

Grounded: Planes Kept on Plains Due to the COVID-19 Outbreak

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Australian international and domestic airlines have been severely affected by COVID-19. Demand has declined and substantial losses are expected to occur.

The COVID-19 virus has caused mass flight cancellations and job losses in the Australian airline sector

The Australian airline sector has been one of the hardest hit sectors in the economy due to COVID-19. Travel bans implemented around the globe have caused airlines to restrict most operations to help prevent the spread of the virus. The industries most affected by COVID-19 are the:

- [Domestic Airlines](#) industry
- [International Airlines](#) industry

Cancelled flights have severely affected these industries' employment and wages figures. In the [Domestic Airlines](#) industry, employment and wages in 2019-20 are expected to fall by 16.5% and 14.6% respectively. The [International Airlines](#) industry is anticipated to face even steeper declines of 24.6% and 23.5% in employment and wages respectively. Many flight attendants, baggage handlers and pilots are no longer required due to flight cancellations and restricted demand. However, the Australian Government's JobKeeper payment scheme is anticipated to help employers retain their employees in

the Australian airline sector. This subsidy aims to assist businesses that are heavily affected by COVID-19 by paying each eligible employee a fortnightly payment of \$1,500. Flight cancellations have affected the revenue streams of domestic and international airlines as well. Both industries are expected to have extreme revenue declines in 2019-20 of 15.3% and 32.0% respectively.

The [International Airlines](#) industry has suffered heavier losses than the [Domestic Airlines](#) industry due to the two industries' different operating natures. Nearly all international travel has stopped due to strict quarantine measures. Qantas, the largest major company in both industries, has cancelled all international flights during April and May, with the potential for further cuts for the following months. However, the airline has only reduced flight capacity by 60% for domestic services. This decision is due to the fact that some flight services are still required for essential service workers, such as doctors travelling to rural regions, and

Domestic Airlines in Australia*			International Airlines in Australia*		
	2018-19	2019-20		2018-19	2019-20
Revenue (\$b)	13.7	11.6	Revenue (\$b)	29.0	19.7
Growth rate	1.1%	-15.3%	Growth rate	5.6%	-32.0%
5 year CAGR		-2.3%	5 year CAGR		-5.7%

*Estimate 

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individuals travelling for personal reasons. Qantas' expected revenue declines in 2019-20 for international and domestic flight services act as a good indicator for the impact level COVID-19 is inflicting on each industry. Qantas' revenue loss for international airlines is anticipated to be 31.6%, while its domestic loss is estimated to be 14.8% in 2019-20.

Some aspects of the airline sector have gained unexpected relief from the COVID-19 outbreak. The decline in Chinese manufacturing has contributed to the plummeting world price of crude oil in the first months of 2020. This trend is expected to help industry operators reduce purchase costs as a share of industry revenue and

subsequently boost profit margins. However, the benefits of falling fuel prices on profit are expected to be substantially offset by a declining load factor. The load factor measures an airline's ability to fill their planes with customers. A higher load factor is beneficial for operators as they are able to spread their costs over more passengers. COVID-19 has caused a steep decline in demand for industry services, which is expected to reduce the load factor and profit across both industries in 2019-20.

Related industries:

[Domestic Airlines in Australia](#)

[International Airlines in Australia](#)