

Source: South China Morning Post

Date: 21/9/2021

AVIATION

# Cathay cuts back estimate of flights for rest of year

Filing shows carrier expects to see 13 per cent of its pre-pandemic activity

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Cathay Pacific has sharply downgraded expectations for how many flights it will operate before the end of the year, blaming operational and travel restrictions for the major setback to its post-pandemic recovery hopes.

In a stock exchange filing yesterday, the city's beleaguered flag carrier said it expected to operate 13 per cent of its 2019 flights in the fourth quarter, down from a previous estimate of 30 per cent.

But the airline also pledged to burn less than HK\$1 billion a month for the rest of the year, keeping a tight grip on spending.

"Operational and passenger travel restrictions remain in place, continuing to constrain our ability to operate more flights," said Ronald Lam Siu-por, the airline's chief customer and commercial officer. "As such, we now only expect to maintain similar passenger capacity levels to August 2021 for the remainder of the year, whilst remaining responsive to any unexpected changes in travel restrictions."

The airline's cargo business,

however, remains strong as it heads into the peak season, able to charge significantly more to carry items given the shortage of global air freight capacity and constraints at seaports.

Cargo currently accounts for 80 per cent of the airline's revenue.

In June, Cathay said it aimed to restore its passenger flight capacity to 30 per cent of pre-coronavirus levels by the fourth quarter this year, which begins next month.

However, since that target was announced, Hong Kong has only tightened its grip on its borders, with much-hyped travel bubbles failing to happen and the number

of countries health authorities have deemed "high risk" for travel expanded.

Cathay benefited, as expected, from a temporary rise in student traffic last month, leading to its planes running at 46.4 per cent capacity, the highest level since March 2020. The rush home also led to the airline's heaviest flight schedule in that period.

"In general, inbound traffic slowed down after August 20 when the Hong Kong ... government tightened quarantine requirements for travellers arriving in Hong Kong from 16 overseas places," Lam noted.

Last month, the United States, France, Malaysia, Thailand and

the United Arab Emirates were among 15 countries upgraded to the city's "high-risk" category, meaning inbound travellers need to spend 21 days rather than 14 in hotel quarantine.

The airline had also hoped to be operating as much as a fifth of its pre-pandemic flights in August, driven by the short-term boost in student travel out of the mainland. Instead, it managed just 13 per cent.

Since the pandemic began, the carrier has seen losses of HK\$29.2 billion, including a HK\$7.57 billion hit in the first half of this year.

A collapse in travel demand, the closing of borders and Hong Kong's having one of the strictest quarantine regimes in the world have all combined to hold back the recovery of the city's airlines.

Cathay said it carried 135,353 passengers last month, or 4,366 customers a day – 95 per cent fewer than in August 2019.

Andrew Lee, an analyst at the financial services firm Jefferies, said in a report that an improvement in Cathay's passenger business was unlikely to take place until 2022.

"Passenger recovery has stalled again given ongoing travel restrictions, as we expect international traffic to return only when [the Hong Kong]-China border

opens, leading Cathay to cut [its] fourth quarter passenger capacity target," Lee wrote.

He noted that the 150 per cent month-on-month jump in passenger numbers last month was a "short-term one-off" driven by student demand.

But his outlook remained positive, given the strength of Cathay's cargo business, which he said was "the key revenue generator and profitable".

Meanwhile, a tightening of local aircrew arrival rules expected to be introduced as soon as yesterday has been shelved, surprising an industry that was preparing for longer quarantine times.

Instead, the government has extended the current aircrew quarantine rules until the end of October 31. Cathay has told staff there would be additional testing requirements put in place, without specifying what they might be.

The Transport and Housing Bureau said the city's quarantine requirements were "formulated on a risk-based approach, taking into account public health considerations, the vaccination rate of aircrew and the operational needs of the aviation industry".

"Adjustments, if any, to the quarantine requirements applicable to aircrew will be disseminated to relevant stakeholders as appropriate."



Cathay has been hit hard by a series of recent travel restrictions because of Covid-19. Photo: Winson Wong

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