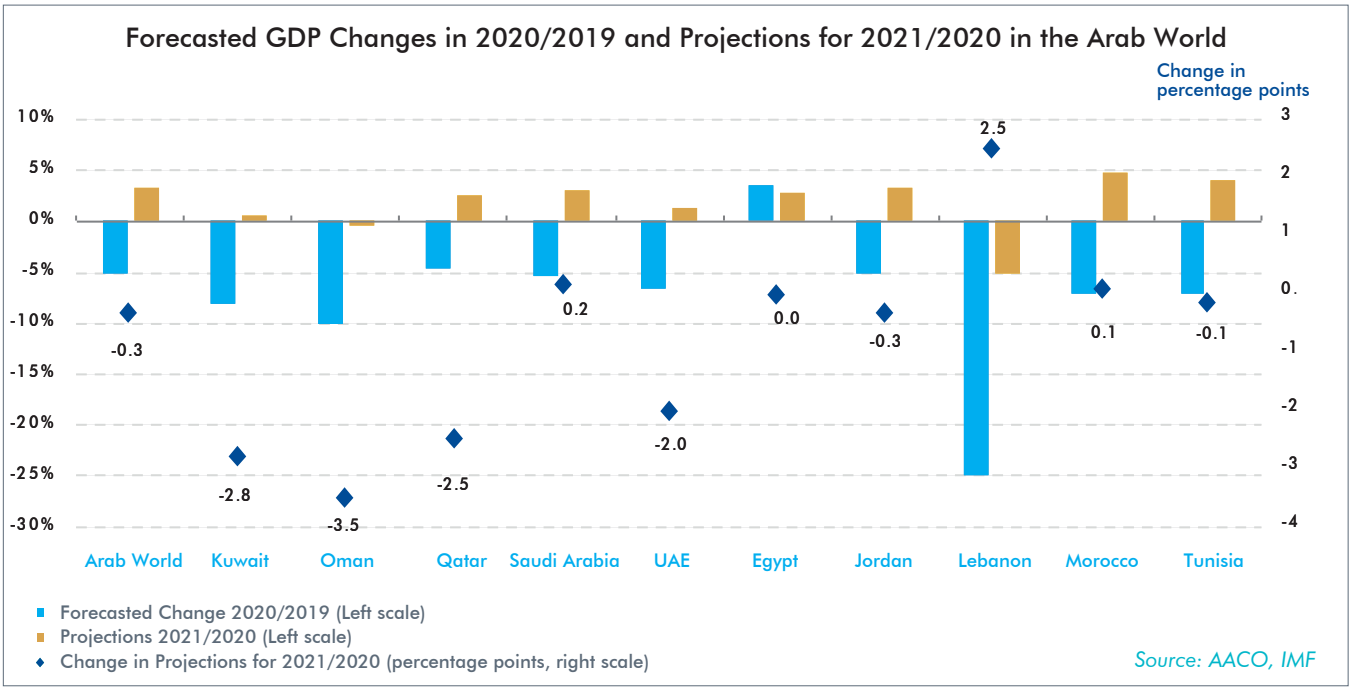


Based on the latest forecast released by the IMF on October 13, 2020, the **global economy is now expected to contract by 4.4% in 2020 compared to 2019**, this represents a 0.8 percentage points improvement compared to the forecast released in June 2020. The upward revision came as GDP numbers extracted from Q2-2020 revealed better than anticipated results, supported by **public investment**, the notable **increase in retail sales, and manufacturing activity** as economies opened up after a prolonged lockdown. In addition, the signs of recovery shown in Q3-2020, strengthened the outlook for 2020. Projections for 2021 anticipate the global **economy expanding by 5.2% when compared to 2020**, a 0.2 percentage points downgrade when compared to the forecast released in June. The outlook remains at risk amid the uncertainty of the pandemic and the vulnerability of other market indicators, especially over renewed fears of an unorderly Brexit deal. Overall, the **cumulative loss in GDP** caused by the pandemic is forecasted to reach **USD 11 trillion in 2020 and 2021**.

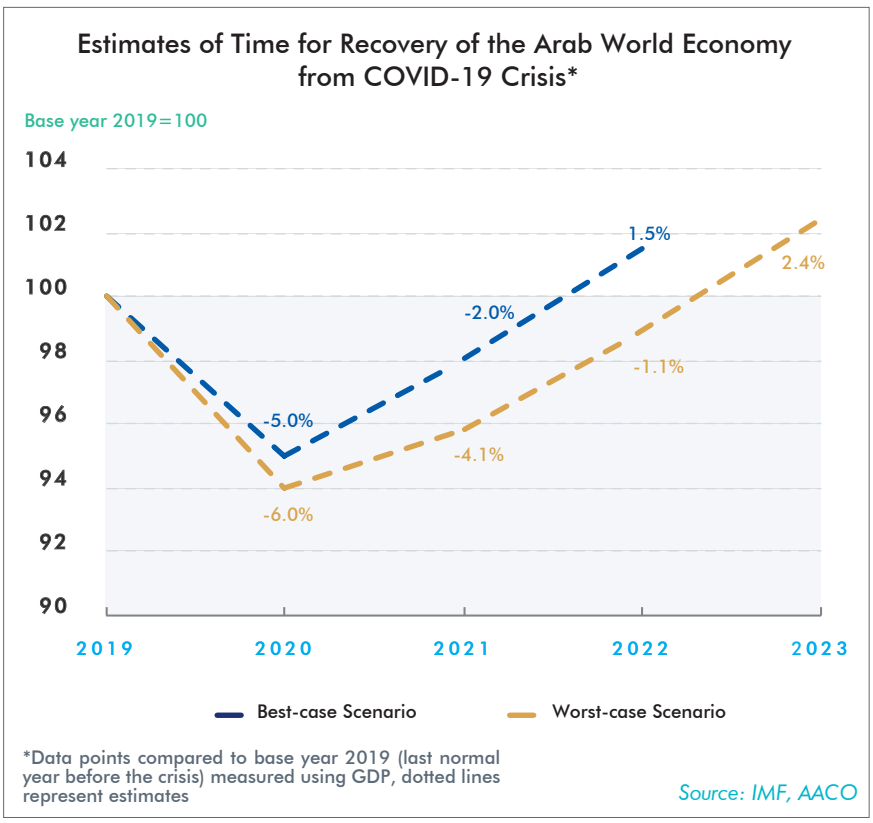


Based on the updated data released by the IMF, **the global economy is still forecasted to recover to 2019 levels by the end of 2021 following the best-case scenario** which assumes extended monetary support, a vaccine is widely available throughout 2021, recovery in consumer spending amid a stability in the jobs market, and a rebound in trade activity. As for **our worst-case scenario, we estimate the global economy to recover to 2019 levels by 2022**, which is one year earlier than our previous forecast.

Our worst-case scenario assumes limited financial support by governments, another global spike in infections, which will force governments to reinstate lockdowns causing more businesses to fail, elevated trade tensions, and a drop in commodity prices.



As for the Arab world, **the region's GDP is now forecasted to decline by 5.0% in 2020 when compared to 2019**, an upward revision of 0.7 percentage points when compared to the July 2020 forecast. The upward revision was mainly supported by the gradual recovery in **oil prices, which reached around USD 41** in September (a 123% increase compared to April 2020), government support, and improved business confidence. Estimates concerning economic expansion in 2021 remain highly uncertain, amid the uncertainty following the pandemic status, yet we estimate the **Arab world GDP to grow by 3.2% in 2021 compared to 2020**, still below 2019 levels. The pandemic is forecasted to trigger **a loss of USD 850 billion in the Arab economy** that could have been achieved based on the October 2019 forecast.



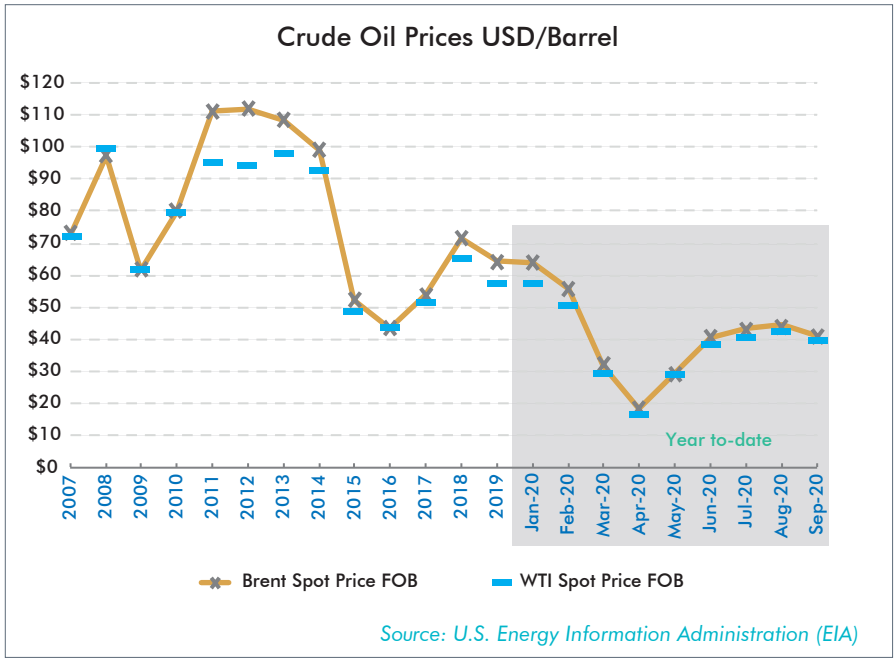
As for the time for recovery, **we still estimate that the Arab world economy will not recover to 2019 levels until 2022** following the **best-case[1] scenario** discussed earlier, and oil prices averaging **between USD 45 to 50 in 2021 and 2022.**

However, considering our **worst-case[2] scenario and oil prices averaging lower than USD 45, Arab world GDP will not recover to 2019 levels before 2023**.

