INTERNATIONAL TRANSPORT WORKERS' FEDERATION

State Relief Packages to the Aviation Industry

An Analysis

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INTERNATIONAL
TRANSPORT
WORKERS'
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EXECUTIVE SUMMARY

Over US$ 134 billion offered in targeted financial assistance to the aviation industry across 23 countries[1] has been mapped in this research which specifically analyses the:

- Target of relief packages
- Structure of relief packages
- Workers' protections within the relief packages
- Sustainability requirements within relief packages

This research includes financial relief packages where a monetary amount could be assigned to the relief provided. It maps financial relief packages where support was targeted to the aviation industry. General economic relief or wage replacement schemes were not considered. Therefore, relief mapped in this research is unevenly distributed globally. It is mostly concentrated in Europe and virtually absent in Africa, Latin America and most of Asia-Pacific.

Over 70% of the countries studied offered relief to airline companies. Few countries included aviation service companies in financial assistance to the industry.

19 of 23 countries provided financial assistance through debt mechanisms.

Less than 30% of countries included explicit worker protections in their financial assistance programmes.

AIRPORTS UNITED

[1] See Annex 1

TARGET OF RELIEF PACKAGES

Airlines, especially legacy airlines, have been the primary beneficiaries of these financial relief packages.

Over 70% of the countries mapped as part of this research had targeted relief packages at airline companies. Of course, some of these airline companies include diversified aviation services such as MRO or catering. But independent or third-party aviation companies that provide services to support the delivery of air travel (such as ground handling or catering or airport management) have been excluded from these relief packages. USA, Hong Kong, France, Singapore and Switzerland were notable exceptions.

In Switzerland, the government's relief package included the flag carrier as well as service companies such as Swissport and SR Technics. In the USA, the relief package to the aviation industry covered passenger and cargo airlines as well as airport contractors, repair organisations and ticket agents.

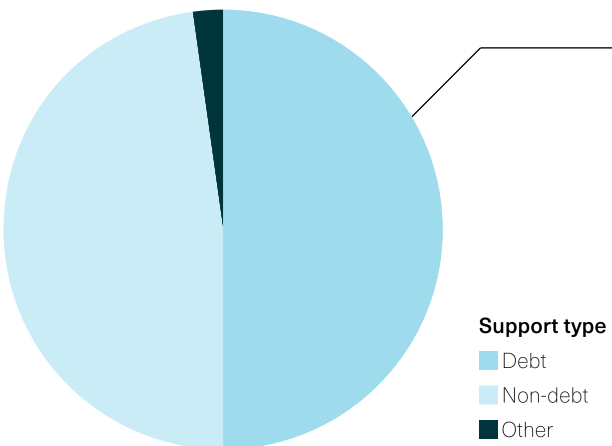
In at least 17 of the 23 countries mapped, mainline airlines (often flag carriers) were the primary recipients of government relief packages. Where low-cost carriers did receive government support it was in return for services (such as in Australia) or a small proportion of the overall relief offered to the industry (such as in Spain). In the UK, airlines could apply for government loans at competitive market rates, and there are at least three low-cost carriers that have availed of this.

STRUCTURE OF RELIEF PACKAGES

Debt mechanisms have been the primary vehicle for financial assistance to the aviation industry. An overwhelming majority (19 countries) of the countries offered at least some form of financial relief through debt mechanisms. In 13 of these countries, financial assistance was exclusively provided through debt mechanisms.

Approximately 50% (US$60.1 billion) of the total financial assistance analysed was provided through debt mechanisms. Approximately US$ 47.3 billion (78.7%) of the financing through debt is through loans, largely government loans but in some cases also through state owned banks such as the KfW Bank in Germany and DBS in Singapore. In other cases, the debt is in the form of loan guarantees where the state is the guarantor on loans that are issued by private institutions.

BREAKDOWN OF FINANCIAL RELIEF



Govt loan in USD	40,788,500,000
Loan guarantee in USD	12,585,210,000
Other loans in USD	6,530,000,000
Bonds in USD	267,000,000

In multiple cases the structure of these measures raises cause for concern. In the USA, no loan forgiveness is part of the conditions under the CARES Act through which the aviation industry received relief. In France, the loan forgiveness period is six years. In the Netherlands the repayment term on loans is five years. IATA currently does not expect the industry to return to 2019 levels until 2024. In this context, the conditions on such debt mechanisms raise the possibility of further financial crisis in the industry in the future.

In five countries – Singapore, Italy, Hong Kong, Germany and Finland – financial support to the industry included the **purchase of shares / convertible bonds.** In most of these cases government intent is to be a short-term and silent shareholder. In all of these cases, this has been done with legacy flag carriers – Singapore Airlines, Alitalia, Cathay Pacific, Lufthansa and Finnair. The German state has taken a 20% stake in Lufthansa which can be increased to 25% in the event of a takeover attempt.

Financial relief has also been structured to ensure:

Exclusive use for national infrastructure including in Switzerland, Austria and Spain where financial relief cannot flow upstream to parent companies and must be used exclusively to support aviation infrastructure within the country's territory. In Austria, the Austrian government required parent company Lufthansa Group to also contribute financial assistance to Austrian Airlines. It also required commitments from the parent company to the Austrian hub growing in proportion to other Lufthansa Group hubs in the region.

In Switzerland, the government declined support to EasyJet while offering support to other airlines and aviation companies with the expectation that its British parent company would be able to support its subsidiary.

