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UWTSD MBA (Nov 2021 intakes)

BMMB7009 Global Business Challenges

Assignment Title: Strategies for Sustainable Development of Cathay Pacific amid Covid-19

Challenges

An Analytical Report on Strategies for Sustainable Development of a Business Enterprises
in the Hong Kong Tourism Industry during Corona Virus Outbreak

“I, [Ericson Hon Yin LAM \(2119644\)](#), certify this work is the result of my own
investigations, except where otherwise stated. All references have been duly cited”

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Date: 20/02/2022

Synopsis

A study of the strategies that businesses invested in the aviation industry such as Cathay Pacific of Hong Kong is significant in the quest for sustainable business practices that can be adopted to help these enterprises surmount the innumerable challenges presented by the COVID-19 pandemic. Indeed, through the exploration of issues such as cost-cutting measures, the adoption of alternative business models as well as the implementation of safety measures to ensure safe travel in accordance with government regulations and the zero COVID-19 policy adopted in Mainland China as well as Hong Kong, the reader will be in a position to effectively comprehend and apply evidence-based practices in the development of sustainable businesses in the aviation sector.

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1. Introduction

This segment of the report deals with the analysis of Cathay Pacific Airways Limited, a company registered in the Special Administrative Region of Hong Kong and primarily invested in passenger and cargo transportation across international markets (Lee, Lui and Lam 2022). The objectives of this analytical report include the critical evaluation of the main macroeconomic factors that influence and shape a business such as Cathay Pacific in the international business environment. At the same time, this report seeks to underscore the micro-economic structures that define and characterize a company like Cathay Pacific while assessing its business continuity in light of the COVID-19 pandemic.

1.1. Research Motivation

The onset of COVID-19 and the adoption of containment measures designed to prevent its spread across global borders resulted in massive negative impacts on the global economy. In the aviation sector, the entire industry was paralyzed (Dube, Nhamo and Chikodzi 2021). Business in the hospitality and aviation sectors continue to record staggering losses in profitability and productivity, with companies such as Cathay Pacific being the most affected. The imposition of stringent counter-COVID-19 measures in Hong Kong and Mainland China has been detrimental to the aviation industry in these parts, with airports closing off and aircrafts remaining grounded for the better part of 2020, 2021 and 2022 (Levana, Harnadi and Kusumawicitra 2021).

While others airlines are slowly recovering in other regions, Cathay Pacific continues to

bear the brunt of government policy as its model was based on international travel and transportation as opposed to domestic markets that could be serviced once restrictions were lifted at the national level. As such, the company plans to burn at least HK\$ 1.5 billion every month from February 2022 as it seeks to keep operations ongoing as it awaits favorable government interventions relating to the lifting of travel restrictions and bans from and into Hong Kong and Mainland China in pursuance of the zero COVID-19 policy (Davidson 2022).

1.2.Research Framework

This report adopts scenario analysis, desktop research of extant literature and the analysis of primary sources to reveal the scope and extent to which the COVID-19 scourge has negatively or positively impacted the aviation industry; in particular, Cathay Pacific. Thus, scenarios such as recovery can take the form of rapid recoveries or slow recoveries. The study adopts both a qualitative and quantitative approach in its design. Quantitative design is apt in this case as it makes it possible to study and investigate the prevalent causal relationships between independent and dependent variables while providing answers to the research questions. To this end, the study makes use of statistical data provided by the industry and company under investigation to produce objective outcomes. Desktop research is also significant in this study as there are numerous articles, journals, books and blogs that have been published on the impacts of the virus on air travel and transportation. Various points of view are incorporated herein to lend credence to the data. In this regard, several research questions were developed to guide the study. These include (a) what are some of the financial impacts of the pandemic on the profitability or otherwise of airlines, and in

particular of Cathay Pacific? (b) What is the role of government policy in attenuating or escalating these impacts? (c) What are some of the strategies that can be adopted by airlines in general and Cathay Pacific in particular to remediate their current state of affairs?