[1] *A vaccine is widely available throughout 2021, recovery in consumer spending amid a stability in the jobs market, and a rebound in trade activity.*

[2] *Limited financial support by governments, another global spike in infections, which will force governments to reinstate lockdowns causing more businesses to fail, elevated trade tensions, and a drop in commodity prices.*

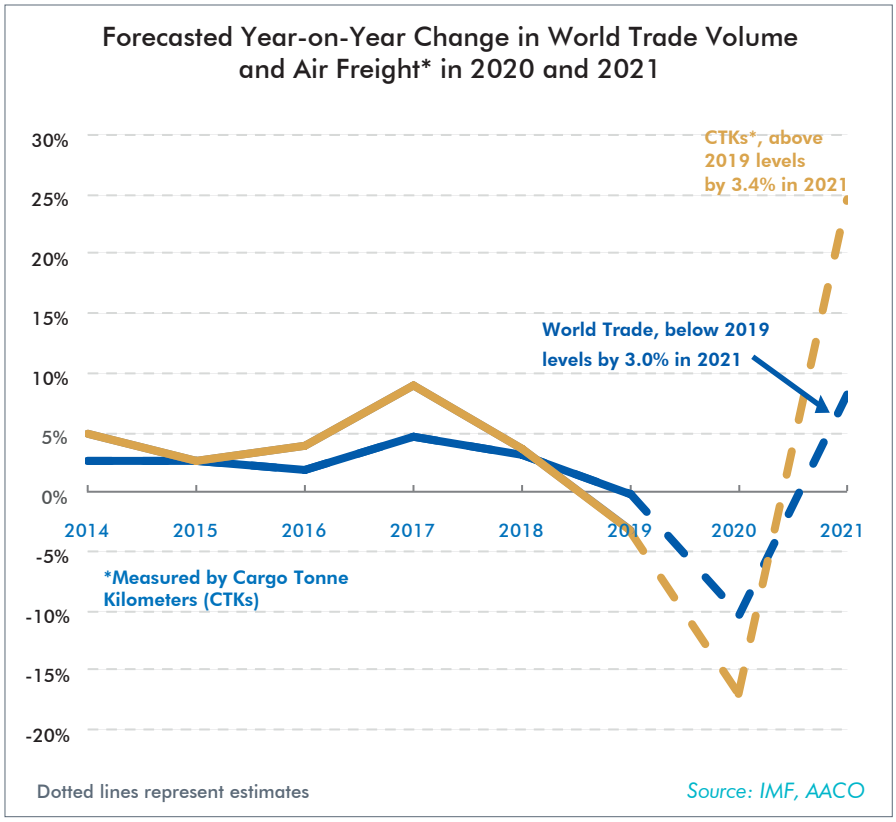
Impact of COVID-19 on Oil Demand and Price



Crude oil prices plunged to unprecedented levels in March and April as demand was nearly zero amid the strict lockdown measures that brought most businesses to a stop. Moreover, **stress levels on refining margins for jet fuel have been enormous** for several markets and for prolonged periods. The severe drop in jet fuel demand made it cheaper than Brent.

Signs of oil price recovery started to appear early summer 2020 when Brent price in June and July doubled the average rate recorded in April. However, with infections rising in August and September, prices stabilized upon fears of a second wave. Despite the decline in strategic reserves that have mounted in April, and restoration of oil supply in Libya, projections by worldwide stakeholders indicate that **Brent price could vary between 45 and 55 USD a barrel for 2021 and 2022**. However, oil prices will rely on the following three main pillars: demand recovery for oil, efforts by OPEC and other key oil producing states to continue balancing the market, and geopolitical stability.

Impact of COVID-19 on Trade and Air Freight

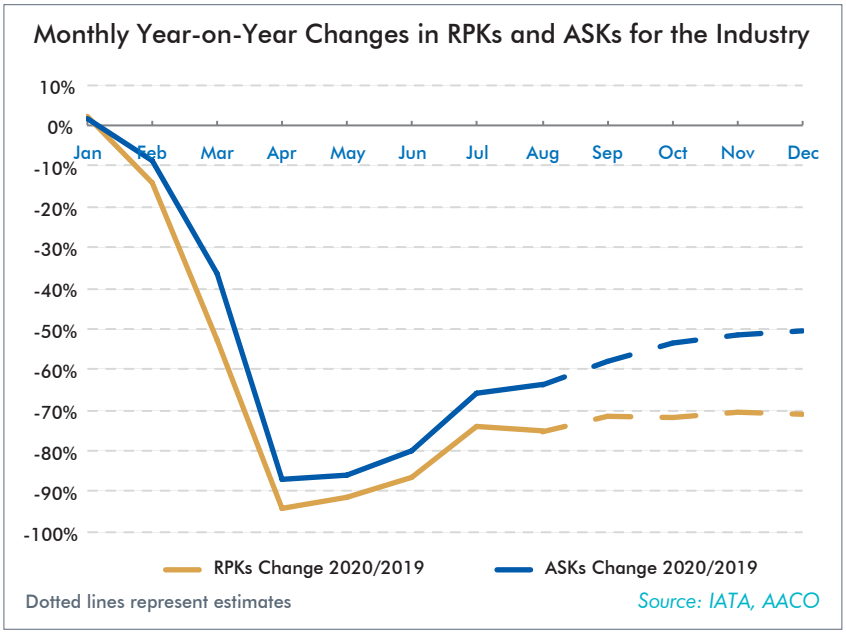


Global trade is forecasted to decrease by 10.4% in 2020 compared to 2019 due to the COVID-19 crisis. The updated forecast represents a 2.5 percentage points upward revision compared to optimistic scenario released by the World Trade Organization. The revision comes amid the rebound in manufacturing activity mainly in China. **Global trade is forecasted to recover most of the losses in 2021, yet to remain below 2019 levels by 3%.**

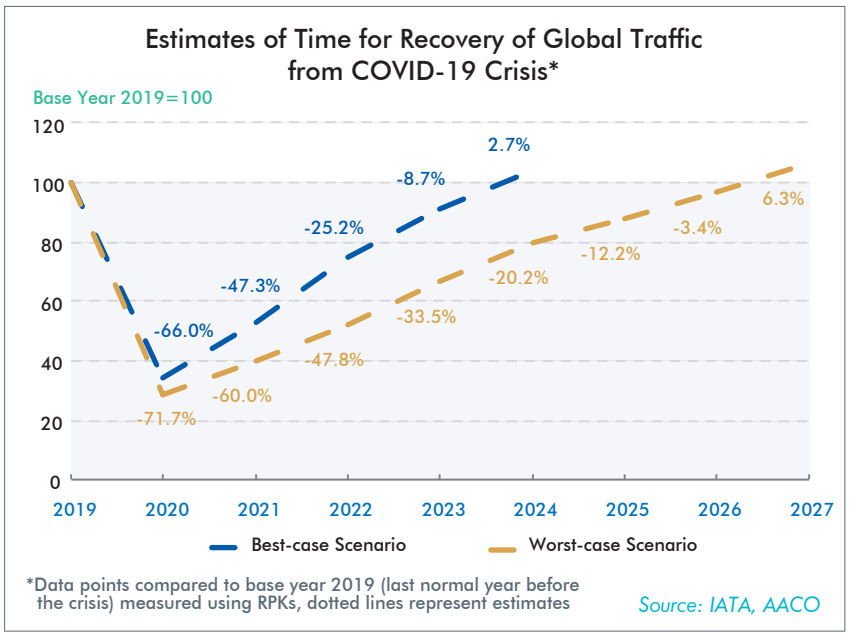
Despite maintaining cargo operations while passenger traffic was completely halt, **air freight is forecasted to decline by 17.0% in 2020 compared to 2019**. However, unlike passenger traffic, **cargo traffic is forecasted to fully recover to 2019 levels by the end of 2021** as trade activity resumes globally.

Air Travel

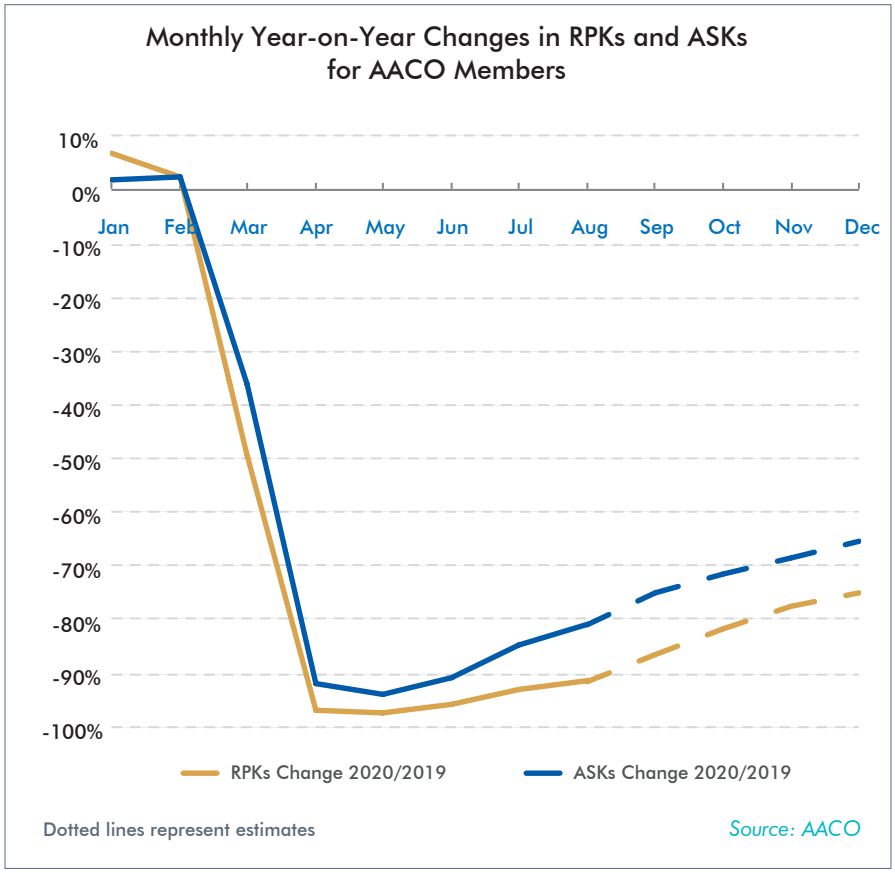
Impact of COVID-19 on Traffic and Possible Recovery Scenarios (Global & Regional)