Restrictions to shareholder dividends and executive pay in the Netherlands, USA, Hong Kong, Germany and New Zealand. In the USA, there could be share buyback programmes or dividends where the loan term exceeded 12 months. In the Netherlands bonus pay is restricted until the loan has been repaid.

Sustainability initiatives have been less prevalent and could be identified as part of relief packages in the Netherlands, Austria and France. Austria's sustainability requirements have been the most far reaching, including minimum ticket prices, taxation on certain ultra-short haul flights, increased investment in rail infrastructure and subsidising the cost of travelling by rail. In the Netherlands, the terms of the KLM relief package include a reduction in night flights. However, the enforcement and accountability around these requirements seems unclear.

Rent relief, tax deferrals, delayed concession charges and relief on refunding tickets have been other ways in which governments have acted to preserve liquidity across the aviation industry. These measures have been implemented in countries beyond the scope of this research as well.

In Hong Kong, a government body has purchased 500,000 tickets to inject liquidity into the industry as a means of helping the aviation and tourism industry recover, with the intention to give them away after aviation recovers. The body also bought ground service equipment from ground handling companies and allowed rent free use for a period of time as a way of injecting liquidity into ground service operators. In Australia, the government has provided grants in return for the maintenance of services.

WORKER PROTECTIONS IN RELIEF PACKAGES

Over 70% of the countries researched had no explicit worker protections as part of the relief packages. USA, Singapore, Netherlands, Russia, Hong Kong and Israel were exceptions to this and included explicit worker protections. Of course, in many countries there are currently wage replacement/furlough schemes. However, the imminent closure of over 70 wage subsidy programmes globally is a major threat for aviation workers whose industry is unlikely to recover until 2024.

Worker protections in financial relief packages can broadly be broken down into three categories:

Payroll support - This usually took the form of grants to employers to maintain workers' pay. In the USA, approximately US$ 32 billion was distributed across the aviation industry to support payroll. In Singapore about US$ 296 million was earmarked for the same purpose but workers were paid a proportion of their usual wage up to a maximum amount. In the USA, while this maintained workers' employment for a period of time, the payroll support has now expired and triggered major layoffs.

Reskilling - Hong Kong and Singapore are major examples where financial assistance has been earmarked for reskilling and temporary redeployment of aviation workers. Approximately HK$ 50 million has been earmarked in Hong Kong to retrain frontline airport staff. In Singapore, aviation workers have been redeployed in other sectors such as at hospitals as service workers.

Embedding collective bargaining - the Netherlands and Israel are two major examples where collective bargaining has been made a precondition of receiving financial relief. In Israel, trade union approval of the significant cost cutting measures was necessary as a precondition to financial support. In the Netherlands, KLM's financial relief which included a loan and loan guarantees required the employer and union to agree a deal on cost cutting measures and worker contributions.

CONCLUSION

The extended crisis for aviation globally will require greater financial and longer-term assistance to the industry. Financial relief to the industry to date has been restricted to a minority of countries. This analysis identifies areas of concern in the current relief packages and highlights existing best practice.

There are, however, good practices established in the relief mechanisms in various countries that can be considered for relief to the industry in the future.

The US relief package included the broadest spread across the aviation industry of the countries analysed. Switzerland and Singapore are also good examples.

Collective bargaining, as part of the terms of the relief package seen in the Netherlands, provides trade unions with the opportunity to bargain for longer-term support for workers in the industry, both those having to transition out of the industry and for those remaining in aviation.

Relief has not been distributed adequately across the industry in most countries. The short-term nature of relief through debt mechanisms is problematic and fails to recognise the prolonged nature of this crisis and may in itself trigger subsequent crises in the industry.

The prolonged nature of this crisis also requires relief packages to include worker protections to avoid the industry haemorrhaging millions of jobs globally before the industry recovers. It also needs to consider investing in the industry to ensure it is viable from a sustainability perspective post recovery.

The relief packages to date have not recognised, let alone addressed, the profound shock and crisis that is facing the aviation industry and the companies and workers that make up the whole hinterland of the aviation supply chain. Relief that focuses solely on legacy airline survival without thought for the longer-term crises in jobs, recovery and service providers is inadequate.

It is in this context that the ITF is calling for tri-partite national aviation recovery bodies to determine the level and scope of relief for the industry in each country. National aviation recovery bodies should be comprised of labour unions and employers from across the whole industry (airlines, airline catering, MRO, ground handling, airport operators, air traffic control) plus government agencies to enable an effective, longer-term response to crises that shares the burdens and costs more evenly so as to promote recovery and a sustainable industry in the longer term.

ANNEX 1: COUNTRIES INCLUDED IN ANALYSIS

COUNTRY	FINANCIAL SUPPORT IN USD
Australia	1,508,180,000
Austria	499,800,000
Colombia	370,000,000
Denmark	151,000,000
Finland	1,262,590,000
France	17,850,000,000
Germany	11,364,500,000
Hong Kong	5,070,000,000
Israel	187,500,000
Italy	4,141,200,000
Netherlands	4,046,000,000
New Zealand	612,000,000
Nigeria	10,300,000
Norway	549,000,000
Portugal	1,428,000,000
Russia	310,000,000
Singapore	14,753,380,000
South Korea	2,848,000,000
Spain	1,201,900,000
Sweden	501,000,000
Switzerland	2,142,000,000
UK	2,772,000,000
USA	61,000,000,000
Grand Total	**134,578,350,000**

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