Travel Industry Update
May 6, 2020

Delta
- The airline is further reducing seats to make social distancing on its planes easier
- The company will block certain window and aisle seats on planes with no middle seats
- Middle seats were blocked beginning in April
- The new policy starts this week and goes through June 30
- The changes will reduce first class seating by 50% and main cabin seating will be reduced by 40%

Southwest Airlines CEO wants TSA to institute temperature checks for passengers
- "We’re urging the TSA to begin temperature scans as part of the screening process at the checkpoints," CEO Gary Kelly said.
- Kelly and other airline executives have repeatedly said that health screenings of some sort are a must to convince travelers it is safe to fly again.
- Kelly said on the airline’s earnings call and a CNBC interview last week that the TSA was the logical spot for screenings to be conducted since all passengers pass through there, but had stopped short of saying temperature checks are a must.
- "We'll need to work with the federal government in terms of screening customers to make sure, for example, that you don’t have someone getting on the airplane that has a fever," he said. "I think that that’s going to be very important."

JetBlue granted permission to suspend flights
- The US Dept of Transportation gave JetBlue permission to suspend flights to 16 major US cities
- The cities include cities including Atlanta, Chicago, Detroit, Dallas, Houston, Seattle and Las Vegas. Full list of cities available here.
- The flights can be suspended until Sept 30
- JetBlue said it “fully intends to gradually resume service to the levels prescribed (by the Transportation Department) at each of these airports as soon as it is both safe to do so and when even the slightest customer demand re-emerges.”
- Under the conditions of the CARES act, airlines could not reduce flights without permission if they received bailout money

United
- In addition to yesterday's news that up to 30% of United's staff could be laid off as early as Oct 1, the company is requiring non-union workers to take 20 days of unpaid leave
- United has also cut the hours of many of its union-represented workers to part-time status, which has triggered a lawsuit.
- The Machinists union, which represents 27,000 baggage handlers, customer service employees and other employees who work on the tarmac servicing planes, filed a suit Tuesday seeking to block the reduced hours.
- The suit says the airline is reducing its members to 30 hours a week as of May 24, and giving them until May 13 to decide whether to accept the reduced hours or to leave the
company on either furlough, retirement or permanent departure. The suit argues the choice given to employees violates both the CARES Act and the unions’ labor contracts with United.

• United disputes the union's arguments and says the lawsuit is “meritless.” The company said the CARES act allows companies to reduce hours as long as the hourly rate stays the same. The airline added that the union contract also allows for reduced hours.

• As of late this morning, United says it will now make those reductions voluntary after the union sued, but the airline warned it needs volunteers.

Lufthansa

• On Tuesday, Lufthansa announced a €1.2 billion ($1.3 billion) first quarter loss and painting a bleak picture of the outlook for global aviation

• Lufthansa is burning its cash reserves at a rate of €1 million ($1.1 million) per hour

• CEO Carsten Spohr said on Tuesday, “All of our efforts are being annihilated by a single global event. No one could have foreseen this outcome.”

• ”People's travel behavior will change, both in terms of leisure and business travel. As a result, global air transport will have to restructure itself," Spohr said.

• Lufthansa is still negotiating a bailout and hopes to reach an agreement soon

• Lufthansa is hoping to get a 10 billion euro bailout that would result in the German government taking a 25.1% stake in the airline

Alitalia suspending last long haul flight

• As of yesterday, Alitalia suspended its last long haul flight, which had been operating between Rome and JFK in New York

• The suspension is through May 31, at least

• The airline will operate as a short haul only airline for the time being

Airlines missing out on billions in baggage and change fees

• In addition to money from ticket sales, airlines are also missing out on billions in baggage and change fees

• In 2019, travelers spend $8.6 billion in baggage and change fees; money the airlines won’t get this year

• The last time the airline industry was struggling, in 2008, executives decided to start charging customers for checked bags; the fees became the norm and a big moneymaker for airlines.

• "The money airlines collect from these optional product fees are their financial lifelines," said Henry Harteveldt, veteran travel analyst and co-founder of Atmosphere Research Group. "It's become a core part of their revenue. It is central to how they do business."

More airlines require face masks

• Spirit, KLM and Air France announced that they will also require passengers to wear face masks

• Check with your airline before flying as most have now announced that face masks/coverings are required

Airbnb to cut jobs

• The company will lay off about ¼ of its workforce, almost 1,900 people

• The company says revenues for this year are forecasted to be 50% of what they were in 2019

• Airbnb will halt projects related to hotels, a transportation division and luxury stays
• **U.S. employees** laid off will receive 14 weeks of base pay plus an additional week for every year they worked at Airbnb, CEO Brian Chesky said. Airbnb will also provide 12 months of healthcare for laid off U.S. employees, and May 11 will be the last work day for impacted Airbnb employees in the U.S. and Canada.

**Norwegian Cruise Lines raises over $2 billion**

- After announcing on Tuesday that they might not have money to operate another year, today Norwegian announced that it has raised more than $2 billion in a mix of stock and debt.
- With the additional funding, Norwegian said it will have about $3.5 billion in liquidity upon completion of the transactions, which it says will give it over 12 months of operating time.
- The company says it can now withstand “well over 12 months of voyage suspensions in a potential downside scenario.”

**Disney**

- **Reported its earnings yesterday and had mixed results for its second quarter of 2020**
- The company reported a 58% drop in revenue, compared year over year, from its parks and cruises, which is the company’s worst hit segment.
- While the pandemic has disrupted Disney’s theme parks and cruise businesses, it is expected to boost its streaming services Disney+, ESPN+ and Hulu.
- **Shanghai Disneyland will begin a phased reopening on May 11.** The park cannot exceed 30% capacity and when it opens next week Chapek said it will well below that capacity at first.
- Disney Parks Chief Medical Officer Dr. Pam Hymel said she is working with the U.S. Travel Association on a set of new guidelines, based on the Centers for Disease Control and Prevention recommendations, to help keep travelers safe during the pandemic.
- Cast members will be provided with access to personal protective equipment, including face coverings.
- When parks do reopen there will be increased cleaning and disinfection in work areas and high-traffic areas of the parks.
- “We’re looking at all of our locations and how best to begin the reopening process, including a gradual reopening and/or partial reopening of certain locations,” Hymel said. “For example, the opening of retail and dining locations prior to the opening of our theme parks.”
- Social distancing and capacity limits will be in place when parks re-open. The company is looking into apps and virtual queues to help with both of those.