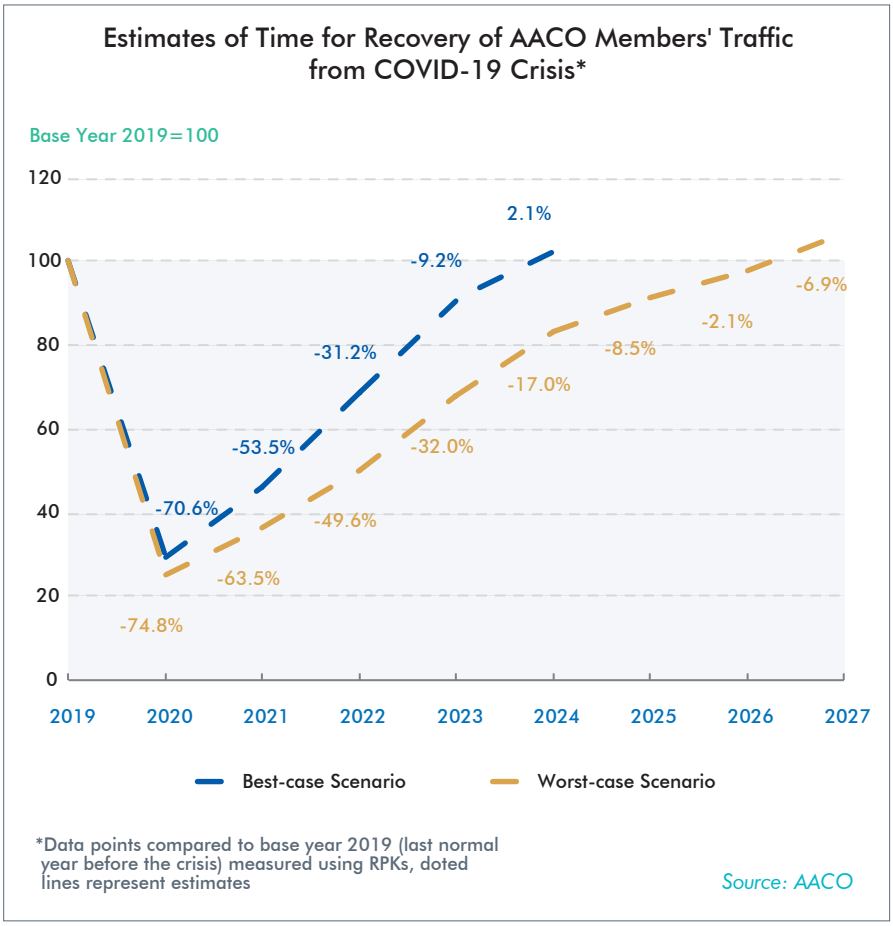
As shown in previous reports produced by AACO throughout the year, the first half of 2020 witnessed a plunge in passenger traffic measured in RPKs and capacity measured in ASKs, affected by the extreme measures implemented by states to halt the spread of COVID-19. **Starting June 2020, passenger traffic activity resumed**, mainly on domestic routes as states eased restrictions on travel. Between July and August, passenger traffic continued its improvement, yet at a slower pace than anticipated earlier, **declining by 73.8% and 75.3% respectively** (see left chart). As for September we estimate a slight tick-up in passenger traffic, **where total industry RPKs are forecasted to decline by 71.5%.** As we stepped into Q4-2020, forward bookings data released shows that the **total number of bookings for the winter quarter are on average 78% below their level when compared to Q4-2019**. The drop in forward bookings amid the growing uncertainty concerning the status of the pandemic indicates that the gradual recovery witnessed in Q3-2020 is not likely to continue during Q4-2020 (see above chart). **Overall, total year RPKs and ASKs in 2020 are forecasted to decline by 66% and 54.2% respectively when compared to 2019**.



Considering the changes in market dynamics, and forward bookings data released for Q4-2020, we have updated our data set for the recovery path of air travel. **We still believe that passenger traffic will not recover to 2019 levels until 2024 based on our best-case scenario**. However, the updated data set shows a more vulnerable recovery path, as the uncertainty about the pandemic status grows. Our best-case scenario still relies on economies recovering gradually, the wide-use of technology in the travel journey, harmonious and risk-based health measures used by states, a vaccine is widely available by the end of 2021, or the virus dissipating by that time. On the other hand, **considering our worst-case scenario, we still anticipate that passenger traffic will not recover to 2019 levels until 2027**. Our worst-case scenario assumes that economies will witness a slow recovery, lack of passenger confidence in travel due to excessive health measures and limited use of touchless technology, a global spike in infections (which started to materialize), and the availability of a vaccine will take more than 18 months.



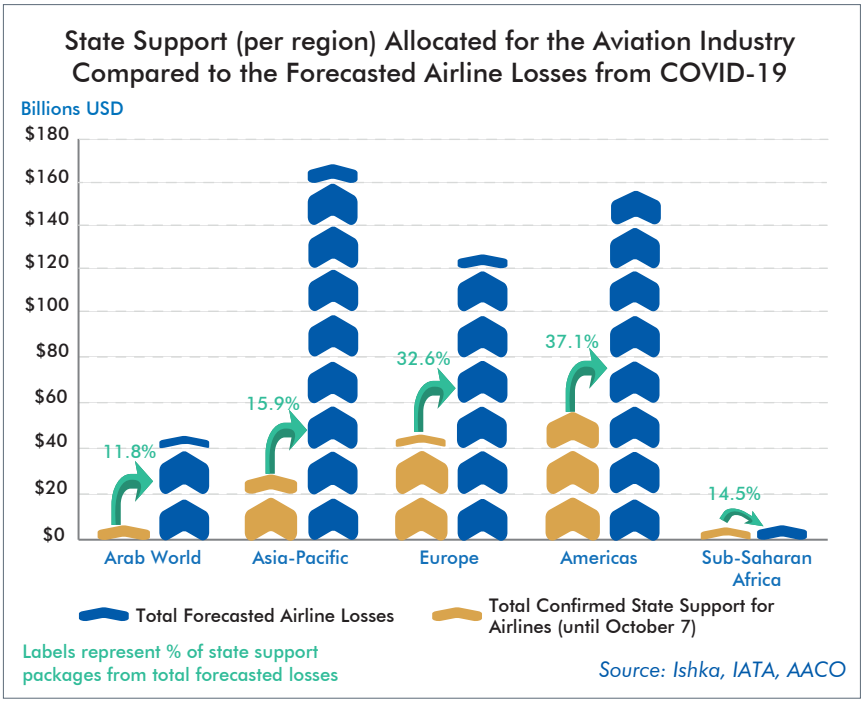
AACO members passenger traffic measured in **RPKs** remained weak in **July and August 2020**, registering **a decline of 92.9% and 91.5% respectively when compared to 2019**, as global international traffic continues to suffer the repercussions of the restrictions associated with the pandemic. As for capacity offered, AACO members' **ASKs declined by 84.7% and 80.9% respectively comparing the same period**. As for September, **we estimate an improvement in RPKs and ASKs, declining by 86.5% and 75.0% respectively when compared to September 2019. Total year decline** in RPKs and ASKs is forecasted **to reach 70.6% and 63.4%**, a notable downgrade from our previous estimates due to the slower than anticipated recovery in the summer season during June, July, and August, in addition to the significant decline in Q4-2020 bookings.



Similar to the global level, we have updated our data set for AACO members to include reported data from June, July, and August. Based on the updated data set, we still estimate that **passenger traffic is expected to recover to 2019 levels by 2024 considering our best-case[1] scenario**, discussed earlier, yet with a downward revision for the recovery path. As for **the worst-case[2] scenario, the recovery to 2019 levels is still forecasted to occur by 2027**.

[1] *economies recovering gradually, the wide-use of technology in the travel journey, harmonious and risk-based health measures used by states, a vaccine is widely available by the end of 2021, or the virus dissipating by that time.*

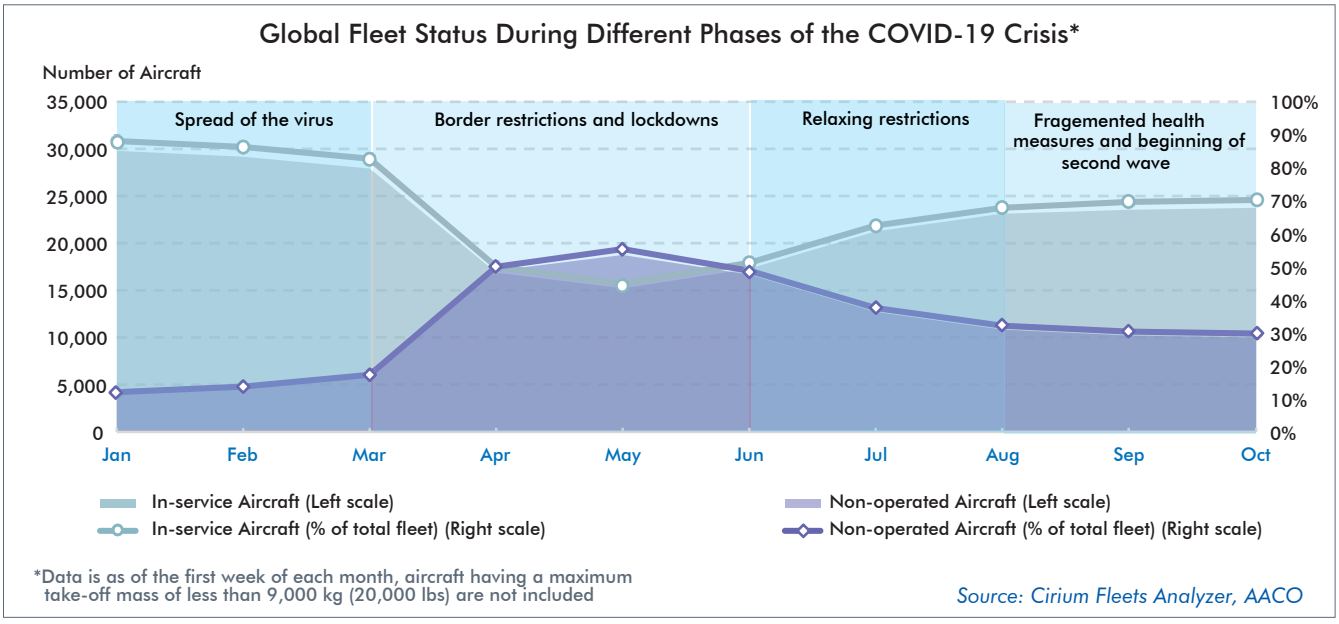
[2] *worst-case scenario assumes, that economies will witness a slow recovery, lack of passenger confidence in travel due to excessive health measures and limited use of touchless technology, a global spike in infections, and the availability of a vaccine will take more than 18 months.*



Airlines are forecasted to lose around USD 507 billion in revenues from the COVID-19 crisis in 2020, which represents around **60.5% decline when compared to 2019**. This represents a **downgrade from** the **initial 50% drop** forecasted in our previous study as airlines are expected to spend, on average, around USD 13 billion in cash per month to sustain their operations. Moreover, **airline debt** is forecasted **to rise by USD 120 billion to reach USD 550 billion** by end of the year, putting more pressure on airlines' liquidity.