In writing this report, placing regards to the following structure: an investigation of the company's background; an analysis of Cathay Pacific's current business performance; an analysis and discussion of the prevailing challenges as well as their solutions; and lastly, conclusions and recommendations.

2. Company Background

This section of the report details the salient characteristics that define Cathay Pacific as a business invested in the Hong Kong aviation industry (Wong 2018). As such, the company's profile, cost and revenue structures as well as its ownership information are instrumental in this regard. Further, it is apt, at this stage, to also consider the prevailing industry competition experienced by Cathay Pacific.

2.1. Company Profile

Cathay Pacific Airways Limited is a Hong Kong company invested in the business of international passing and cargo transportation. Along with its subsidiaries, Cathay Pacific runs its business through four segments. For instance, Cathay Dragon and Cathay Pacific both provide cargo and passenger transportation on a full-service basis under their respective brands (Young 2012). At the same time, Air Hong Kong is invested in express cargo transportation across the various hubs of the Asia region (Wong 2018). It accomplishes this on scheduled flights (Wong, 2020). Further, the Hong Kong Express mainly deals with the provision of low-cost passenger air travel to hubs within Asia. Finally, there is the Airline Services wing that is mainly invested in the provision of support to airline operations (Pacific 2020). These services include cargo terminal activities or operations, catering, laundry services as well as ground handling operations. The company is headed by an executive leadership team headed by Patrick Healy (Executive Chairman), Kin Wing Tang (Chief Executive Officer and Executive Director), Zhiyong Song (who serves as the

Non-Executive Deputy Chairman of the Board), Rebecca Jane Sharpe (Chief Financial Officer and Executive Director), and Phillip Lacamp (Chief Risk Officer) (Levana, Harnadi and Kusumawicitra 2021).

The company started gaining regional attention and international renown after the end of the World War II. The growth in trade and tourism propelled the company to its international recognition. However, the 1997 political transition of Hong Kong from the United Kingdom to China had significant ramification for the company as it had to adapt its roles and become the main gateway to Southern China (Wong, 2020). In 1998, the company posted its first loss in three and half decades. The company is a member of the One-World Alliance in its bid to remain a global leader with an international presence. Cathay Pacific was founded in 1946 by two individuals: Sydney de Kantzow and Roy Farrell. The company was registered in Hong Kong in September 1946. In the 1960s, the company merged with BOAC after the latter experienced sustained losses. True global expansion would come in the 1970s and 1980s (Pacific 2012). During the late 1990s, the company finally joined the One-World Alliance that was initiated at the behest of American Airlines as well as British Airlines (Wong, 2020). Joining the One-World Alliance resulted in a policy shift for the company as it started to consider Hong Kong as just another hub instead of a destination. The 1997 political transfer of Hong Kong to China meant the company could resume direct flights to Mainland China. The company's chief competitors are Singapore Airlines Limited, British Airways plc and China Airlines (Liu et al. 2018).

2.2.The Cost Structure

Cathay Pacific's cost structure has been heavily impacted by the global health crisis brought about by the negative effects of COVID-19. While the company had bright hopes for the future in 2020 following the cessation of civil unrest in Hong Kong, the emergence of COVID-19 threatened to negatively impact passenger demand as well as cargo demand, with restrictions such as lockdowns proving damaging. In response, the company initiated capacity reductions, cuts to executive pay, voluntary schemes on special leave, the suspension of ongoing projects as well as suspending non-essential costs and expenditures. During the six months ending on 30th of June 2020, the company recorded a cost structure as hereunder outlined.

Table 1: Cost Structure of Cathay Pacific Airways Limited.

Expenses	6 months ending June 2020 (HK\$M)
Staff	318
Inflight service and passenger expenses	8
Landing, parking and route expenses	182
Fuel (hedging losses inclusive)	236
Aircraft maintenance	228
Aircraft depreciation and rentals	440
Other depreciation, rentals and amortization	12
Others	98
Operating expenses	1522
Net finance charges	140
Total operating expenses	1662
Loss before taxation	818

Taxation	39
Loss after taxation	779

Source: Cathay Pacific Airways Limited Interim Report 2020.

