

# Aviation will never be the same again

The present aviation catastrophe makes all the previous “once-in-a-lifetime” disasters look like a walk in the park, says Adam Pilarski, senior vice-president at Avitas. But even though we could see a loss of four years of growth, a new, brighter era could emerge for the industry.

A few months ago life was much simpler. My consistent and negative forecasts might have seemed extreme to some but they involved pretty simple realities about a bubble in aircraft deliveries brewing for more than a decade.

It was easy to pinpoint the reasons for the bubble and analyse various possible scenarios that were about to evolve. We could see factors why the bubble was not as dramatic as could have been predicted, such as manufacturers being unable to complete and deliver all the aircraft ordered.

All this was fairly straightforward and I have been charting the journey of aviation through the turbulence of the bubble environment, writing numerous articles about these developments. I assumed the role of Jeremiah non-stop and, while being negative, I did not foresee the calamity that unfolded because of the Covid-19 pandemic.

The present reality is unfortunately much more grim, complicated and dangerous than my boldest and dire predictions. We have, over the years, faced many significant troubles. Each of these we called a “once-in-a-lifetime” event. As one example, the crisis in the early part of this century involved an economic downturn, high oil prices and a terrorism attack that was specifically directed against aviation, followed a short time later by the SARS epidemic.

All this hurt our industry tremendously and was assumed never to be duplicated in the future. Terms such as “a perfect storm” were used at that time. I compared it to a religious experience and named these developments “the 10 plagues”, implying the very unique nature of such events.

Compared with such a reality my predictions of a major market adjustment were not seen as a significant disaster threatening the viability of our industry but rather an inconvenience necessary to bring more stability. Of course, my prediction of the bubble bursting was overshadowed by the total catastrophe that has happened.

The current downturn, or rather dramatic collapse, goes straight to the very essence of our industry, which in its nature brings people together. It follows a period of great



Our author at the *Airfinance Journal* Dublin 2020 conference.

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overbooking, which requires dramatic adjustments to the tremendous imbalances we have experienced over many years. The immediate collapse is the result of worldwide recommendations of social distancing and outright prohibitions to fly. Right now, aviation is close to a standstill all over the world.

We all know this will not continue forever. Aviation will not disappear; nor will life itself. The realities will eventually improve and with the pent-up demand some high-growth periods are still ahead of us. The

negatives will continue in the short term. The question is what will happen in the medium term and the long term.

The most optimistic scenario I can come up with results in a pretty dismal situation for the next few years. Some airlines and lessors will disappear, aircraft production will slow down significantly and traffic will reach quite low levels. Considering that, in my view, we already have enough aircraft for existing demand, only very limited production levels are needed for the next few years.

Our positive forecast sees the cessation of the pandemic in a few months and assumes no second or third wave of the disease. We also assume a drug to treat the problem and a successful vaccination in about a year. But with all this we see traffic levels reaching those of 2019 only in 2023, resulting in a loss of four years of growth with appropriate loss of income and business opportunities.

Assuming an eventual recovery, we have to analyse some long-term implications of current realities for long-term growth of our industry. The current pandemic will definitely affect globalisation, trade and specialisation, which unfortunately only reinforce the trends we have been experiencing over the past few years.

The industry that will emerge will be different from the one we are familiar with. Since we did not have a downturn for more than a decade some of the weaker players will disappear, new products will be developed and new industry champions will emerge. We probably will enter a period of, what the great Austrian economist Joseph Schumpeter called, “creative destruction”.

This is all an integral part of progress. We humans, when faced with adversity and difficult circumstances, adjust to changing circumstances and innovate to come up with new inventions and new products.

This appears to be one of the periods we are entering now. We hope that these hard times will result in some positive developments to make our lives better in the future. A new era of aviation awaits us, possibly spurred by revolutionary new vehicles flying at higher speed and not contributing to global warming. ▲