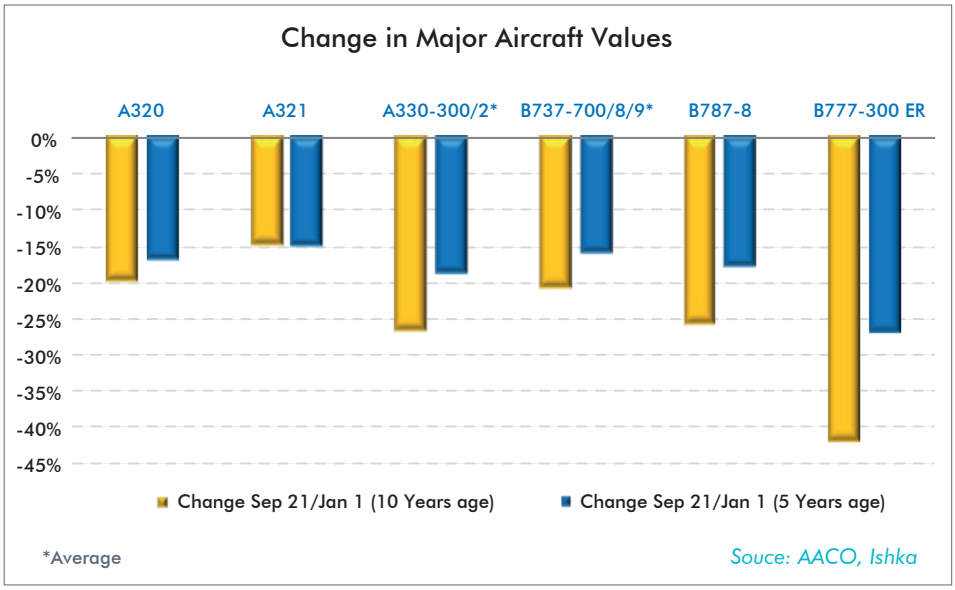
All of the above-mentioned factors, associated with **limited government support (amounting to 26.3% of overall forecasted losses) and very low travel demand**, airlines are expected to face a **severe cash crisis** that will threaten the recovery of the industry as a whole. According to the latest forecast produced by IATA, **airlines are not expected to turn cash positive until 2022**. Therefore, financial support from states is much needed during these hard times, so airlines can retake their role of connecting the world and benefiting the economy.

Fleet Status (Global & Regional)

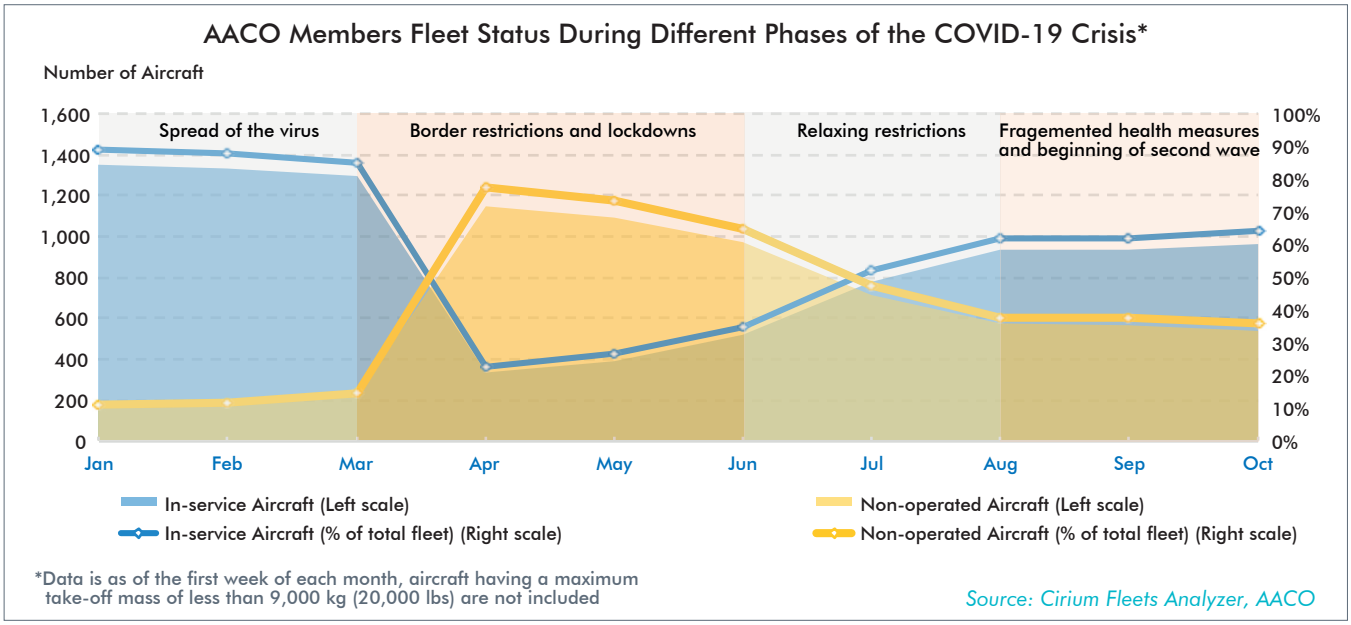


In our previous study published in September, we highlighted the increase in aircraft storage activity during the total lockdown phase of the crisis, and how storage activity started to decrease gradually as restrictions on travel were lifted starting June 2020. **Storage activity stopped its descend in August**, and stabilized in September and October, with the total number of **non-operated aircraft reaching 10,288 and 10,018 respectively**. These numbers represent **30.4% and 29.6% of the total fleet respectively**, which is still alarming when compared to the pre-pandemic levels. Looking at **in-service aircraft**, the total number **reached 23,548 and 23,798 in September and October** respectively.

Between January 1 and October 7, 2020, **400 retirements have been recorded**, and a total of **1,099 aircraft orders has been canceled. Cancellations** are forecasted to reach **1,968 by the end of 2020**, with an additional **2,000 cancelations in 2021**. Moreover, aircraft deliveries **over the upcoming 10 years** are expected to stand at **16,200 commercial aircraft, 30% lower than previously forecasted**.

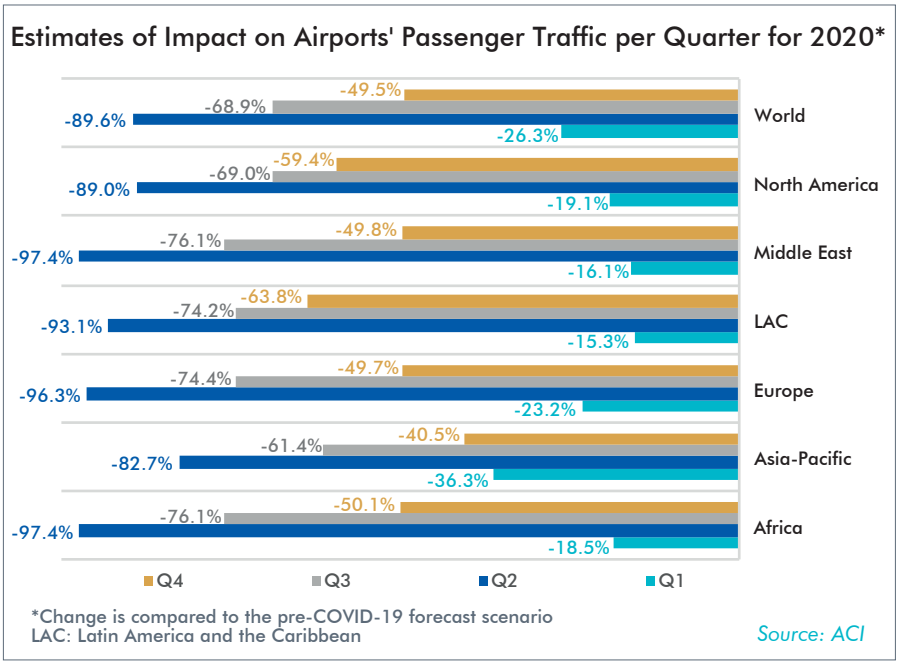


All what is mentioned above, has **severely impacted aircraft values, especially wide-bodies**, as airlines will focus more on smaller aircraft during the recovery period to meet demand levels. The chart to the left summarizes **the drop in aircraft values for major types** used worldwide for **5 and 10 years old aircraft**, as on September 21, 2020 compared to January 1, 2020.