From the above table, it becomes clear that the company recorded a loss on its operating expenditure owing to the need by the company to continue its operations in an environment that is fundamentally hostile to its business model as it could not transport passengers and cargo at frequencies necessary to offset the expenditure. For instance, the fuel costs costed the company a total of HK\$M 236, while the company spent HK\$M 318 (Pacific 2020). It is noteworthy that while fuel costs are volatile as they depend on short-term market dynamics, staffing costs are relatively stable in the long run and do not increase significantly in the short term. However, the institution of two voluntary schemes of special leave seems to have had an impact on this figure as 80% and 90% of the company's staff participated in the voluntary special leave scheme at the height of the COVID-19 pandemic respectively (Pacific 2020).

2.3.Revenue Structure of Cathay Pacific

The table below (Table 2) captures the revenue structure of the company during the first six months ending on June 30, 2020.

Table 2: Revenue structure of Cathay Pacific

Revenue	6 months ended 30th June 2020 (HK\$M)
Passenger services	680
Cargo services	14
Other services and recoveries	170
Total Revenue	844

Source: Cathay Pacific Airways Limited Interim Report 2020.

Table 2 above illustrates the total revenues that the company realized during the first half of 2020 at a time when COVID-19 restrictive measures were firmly put in place across global markets, with Hong Kong being no exception. It is noteworthy that in terms of cargo transportation, there was a marked increase in 2020, as compared to 2019. Cargo capacity in this regard increased by 27.3% (Pacific 2020). This means that Air Hong Kong recorded a profit in this half of 2020, when compared to the same period in 2019, before the advent of COVID-19. Conversely, Cathay Pacific Catering Services (HK) Ltd and other affiliated kitchens outside of Hong Kong saw a 67% decrease on meals served when compared to the same period in 2019 (Pacific 2020). This was mainly due to restricted travel that meant less meals were being served. On the other hand, Cathay Pacific Services Ltd handled 668 000 tons of cargo in this half of 2020, which represents a decrease of

about 25.9% from the previous year (Pacific 2020). This can be explained by the fact that the cargo wing handled dramatically less cargo than in the preceding half year of 2019, before the pandemic struck.

3. Cathay Pacific's Current Business Performance

As noted, the performance of Cathay Pacific in recent months has been poor, mainly due to the aftershocks of the pandemic as well as a prevailing restrictive environment for the aviation industry, especially in light of China's zero COVID-19 policy. To this end, this segment of the report discusses the external business environment, its internal business environment as well as a summary of the COVID-19 impacts on Cathay Pacific's profitability.

3.1.Cathay Pacific's External Business Environment

Cathay Pacific operates in a rather volatile political environment. The onset of 2020, had promised to be a good year, politically speaking, for the company as the economy was rebounding after the shocks of the political unrest that had characterized Hong Kong in 2019. However, the emergence of the COVID-19 pandemic resulted in the closing of the economy to the outside world, thereby limiting the business that Cathay had sought to tap into. Nevertheless, the company is renowned worldwide and therefore has a stellar international reputation. This means that many governments across the world are sympathetic or tolerant of activities such as foreign direct investment (FDI) since they are in need of investment opportunities. The transition of Hong Kong from the British to China in 1997, also provided the company with a ready market in Mainland China, with the company ready to position itself as the gateway to Southern China. At the same, the company views Hong Kong as one of its hubs now instead of its main center of operations, having assumed an international character when it joined the One-World Alliance of international airlines.

Since the company is based in Hong Kong, it has also taken up shares in China Airlines in addition to China Airlines holding reciprocal shares in the Cathay Pacific Airways brand (Wong 2018). This means that the company must obey the regulations of the Mainland Communist state, which has instituted a raft of legislations such as the national security law and data protection laws in addition to stringent checks by the Mainland government. This may pose a threat to its business in the case of a fallout. However, since China is among the fastest growing economies of the world, Cathay Pacific may be well-placed to tap into the burgeoning trade and travel opportunities that are presented by the economic behemoth that is China.

