

Travel bubbles are a good start but they are not enough

By Volodymyr Bilotkach

SINGAPORE'S efforts to open its borders to travellers is certainly moving the country in the right direction. It has recently established a travel bubble with Hong Kong, on top of earlier unilateral openings with New Zealand, Brunei, Vietnam and Australia (excluding Victoria state), allowing travellers from these countries to apply for an Air Travel Pass. Aimed at allowing people to move between countries that are deemed safe without having to be quarantined, these travel bubbles and unilateral openings would still require travellers to be subjected to tests for health and safety requirements.

However, these measures may not lead to a healthy revival of the travel industry just yet. Based on what we know about airlines' business models, it is doubtful that a set of bilateral bubbles and unilateral lanes alone would be sufficient to bring about sustained healthy recovery of the aviation industry.

Firstly, an assessment of the travel industry would help the government chart the bubbles accordingly. The International Air Transport Association (IATA) now estimates that total passenger numbers in 2020 will be about a third of last year's, with recovery to 2019 levels expected only in 2023. According to leading aviation industry data provider OAG, airlines scheduled 47.5 per cent fewer flights in September 2020 than in the same month last year. Of the major economies, only China is currently reporting more scheduled flights compared to the same period last year. For airlines across the world, it is clear that the fall in passenger numbers has been precipitous.

Long-haul travel is expected to take even longer to recover. Decimation of the international tourism industry has severely impacted many middle- and lower-income countries. A considerable part of the expected increase in extreme poverty can be linked to pandemic-related travel restrictions. According to the World Bank's estimates, the pandemic will push at least 35 million people into extreme poverty this year alone, marking the first annual rise in this metric since 1998.

Many countries in Australasia have been able to contain the Covid-19 outbreaks, thanks in large part to severe curbs on international travel. Such restrictions typically involve imposing a two-week quarantine on all international travellers upon arrival. According to IATA director-general and CEO Alexandre de Juniac, quarantine is "killing" the demand for air travel. Now, many governments have realised that keeping these restrictions in place indefinitely would not be a sustainable policy. International travel is an essential enabler of trade in goods and services; simply put, the economy cannot function on Zoom meetings alone. Both IATA and Airports Council International (ACI) are uniting their lobbying efforts to persuade governments worldwide to use rigorous testing regimes in lieu of mandatory quarantine.

Travel bubbles could provide for some breathing room for struggling airlines in the region, by unlocking some of the demand for air travel which has been suppressed this year by both virus-related anxieties and onerous travel restrictions worldwide. A summer travel recovery, which many experts expected in the spring, had largely failed to materialise, leaving airlines around the world (with the notable exception of mainland Chinese carriers) in a perilous position at the start of the traditionally low autumn and winter



Travel bubbles and unilateral openings may not lead to a healthy revival of the travel industry just yet. PHOTO: AFP

travel season. In South-east Asia, Malaysia Airlines appears to be on the brink, and many other carriers are struggling. Creation of travel bubbles will clearly be welcome news to both passengers and the airlines.

At the same time, there is potentially a way to restart travel that would benefit the region's struggling airlines much more. Carriers such as Singapore Airlines (SIA) or Thai Airways have traditionally been operating based on "hub-and-spoke" networks – a model of routing passengers through their hub airports (Changi, in the case of Singapore Airlines). By routing travellers through Changi, Singapore Airlines has been able to offer flights to more destinations with higher frequency. Non-stop services to some destinations in SIA's network would simply not be viable given little to moderate demand for travel between these two destinations alone. Even low-cost carriers such as AirAsia and Jetstar had – prior to the pandemic – entered into agreements with many larger network carriers to feed transfer passengers to their flights.

Healthy revival of the airline companies is only possible with the reopening of parts of their networks, not just selected routes – something travel bubbles alone cannot achieve. One way to partially open airlines' networks in the region to achieve some form of recovery would be to create a safe travel area that would include all the countries in the region that have the epidemiological situation under control within their borders, forming essentially a large bubble where international travel could continue unimpeded.

Unlike bilateral bubbles, passengers would be able to connect through the airports within the larger travel area. For instance, if China, Singapore and Australia are in a "safe travel area", passengers would be able to travel between China and Australia via Singapore. I imagine such travel would be more difficult with two disconnected China-Singapore and Australia-Singapore bubbles.

The current epidemiological situation could enable the creation of a rather large safe travel area, which could potentially cover countries with a combined population of nearly two billion. This area can be expanded as other countries both within and outside the region become better with managing the Covid-19 situation within their borders. The pandemic has hit the economy hard. Economic revival cannot happen without reopening of borders. And resumption of international travel requires multilateral collaboration and close cooperation between governments.

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