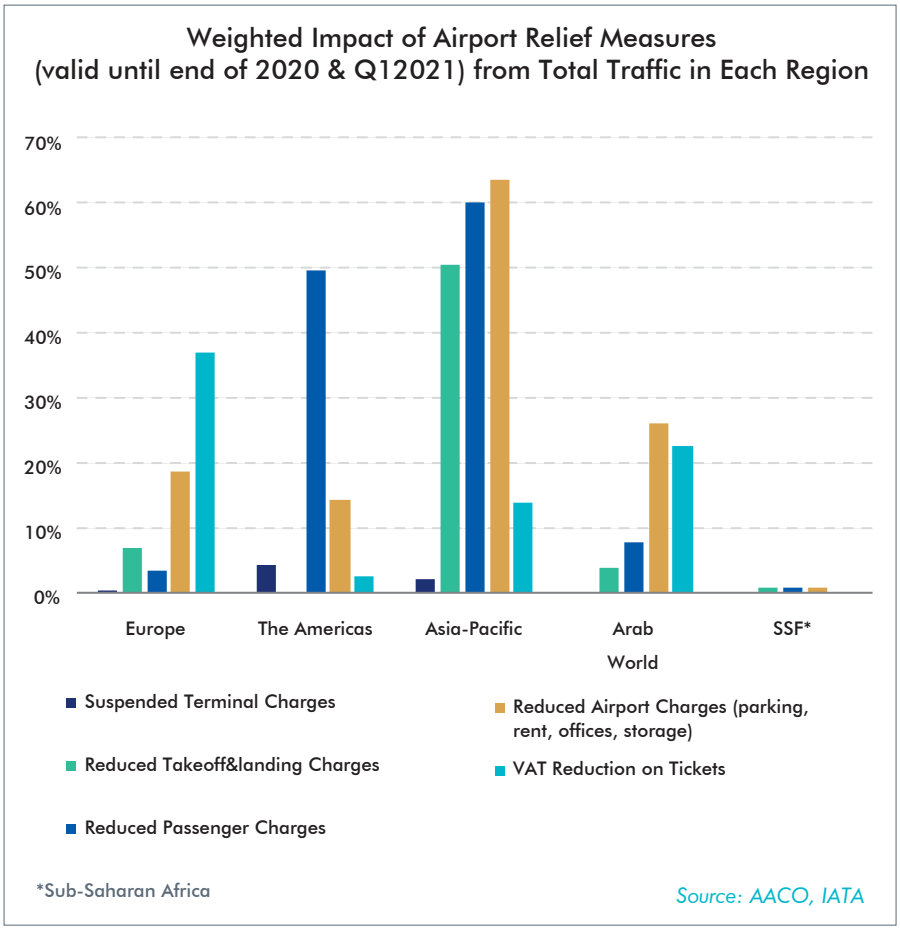


As for AACO members, the total number of non-operated aircraft remains high and more than twice the numbers of January and February 2020. The total number of **non-operated aircraft reached 568 and 543 in September and October** respectively, which is equivalent to **37.8% and 36.0% of total fleet respectively**. These numbers are expected to stabilize in the upcoming months in anticipation of lower demand during Q4-2020. The total number of **in-service aircraft reached 936 and 966 in September and October** respectively. Looking at total expected deliveries, on January 3, 2020 **AACO members were expecting 131 deliveries** during 2020. As on October 7, 2020 AACO members **received only 43 Aircraft** and the expected **deliveries as per Cirium database is 55**, which means that **33 deliveries** were either canceled or deferred to another date. Moreover, when comparing the number of aircraft deliveries expected for 2021 and 2022 extracted on January 3 with data extracted on October 7, **we found a drop of 52.8% and 46.6% respectively**, which means that a huge number of deliveries was either canceled or deferred to a later date. This reflects AACO members' capacity optimization strategy implemented to confront lower demand levels.

Impact of COVID-19 on Airport Operations (Global & by Region)



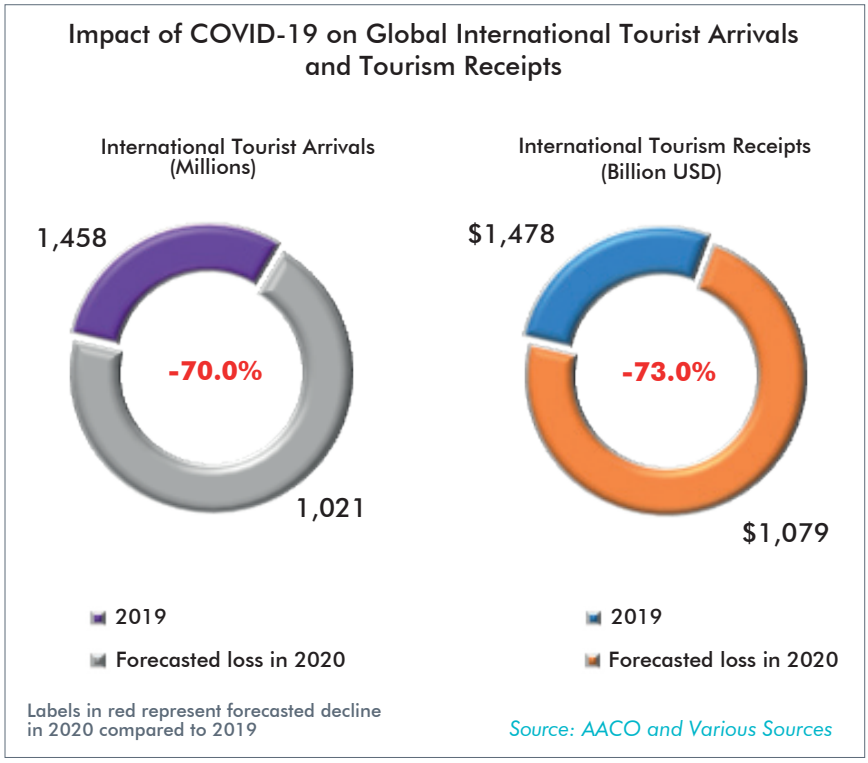
As for airports traffic, there is no change to the forecast scenario issued by ACI regarding airports passenger traffic. **Passenger traffic across global airports** is forecasted **to decline by 59.6% in 2020 compared to 2019**, with Europe taking the biggest hit where passenger numbers across **European airports** are expected **to decline by 64.5%**. **Africa** came second in rank with **passenger traffic declining by 61.4%**, followed by **Latin America and the Caribbean 61.3%, North America 60.4%, the Middle East 59.6%, and finally Asia-Pacific 55.1%.**



In order to aid the recovery of passenger traffic across airports, several countries provided airlines with **airport and ticket tax relief measures** that ranged between reducing airport charges, passenger charges, takeoff and landing fees, and VAT reduction on tickets. Moreover, some airports provided a **full waiver on terminal charges**. However, most of **those measures were temporary, mostly expiring by June 2020**. Measures taken were considered to be **mostly effective in the Asia-Pacific region** as those measures were applied at airports that constitute **more than 50% of the overall's regions traffic**. Looking at **Europe, the Americas, and the Arab world, the effectiveness of the measures faired well**, as some measures were applied at busy airports. As for **Sub-Saharan Africa**, data reported on extended relief measures for 2020 and beyond **showed only one country**, giving the reason behind the weak outcome.

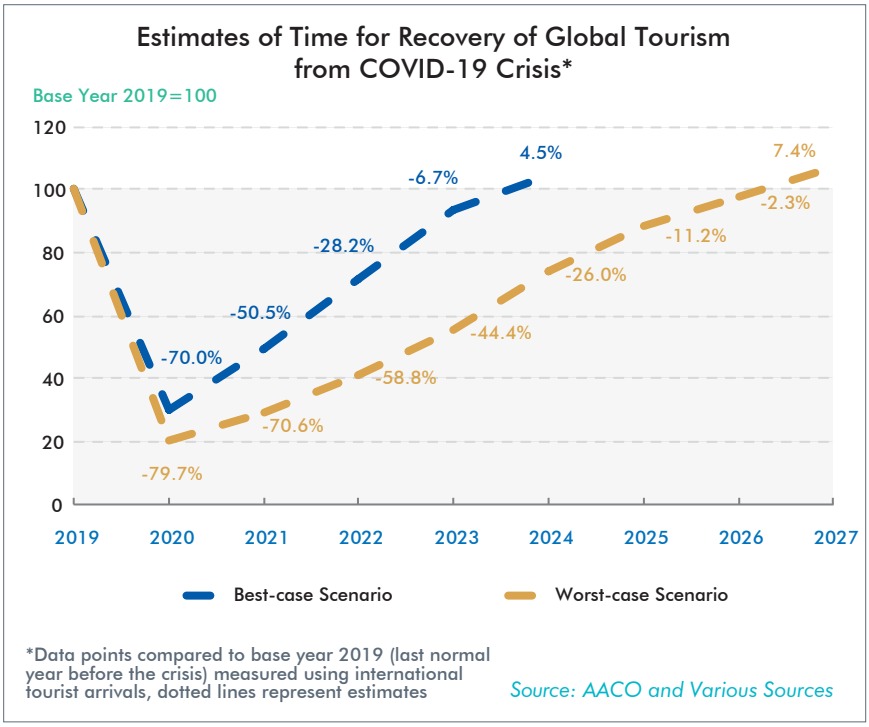
Tourism

Impact of COVID-19 on Tourism and Possible Recovery Scenarios (Global & Regional)



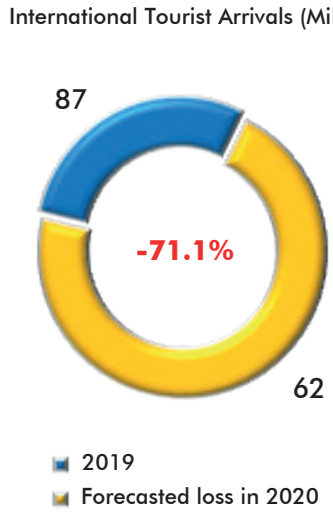
Based on the latest data releases, we have updated our estimates for international tourism for 2020 as compared to previous reports published by AACO through the year. We now estimate **international tourist arrivals to drop by 70.0% in 2020 compared to 2019**, where tourist arrivals are forecasted to reach **437 million tourists**, a 5.4 percentage points downgrade from our previous forecast. As for international tourism receipts, we now estimate a **73.0% decline in 2020 compared to 2019**, where **international tourism receipts** are forecasted to reach **USD 399 billion**, a 5.0 percentage points downgrade from our previous forecast.

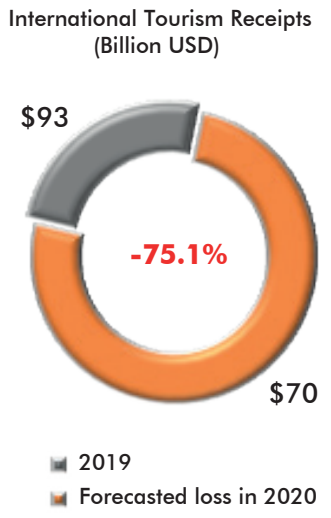
As a result, **capital investment** in tourism is forecasted **to decline by more than 75% in 2020 compared to 2019**.