From an economic standpoint, it bears emphasizing that Cathay Pacific operates in a highly competitive aviation industry, with hundreds of other global aviation behemoths competing for the same customers and cargo (Sulu, Arasli and Saydam 2022). It is also noteworthy that the company and the entire aviation industry is still recovering from the challenges of the 2008/9, Global Financial Recession, which greatly impacted airlines and businesses in the aviation sector. From a social viewpoint, Cathay enjoys a positive brand image having been in the business of aviation since 1946. This solid reputation can always be tapped by the company. However, concerns about safety and the environment may affect travel and cargo transportation. Be that as it may, the company can tap into its loyal customer base to build value. Technologically, Cathay Pacific is on the cutting edge of technological innovation, as is the entire aviation industry in general. New technologies can be leveraged to reduce costs of operation and improve the user experience.

3.2.Cathay Pacific's Internal Business Environment

The internal operations of Cathay Pacific reveal areas of weaknesses and strengths as well as threats. In this regard, the company's fleet is bespoke and expansive, thereby allowing the company to increase or finesse its marketing activities while providing customers with flights in terms of cargo and passenger transportation. Modern crafts define Cathay Pacific, with Airbus and Boeing being some of their main manufacturers. This engenders high levels of reliability as repairs are often rare. In addition, the company has a dedicated and experience human resources department which aids in the promotion of the marketing value of the airline. A competent and innovative cadre of staff and management have helped elevate the company to internationally recognized levels.

Further, the company has a valuable brand that enables it to readily and quickly establish itself in new markets and hubs away from Asia. This brand also helps enhance and reinforce its brand in hubs that it has already set up shop. Nevertheless, the company experiences certain weakness in its internal operations; namely, that the company is still culturally and historically associated with Hong Kong. This is in spite of the company's strong western connections and organizational culture that developed to reflect the interests of the British government when Hong Kong was still a colonial domain of the United Kingdom. Globalization inevitably raises the question of diversity, especially in terms of culture. This is especially in light of the fact the company has to serve customers in an environment that is multicultural.

3.3.A Summary of COVID-19 Impacts on Cathay Pacific's Profitability

According to data released by the company for the half year ending June 30th 2020, the negative impacts of COVID-19 resulted in a 72.2% decrease in revenues from passenger tickets. This was on the back of a 72.6% decrease in passenger traffic (Bombelli 2020). This figure has undoubtedly risen and fallen depending on the measures adopted by the government of China and the Special Administrative Region of Hong Kong that pursue a zero-COVID-19 policy. Alternatively, according to the same data, cargo traffic increase resulted in higher yields, with a rise of about 44%. This ultimately resulted in higher revenues from the cargo business. Fuel costs during the pandemic reduced as a result of reduce demand for travel. However, the reduction in capacity meant that these fuel savings were miniscule since there was a 34% increase in non-fuel costs.

To cope with the effects of the pandemic, the company introduced pay cuts on executive pay, introduced capacity reductions, introduced two voluntary special leave schemes, received concessions from key suppliers, deferred payment on supplies, and closed most outport bases for crews. Further, the pandemic forced the company to re-enter into negotiations with plane manufacturers such as Airbus with a view to deferring delivery of the A350-900's as well as A350-1000's from 2020-2021 to 2020-2023. It also deferred delivery of Boeing's B777-9 aircraft planes. These measures were designed to preserve cash. The advent of the Omicron variant has resulted in further losses to the airline, with the company reporting that it will have to burn cash to the tune of HK\$1.5 billion every month from February 2022 after government restrictions become more pronounced in light of China's zero-COVID-19 policy. Presently, Cathay Pacific operates at

about 2% of its pre-COVID-19 passenger capacity and 20% of the pre-pandemic cargo capacity as at January 2022.

4. Analysis and Discussion

This section of the report details the main challenges presently being faced by Cathay Pacific in light of the pandemic and suggests sustainable strategies to remediate the same. To this end, the author identifies the major challenges such as costing and pricing and also provides strategies that can guarantee business continuity for Cathay Pacific during the tenancy of this crisis. It also details the process of implementing these strategies to make them more efficacious and goal-oriented.