Further to latest data releases, we have also updated our recovery scenarios for tourism, measured in international tourist arrivals. **We still estimate that international tourist arrivals will not recover to 2019 levels until 2024**, considering our best-case scenario discussed earlier, yet we have downgraded the recovery path to match the updated data set (see left chart). As for the **worst-case scenario, we still estimate that international tourist arrivals will not recover to 2019 levels until 2027**.

Tourism is a **key-rich job sector**. Therefore, the longer the recovery period the more jobs will be lost, affecting the wider economic cycle.

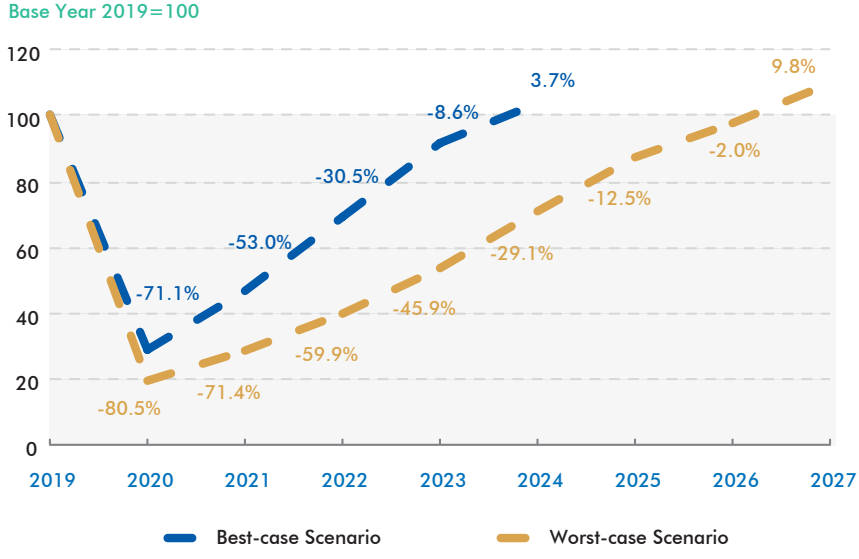




Labels in red represent forecasted decline in 2020 compared to 2019

Source: AACO and Various Sources

Similarly, we have updated estimates for the Arab world touri sector to reflect the most recent d updates. We now estim **international tourist arrivals** to region **to drop by 71.1% in 20 compared to 2019**, where tou arrivals are forecasted to reach **million tourists**, a 6.7 percenta points downgrade from our previ forecast. As for **international touri receipts**, we now estimate a **75. decline in 2020 compared to 20** where international tourism receipts forecasted **to reach USD 23 billi** a 6.0 percentage points downgra from our previous forecast.



*Data points compared to base year 2019 (last normal year before the crisis) measured using international tourist arrivals, dotted lines represent estimates

Source: AACO and Various Sources

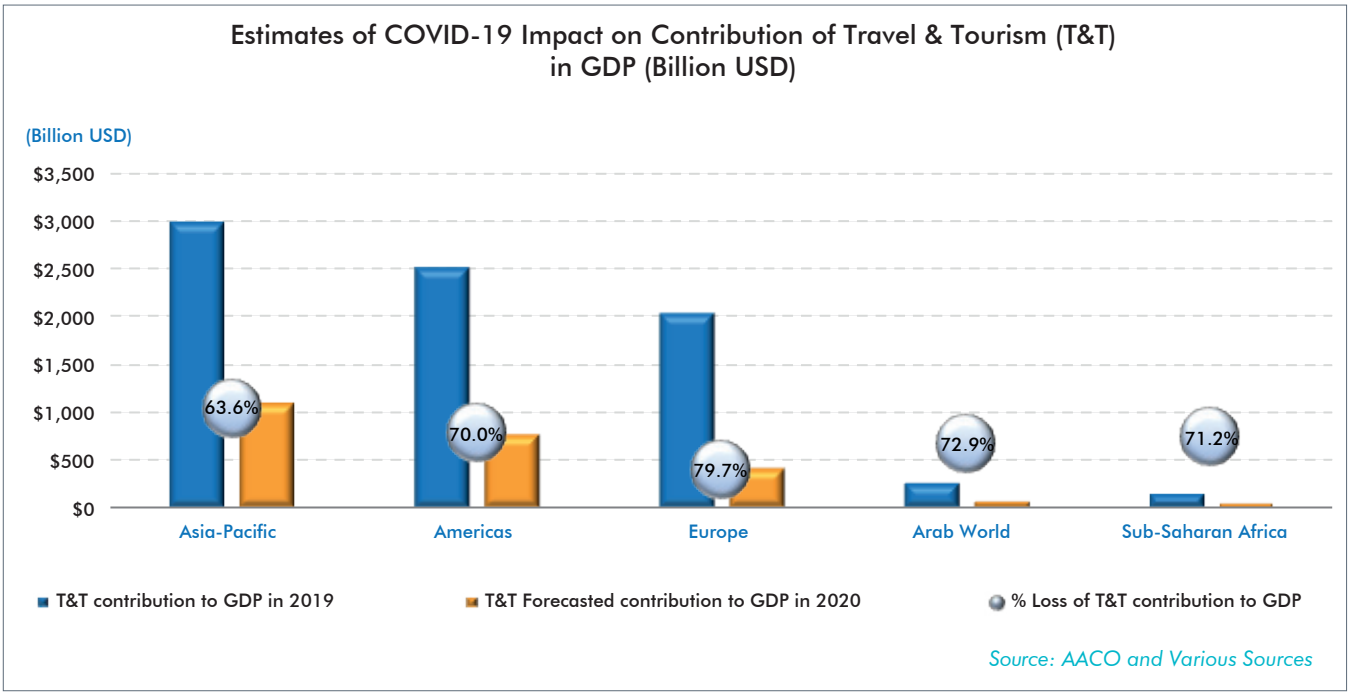
As for time to recovery, we still estim that international tourist arrivals to **Arab world will not recover to 20 levels until 2024, based on best-case scenario**, yet we ha updated our recovery path to match latest data releases.

On the other hand, **our worst-ca scenario still assumes a recovery 2019 levels by 2027**, if the pander intensifies and the recovery of oth industries such as travel remain wea

Aiding the recovery of the touri sector using all possible relief measu is essential, considering the sector's r as a socio-economic catalyst.

Travel and Tourism

Impact of COVID-19 on Travel & Tourism (Globally and by Region)



As we have discussed in our previous studies conducted during 2020, the Travel and Tourism (T&T) industry is expected to take the biggest hit from COVID-19, as the industry relies on face-to-face social interaction, which is impossible to attain during these times. Therefore, the **T&T industry is forecasted to lose around USD 5.5 trillion in contribution to GDP** (no change from our previous forecast as we have already anticipated a downside scenario). The overall contribution of travel and tourism in global GDP is forecasted **to reach around USD 3.4 trillion in 2020**, which represents **a decline of 62.3% when compared to 2019**. Results vary across regions (see above chart), depending on several factors including but not limited to, social distancing measures, quarantine on arrival, and the status of the pandemic.

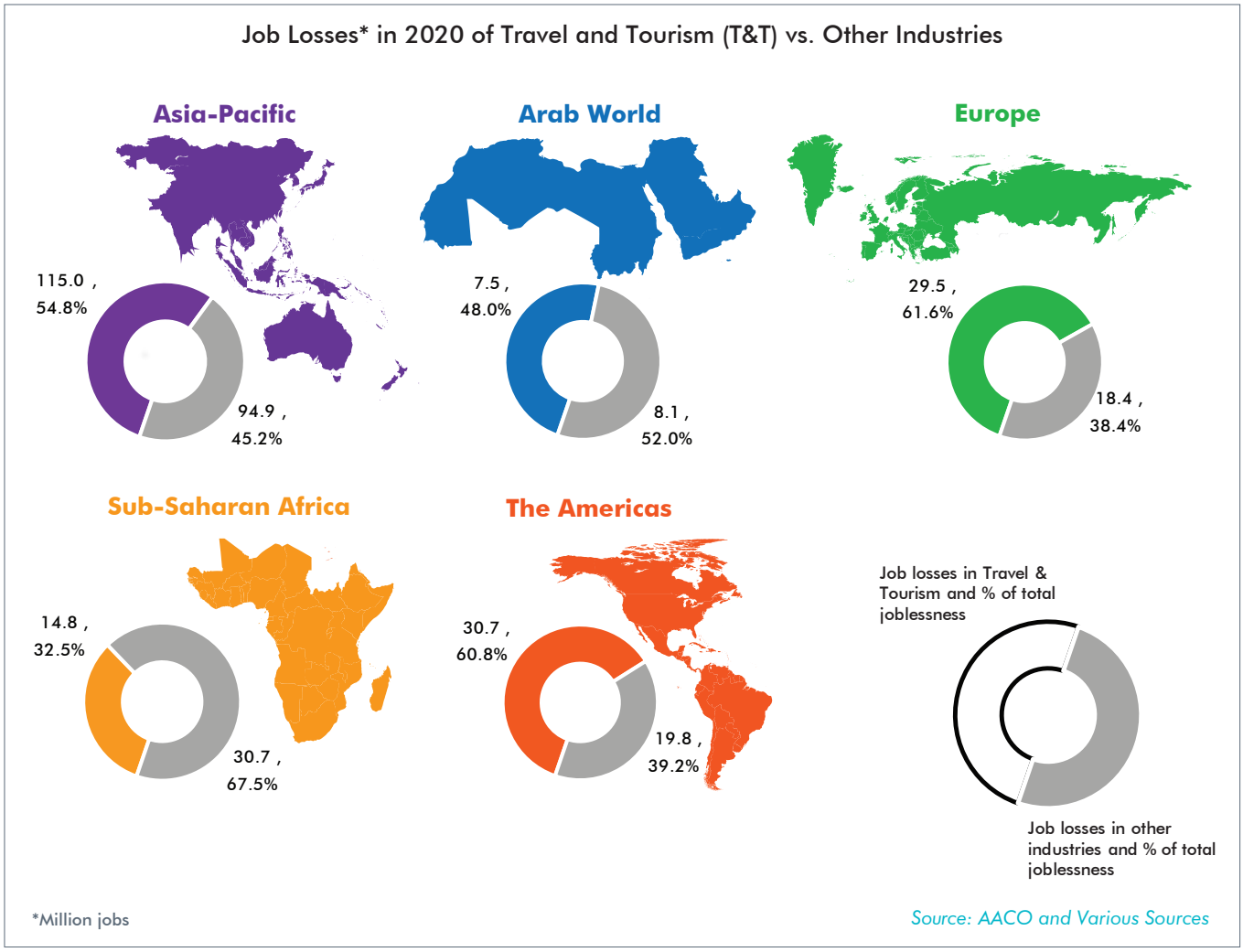
Similarly, our estimates for the Arab world did not change, we still estimate that the contribution of the travel and tourism sector in **the Arab world GDP to be less by USD 194 billion in 2020 compared to 2019**. Therefore, the total contribution of travel and tourism in the Arab world GDP is forecasted to reach around USD 72 billion in 2020, which represents **a decline of 72.9% when compared to 2019**.

Job Losses in Travel and Tourism

As economies reopened in June 2020, the job market witnessed some improvement. However, the rate at which jobs are created and others are lost, remained almost the same. Therefore, we kept on our estimates that the global **unemployment rate will reach around 10.0% in 2020**, which will result in **a loss of around 346 million jobs**. Accordingly, we still forecast that around **57.1% of the total job losses worldwide are attributed to the travel & tourism industry**, which is equivalent to around **198 million jobs**.

Out of the 198 million job losses in travel and tourism, **87.6 million are supported by aviation**, and **5 million are direct aviation jobs**. According to the latest report published by Air Transport Action Group (ATAG), on average, aviation jobs generate around **USD 117,000 in gross value added (GVA)** and are **4.3 times more productive** when compared to other jobs in different industries. Therefore, it is imperative to support the aviation workforce, being an essential component in the economic cycle.

As for the **Arab world**, we still estimate a **loss of around 7.5 million jobs in travel & tourism**. Total job losses in the travel and tourism sector represent around **48.0% of the total unemployment number** that is forecasted to be registered in the Arab region in 2020 (see below chart).



Industry Collaboration

The impact of COVID-19 pandemic on the economy, air travel, and tourism is widely evident and is detailed in the previous section of the annual report. Needless to mention that the air transport sector was among the worst affected by the pandemic due to its global nature. This has triggered **an all-industry global collaboration to ensure the survival of the sector throughout the crisis and when it is over**.
Areas of collaboration between industry stakeholders include the following:

Collaborative efforts in advocating for relief measures that are necessary for governments to adopt to assist in re-elevating this economic sector.

Joint communication with governments on the negative impact of excessive air travel health **measures** in some cases.

Industry **collaboration for the safe restart and eventually the recovery of air transport.**

Research on the safety of air travel in terms of very low-risk transmission of the virus during the travel Journey.

01

Advocacy at the Onset of COVID-19 Crisis

With border restrictions and air travel almost coming to a complete stop, state **relief measures were urgently needed in order to ensure the survival of the air transport sector; in particular, the airlines.**

AACO, working within its working groups, and in coordination with regional and international associations such as the Arab Civil Aviation Organization, the International Air Transport Association, the International Civil Aviation Organization and others, **advocated for the financial and regulatory relief measures at the onset of the crisis, and continued to do so as developments occurred with regards to the spread of the virus and border restrictions**.

Financial Relief

- Direct financial stimuli to airlines.
- Urgent settlement of government institutions' dues to the airlines.
- Lenders to grant airlines loans at low interest rate.
- Tax exemption on airlines' income.
- Tax and customs exemptions to airlines' equipment.
- Covering urgent costs caused by the epidemic.

Regulatory Relief

- Relief from Passenger Rights Regulations related to cancelled flights that were caused by travel and border restrictions.
- Allowing airlines to provide vouchers instead of refunds for cancelled flights due to border closures.
- Waiver of slot usage rules at airports so airlines won't lose their slot allocations.
- Waiving airports' and air navigation user charges & fees especially aircraft parking fees.

02 Preparing for an Efficient Restart of Air Transport

The efficient restart of air transport has been on the radar of AACO and partner associations and organizations since the start of the pandemic. This has triggered putting a plan in place for the restart.

As a starter, the following were identified as pre-requisites for the restart and recovery of international air transport and were communicated with the relevant stakeholders:

- **Ensuring the health of passengers and personnel** while assuring governments and passengers of the safety of the air transport system.
- **Avoiding fragmented and excessive health measures** due to its negative impact on operational sustainability and on passenger confidence.
- **Ensuring an orderly return to service** of the international air transport system.

A major enabler to ensure that the pre-requisites are met was identified as follows: **Establishing a high-level global entity that would develop globally harmonized air travel health measures based on the risk of transmission of the virus.**

The Establishment and Work of ICAO Council's Aviation Recovery Taskforce (CART)

ICAO Council established its Council Aviation Recovery Task Force (CART) gathering high-level representatives from states, WHO, UNWTO, regional civil aviation organizations, and international air transport organizations.

On 1 June 2020, ICAO published the COVID-19 report and guidelines produced by the CART aimed at providing practical, aligned guidance to governments for a safe passenger journey.

03 The Scene during the Restart of Air Travel

Opening borders and easing restrictions on travel is not coordinated or based on a common approach by states which is causing confusion to airlines, airports, and passengers.

Governments are still very hesitant when it comes to opening their borders for air travel although it has been documented in most states that the overwhelming majority of new COVID-19 cases are locally contracted.

Biosafety travel measures implemented by states are fragmented and excessive such as mandatory quarantine upon arrival, double disinfection procedures causing delays, and others.

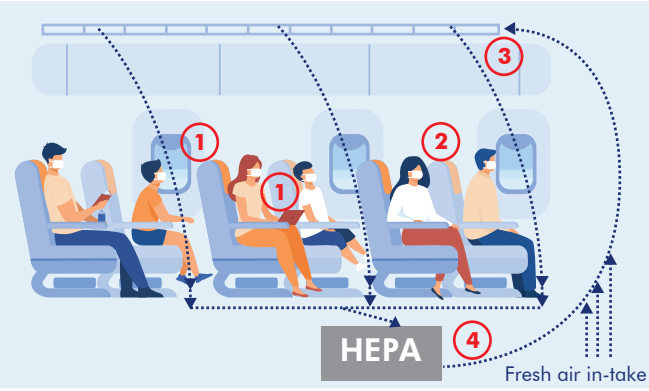
According to the most recent travel survey conducted by IATA, **88% of travelers wouldn't travel if there's a chance of being quarantined**.

Travelers are confused and they lack proper awareness of health requirements and travel restrictions **which is causing lack of confidence in travel**.

04

Scientific Research Highlights that Air Travel is Safe

Scientific research and a multi-layered approach for protection implemented throughout the air travel journey ensures that air travel is safe.



- Aircraft airflow systems
- High Efficiency Particulate Air (HEPA) filters
- The natural barrier of the seatback
- The downward flow of air, and
- High rates of air exchange

combined with the addition of mask-wearing efficiently reduce the risk of disease transmission onboard.

According to the data used in a joint publication by Airbus, Boeing, Embraer and IATA of separate computational fluid dynamics (CFD) research conducted by each manufacturer in their aircraft:

- 1.2 billion passengers have travelled since the start of 2020. 44 cases reported of confirmed, probable or potential transmission associated with a flight. This means **one case was reported for every 27 million passengers**.
- Most of these cases happened before the start of wearing masks or biosafety measures were in place.

With the reassurance of science that transmission throughout the travel journey is extremely low risk, **come additional layers of protection** as follows:

1. **Measures adopted as per ICAO's comprehensive guidance for safe air travel** amid the COVID-19 crisis that provide multiple layers of protection, which involve airports as well as the aircraft. These measures could include health screening, remote and contactless self service, cleaning and sanitization, mask wearing, little movement inflight, and simplified cabin services, in addition to touchless processes for customs and borders procedures. **This ensures an end to end safe travel journey**.
2. The use of touchless technology in most phases of the travel journey is implemented by most airlines and airports around the world.

In brief, based on global scientific studies, being seated in proximity in an aircraft cabin is safer than most other indoor environments.

Priorities for the Future

Ten months forward since the beginning of this pandemic, the importance of the resilience of the air transport sector in times of crises has become the focus of all aviation stakeholders.

Global cooperation and support to the sector are key to ensure its survival and for it to go back to playing its natural role as a supporter of the advancements of the economies.

In the below, AACO demonstrates the areas of focus for the future that are needed to ensure the survival of the sector and to enhance the resilience of air transport to crises. **The basis** of those areas **is the governments' embrace of the value of air transport. This could be achieved through direct financial relief measures to the sector along with additional layers of health protection that would stimulate demand and restore confidence in travel**.

01 Financial relief measures to the air transport sector, especially to airlines

The air transport system has provided economies of the world with strong support that helped in advancing those economies especially with the strides taken throughout the past decades in opening up markets and liberalization of air services.

With airlines and airports having come to almost a complete stop last April, **financial support and relief measures by governments for the sector would play a key role in ensuring the survival of the sector**.
While airline losses have reached USD 507 billion, financial relief measures only covered 26.3% of total airline losses. In the Arab world, government financial aid covered only 11.8% of total airline revenue losses.

With the high probability of a second wave of COVID-19 and the expectations of a late vaccine being widely available (not before end of 2021), the air transport sector would require more aid from governments, especially to the airlines, otherwise the survival of the majority of the airlines globally will be at high risk.

A coordinated approach for opening up borders with relevant, harmonized and transparent biosafety measures 02

With the return of air travel, **a global coordinated approach towards opening borders is key to ensuring consistency and meeting expectations of passengers** so they are aware, and information is clear and transparent to them.

This **global approach can be based on the level of the risk of transmission of the virus in the different countries**, while using the criteria of the EU with regards to "test positivity rate" and "testing rate", whereby any travel health measures would be based on the level of spread of the virus in the country of origin. Add to that, **data has shown that air travel as a mode of transport is not a transmitter of the virus** (1 probable infection transmitted onboard for every 27 million passengers). Data has also shown that **infections coming from inbound travelers is extremely minimal** (2.9% in the EU of total infected cases) as compared to local infections.

This data is an insurer for governments to start opening borders based on the air services agreements in place while adopting the various layers of protection as displayed below.