4.1. Identification of the Major Challenges

4.1.1. Rising Costs of Operations

Cathay Pacific is one of the most affected companies in the aviation industry during this pandemic period. This is mainly because the company heavily relies on international connections of traffic (passengers and cargo). While the company seeks to achieve about 30% of its capacity (pre-pandemic), there are certain bottlenecks that make the realization of this ambition problematic. For instance, the costs associated with maintaining its vast fleets and operations are skyrocketing as a result of disruptions in the supply value chain globally. Access to cheap fuel was possible during the height of the pandemic; however, this is no longer the case with economies worldwide rebounding to pre-pandemic levels (Xue et al. 2021). When the fuel costs were low, the company could not operate internationally as a result of the lockdown measures. When the economy opened, fuel prices shot up. Further, the disruptions caused by the pandemic to the global supply and

distribution channels mean that Cathay Pacific cannot readily access some of its markets for affordable and timely goods and services such as those used by its catering services. Rising inflationary pressures globally have also contributed to this rise in the costs of operating a behemoth business like Cathay Pacific.

This rise in costs has been exacerbated by the reduced capacities the airline has to deal with, with governments imposing restrictions relating to social distancing, the implementation of safety regimes designed to attenuate the threats posed by COVID-19. These measures include screening charges, the provision of sanitizers and the vaccination of its staff. Presently, for instance, the company plans to burn through HK\$1.5 billion every month starting February 2022, just to keep its fleet and operations functional. The servicing of these costs is a dent in the company's capital base, which is already depleted as it is. If this trend continues amid the Omicron wave, fears abound that the company will have to shed off most of its business to remain a going concern.

4.1.2. Pricing Challenges

The reliance by Cathay Pacific on international passenger travels and cargo transportation has greatly stunted the ability of the company to quickly recover in comparison to other airlines operating in the Asia-Pacific region (Huang 2021). In order to attract business, the company has to use an attractive pricing strategy. However, the challenge with this pricing strategy is that it is not enough to cover the operational costs of the airline while returning a profit. For instance, the near 98% drop in passenger volumes means that whatever pricing strategy is adopted, the company will

still be unable to raise enough cash to prop its business. As a result, it has to keep burning cash. This, coupled with the presence of low-budget airlines in the region and even internationally means that the company is experiencing a race to the bottom in terms of pricing so as to attract the few customers available for travel in and out of Hong Kong as well as other hubs serviced by the airline company. While the cargo business is returning a profit since cargoes are not affected by social distancing and lockdown rules, it is still a challenge to significantly raise prices as there is fear that the company might lose this segment to the competition should it attempt to do so.

In particular, slowdowns in student travel from Hong Kong, the United Kingdom and Mainland China has greatly impacted the pricing of their services (Yu and Chen 2021). At the same time, it can be expected that this population will take advantage of cheap offers from rivals with deep pockets, thereby further denying Cathay Pacific the opportunity to raise prices to reflect growing demand for their services. The cancellation of many air tickets to and from Hong Kong in light of the implementation of China's will also affect the ability of the company to make a profit from its pricing strategy since most of these tickets will be cancelled and therefore become refundable to customers, thereby denying the company additional revenues from air tickets and assorted services such as catering.