03 Adopting layers of protection based on CART's guidelines that avoid excessive measure

Having demonstrated that **scientific research has proven that air travel has an extremely low risk of transmission** of the virus, comes the importance of following ICAO's CART guidelines that provide extra layers of protection from the virus during the travel Journey. **Consistency, harmonization, and meeting passengers' expectations support restoring air travel demand**.

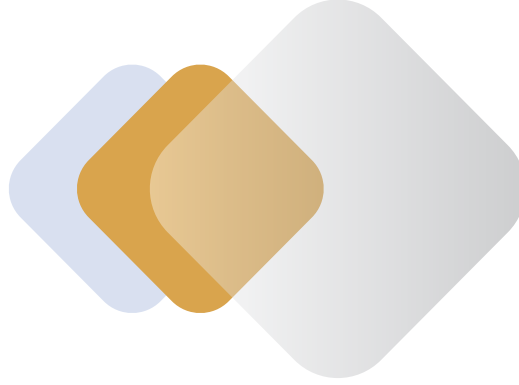
Using fast and appropriate testing for COVID19 04

COVID-19 tests done prior to arrival would isolate the infected from the journey; meanwhile, **quarantine measures upon arrival** do not serve that purpose and **have proven not to curb the transmission of the virus**.

Accordingly, in order to avoid quarantine measures, and in order to ensure an added layer of protection for passengers, and in light of the unavailability of a COVID-19 vaccine, **PCR tests before travel demonstrate a viable safety net, as well as adopting COVID-19 Rapid Tests** that are being developed, whereby only who test negative would be permitted to travel.

05 Investing in game-changing technology for touchless air travel

While airlines and most airports around the world are using advanced touchless technology through the passenger journey, it is important to complement this work with **advanced biometric technologies on security, customs, and passport control points by governments**.



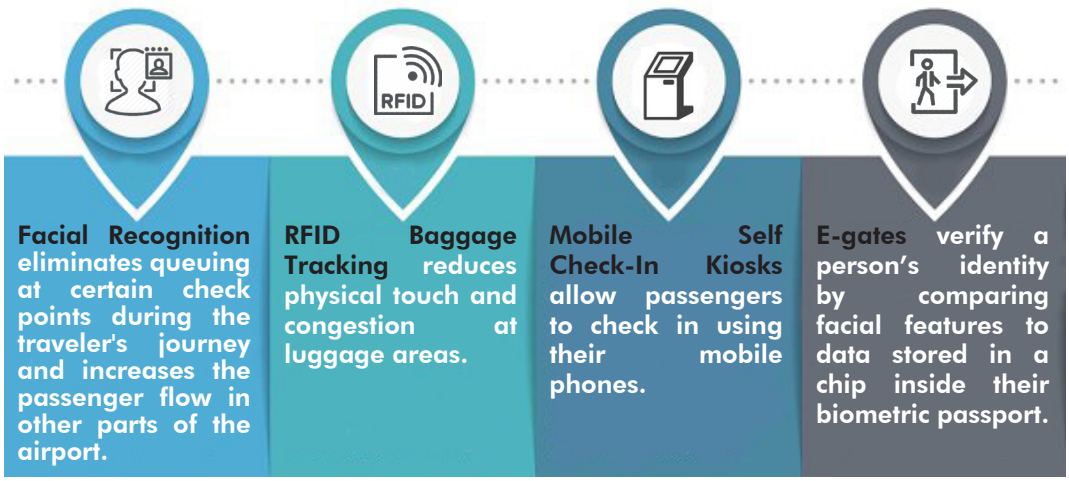
The Importance of Technology in the Future of Aviation

The recent crisis has brought about unexpected paradigm shifts that have affected the core of air travel.

However, it presented the **opportunity** to implement technological changes that will create a more **touchless and seamless travel**.

Today, we have at our disposal several technological advancements that are **ready to implement** and can cause fundamental changes in air travel.

The technologies allow for significantly **lower costs** for airlines and airports and **improve the overall travel process**.



Traditional Travel Process	Digitized Travel Process
Touchpoints	
Several touchpoints at different points, increasing the chance of contagion	Up to 60% less touchpoints, considerably limiting possibility of viral spread
Queuing	
Long queuing time, causing congestion and adding to airport pain-points	Shorter queuing time, facilitating social distancing and providing a more enjoyable travel experience
Health Declaration	
Difficulty in managing Public Health records, burdensome and inefficient information dissemination	Real-time management of Public Health records, record-fast and efficient dissemination of information

Travelers are Ready for a Digitized Travel Process

57% prefer biometrics over paper

64% would track their bag using an app if possible

74% would use mobile alerts for gates if available

90% book their flights using self-service

The Way Forward

1. It is now important for **governments to start adopting advanced biometric technologies on security, customs, and passport control points**.
2. The **Industry should adopt a standard** which allows the integration of passengers' travel data with the airport biometrics.
3. States and airlines should adopt solutions that enable the authentication of **passenger health certificates** for a speedy recovery.

Effective Cooperation and Awareness

In response to the challenges that the current pandemic has put before AACO member airlines, AACO has rapidly responded by identifying the critical challenges faced and possible solutions to ease the burdens on the airlines.

This has triggered the importance of raising members' awareness on the development of the pandemic and its impact on air transport globally and in the region, and the effective cooperation between member airlines through the work of AACO's steering boards, task forces and working groups. AACO has also adapted to the new e-environment that was highly needed during the pandemic through launching an e-learning platform by AACO's Regional Training Center, and through hosting relevant virtual webinars.

Working within the Umbrella of AACO Groups

AACO's groups held virtual meetings throughout the year where each group identified the areas of focus within its scope of expertise. Below is a brief of the issues that were identified by the various groups and which were the basis of AACO's joint work with the airlines throughout the year.

Aeropolitical Watch Group

The Aeropolitical Watch Group identified relief measures that airlines require during and after the pandemic and put pillars for advocacy work conducted throughout the past months with governments and aviation stakeholders. The group also identified the following two critical areas that will be faced when travel restarts and based its advocacy efforts on them, throughout the year, with the concerned stakeholders:

1. The fragmentation of health measures and regulatory requirements for airports and airlines to mitigate risks and maximize travelers' protection when travel restrictions start to be lifted.
2. Passengers' reluctance to travel due to fear from being exposed to health risks at airports and on-board aircraft, and due to excessive and extreme health measures such as quarantine upon arrival.

Environmental Policy Group

The Environmental Policy Group identified the need for adjustment of CORSIA baseline of 2020 to be based on emissions levels of 2019 instead and the need to postpone the CORSIA deadline for submitting the 2019 verified emissions reports.

Indeed, through advocacy at different platforms, the CORSIA baseline was adjusted to be 2019 instead of 2020.

Emergency Response, Safety and Security

The ERP, Safety, and Security groups identified the following key issues that were addressed throughout the year:

1. Harmonization of health measures is crucial for operational sustainability.
2. Managing the psychological impact of current flights on crews is important.
3. Maintaining personnel required skills through training.

The Safety and Security groups also shared their best practices to overcome the rising operational challenges brought up by the pandemic.

Engineering & Maintenance

The Engineering & Maintenance groups identified the inability to conduct the practical part of the training for new aircraft types due to lockdowns. The groups also emphasized the need for further industry collaboration during this hardship.

Human Resources

AACO Human Resources Development Steering Board highlighted the need to transfer some of AACO Regional Training Center's classroom courses to e-learning modules, which has been implemented by launching a virtual e-learning platform. The Board has intensified its efforts to conduct a series of training courses using virtual classrooms/e-learning platform on health measures and implementation processes. The board also called for collaboration with aviation medical professional organizations to conduct virtual training on several topics related to COVID-19.

AACO Amadeus Steering Board

AACO Amadeus Steering Board identified that the future travel landscape will heavily rely on technology, especially in the area of social distancing and touchless technology. The group called for having the right technology to cope with the new requirements of biosafety.

Fuel Project

The Fuel Steering Board held several virtual meetings and conference calls to discuss the impact of the pandemic on fueling operations. In addition, AACO's Aviation Fuel Advisory Group held a virtual meeting to discuss the crude oil and jet fuel market outlook, safety of fueling operations and filtration measures, and sustainable aviation fuels.

Ground Handling

The Ground Handling Steering Board identified how the handling market could change due to the severe impact of the crisis on ground operations.

Launch of E-Learning Platform

- The effect of COVID-19 on the aviation industry has prompted AACO's Regional Training Center to launch several e-learning training courses, which are conducted in virtual classrooms that ensure live interaction.
- AACO RTC has developed with MedAire and Kenyon International several virtual courses; in addition, to developing virtual workshops based on ICAO's CART "Take-off Guidance" for the recovery and restart of air transport from COVID-19. The e-learning platform could be accessed through the following link: https://elearning.aaco.org.

Webinars Jointly Organized by AACO and Partners throughout the Year

20 April — **Argus Media**
COVID-19 Pandemic and OPEC+: Oil Market Review and Aviation Market Impact

29 April — **APSCO**
General Instructions for Fueling Operations during COVID-19 & Interpretation of JIG Bulletin 128

20 May — **Kenyon International**
The New Normal for Aviation Post COVID-19

9 June — **InterVISTAS**
Government Support to Aviation During COVID-19

16,17 & 24 June — **Amadeus, Sita and Sabre**
Technology as an Enabler for the Safe Restart of Travel

2 July — **Minsait**
Leading our Industry Forward: Solutions to safely restart engines

14 July — **ProSafeT**
Safety, Audit & Quality management software helps aviation organizations adapt to COVID-19

27 July — **ICAO, ACAO and IATA**
Restoring Travelers' Confidence and Stimulating Demand

6 October — **Nourish**
Elevating the in-air food experience: A disruptive innovation in onboard catering

AACO'S PUBLICATIONS

Every 183 Days

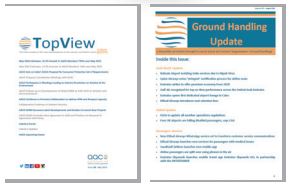
Every 365 Days

Annual Report

AATS

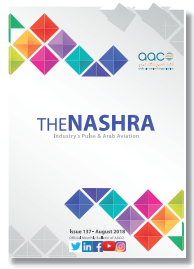
Every 90 Days

Every 60 Days



Every 7 Days

Every 30 Days



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