4.1.3. Increased Surveillance and Negative Perception of the Company from the Government

The onset of the pandemic has been a bad experience for Cathay Pacific. In 2019, the company attracted unfavorable government attention when the airline refused to comply with a government directive requiring it to sanction a section of its staff who had participated in the Hong Kong pro-democracy rallies and protests. In response, the civil aviation authority of China banned crew members who had engaged in protests during flights in and out of the Peoples Communist Republic of China (Choi 2021). Managerial changes resulted the firing of at least 26 members of staff. Fast forward to 2021, and the emergence of the Omicron variant resulted in the adoption of tough restrictive measures to curb the spread of the virus. According to the government, two crew members of Cathay Pacific were culpable in breaching home quarantine rules. This led to a ban by the government that prevented the airline from plying important aviation routes in December 2021, as punishment for flying passengers infected with the Omicron variant (Davidson 2022). According to the Chief Executive of Hong Kong Carrie Lam, the airline presents a “very strong noncompliance case” (Davidson 2022; Warnock-Smith et al. 2021). These actions by the government have contributed to low morale among staff who spent 200 days in hotel quarantine at Penny’s Bay in 2021. The lack of a domestic market occasioned by government bans greatly impacted the company as it could not tap into the local market for market continuity. The highly restrictive border checks and travel bans over fears of spreading the virus has therefore resulted in a negative curve for the company, especially when key political leaders such as Carrie Lam specifically target the airline for

punishment. The outcome has been that the company is facing challenges in attracting staff to the Special Administrative Region (SAR) of Hong Kong. Additionally, staff cannot maintain a healthy connection with their families abroad since there are fears that they will simply be warehoused at Penny's Bay for at least 21 days.

4.2.Strategies to Ensure Business Continuity for Cathay Pacific during the COVID-19 Era

4.2.1. Scaling up Investments in Air Cargo

According to the interim financial report released by Cathay Pacific, its cargo business is the one area of optimism as it continues to grow in leaps and bounds and return a decent profit. For instance, during the first half of 2020, cargo traffic increased by at least 27%. While the current restrictions caused by the Omicron variant have reduced cargo traffic to about 20% of its pre-pandemic levels, it is still noteworthy for the company to focus in this direction as the restrictions occasioned by Omicron will eventually subside or be fully eliminated once the surge in infections has been kept under control (Arora et al. 2021). To this end, the growth in certain specific areas of cargo such as from Latin America and North America has seen freighter capacities expand. At the same time, cargo freights in Asia-Pacific have been on the rebound buoyed by the increase in e-commerce activities, increased business confidence among businesses and the ongoing congestion at major seaports such as Shanghai and Hong Kong.

Therefore, increasing the cargo haulage within the belly of the aircrafts as well as the cabins can increase profitability as more people are dependent on air cargo freight to receive their goods in

record time (Arora et al. 2021). This is especially so having regard to the present congestions at sea ports, which makes shipping less desirable than air transport. E-commerce has been on the rise, with more people preferring to make online purchases as they are afraid of shopping in brick-and-mortar stores for fear of being infected by the virus or out of respect for social distancing and lockdown regulations. This trend is likely to continue post COVID-9 as e-commerce companies continue to ramp up their offerings. The escalation of events such as Black Friday and Singles Day into global shopping frenzies will likely continue in the medium and long-term. It therefore makes sense for airline companies such as Cathay Pacific to continue with their investments into this exciting and expanding market segment.

4.2.2. Increase the Focus on Business Travel

While virtual meetings and conferences have become synonymous with business transactions during the lockdown period, it is still possible for airline companies such as Cathay Pacific to tap into business travel. Virtual meetings will never fully replace face-to-face meetings. Indeed, the road (air) warrior mentality of business persons will still result in more bookings for business travel once the restrictive regulations by the government are lifted. This segment will be slow but steady in growth. Direct interaction in business has a tendency to promote higher levels of innovation when compared to virtual interactions, which can be distracting and superfluous. Indeed, business aviation still thrived for many airlines during the COVID-19 pandemic (Amankwah-Amoah 2020). More companies than ever purchased and/or chartered planes to

facilitate business interactions than before the pandemic. This vote of confidence by businesses illustrates the point that once the harsher measures to contain COVID-19 in Hong Kong have been done away with, business travel is likely to rebound.

To accomplish this strategy, Cathay Pacific should prepare their planes with offerings for business travelers than can attract traffic while increasing profitability. Additional amenities such as well-spaced seats and adherence to COVID-19 protocols will likely attract and maintain new customers in addition to their loyal customer base.

4.2.3. Transform Parked Fleets into the Experience Economy

On adverse outcome brought about by COVID-19 was the grounding of fleets. This has the outcome of introducing new loss exposures in terms of parking fees and the accumulation of risks such as the risk of having the fleet damaged by inclement weather (such as hailstorms) while still in parking. One way of increasing productivity and profitability from these fleets would be to transform them into experiential offerings (Rahman et al. 2020). This can be achieved by the rejigging of affiliated services such as catering to offer customers and local tourists an airline dining experience on these grounded fleets. Organizing tours of these airlines can bring in additional revenues with customers being given the opportunity to experience the inside of an aircraft while enjoying a meal prepared by Cathay Catering Services. Such practical uses can engender customer loyalty and attract new customers who may want to fly with Cathay Pacific once the crippling restrictions have been lifted. At the very minimum, revenues from such ventures can contribute to the offsetting of parking and maintenance charges-charges that would otherwise be expended from

the company's cash reserves.

4.2.4. Reducing the Number of Hubs in Favor of Direct Crossover Flights

Before the pandemic, airports were congested and busy places. Nowadays, they resemble a scene from an apocalypse movie-deserted and eerie. This is attributable to the connecting model of using airports as hubs that link passengers and cargo to flights. This is however a costly endeavor for most airlines as they must have sufficient passengers and cargo connecting via these hubs. The present reality calls for the implementation of a regime of air travel that takes cognizance of the fears of contamination occasioned by stopovers in addition to the escalation of entry regulations implemented by each country with hubs.

However, a solution is in the offing: the offering of flights that have no stopovers. Passengers are clearly in favor of such a strategy (Nižetić 2020). Further, entry into new markets and routes can be beneficial to Cathay Pacific as it can seek to become the leader in the market position in these new routes. Expanding its business into the low-cost carrier segment can also be instrumental in augmenting the revenues of the embattled company (Miani et al. 2021). Specifically, Hong Kong Express segment can tap into this market in order to compete for customers across Asia-Pacific. Students from China and other regional centers can become their main targets, as well as small and medium business persons interested in flying in and out of Hong Kong for business transactions. Additionally, the company should implement the policies of the Chinese government to the latter and go on a public relations charm offensive to win back government goodwill as it is practically impossible for businesses in China, Macau and Hong Kong to conduct their operations

while running afoul of the edicts of the government of Communist Peoples Republic of China.

Anything short of a mending of fences between the company and the government will fail to thaw their current antagonistic relationship.

5. Conclusion and Recommendations

The impacts of COVID-19 on the aviation industry in general and on Cathay Pacific in particular cannot be gainsaid. Notably, companies invested in the aviation sector have been recording monumental losses that continue to characterize their operations and militating against their profitability and continuity as going concerns. For Cathay Pacific, operating out of Hong Kong while remaining dependent on international hubs and routes has been particularly daunting given the government's introduction of stringent measures to curb the spread of the Omicron variant. To resolve these challenges, it is recommended for the company to consider several innovative ideas such as introducing new modes of customer experience on their planes, even when they are still parked and grounded. Introducing an experiential offering may help curb leakages in terms of parking and maintenance fees. Adopting newly established routes can provide them with a chance of becoming market leaders in these new markets while increasing its cargo haulage activities will significantly increase its profit margins as this is the one aspect of aviation that has proven resilient and profitable over the course of the pandemic.

Additionally, it is paramount for Cathay Pacific to mend its ruined relationship with the government of Hong Kong as the influence of Mainland China over the activities of businesses in Hong Kong is increasing, especially in terms of regulatory oversight and the push for a conformist attitude in Hong Kong's affairs. Improving options for business travel also promises to steadily rebound in passenger traffic, with the company poised to tap into the growing demand for business travel that will surely follow after Hong Kong emerges from the doldrums of the Omicron variant.

The vagaries met upon Cathay Pacific are not easy to fathom; and so are the solutions. However, a dedicated focus on these key strategic areas may result in the salvaging of the reputation and business of Cathay Pacific, which is one of the most renowned brands in international travel and transportation.

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