Travel Industry Update
May 11, 2020

Massive job cuts coming to airline industry

- As part of accepting bailout money from the CARES Act, airlines cannot involuntarily furlough or reduce pay, or lay off employees through Sept 30.
- Industry analysts say massive job cuts will come after that deadline, as early as Oct 1.
- Roughly 750,000 pilots, flight attendants, baggage handlers, mechanics and others — are at-risk for losing their jobs.
- The airlines have already requested that workers take voluntary unpaid or low-paid leaves, and about 100,000 workers at the 4 largest US airlines (American, Delta, United, Southwest) have already done so.
- Even with that level of voluntary leaves (about 26% of those companies’ staffs), $25 billion in grants and low-interest loans from the federal bailout known as the CARES Act, airlines are hemorrhaging millions of dollars a day.
- The first-quarter losses in the industry topped $2 billion. The second quarter will be much worse.
- According to Philip Baggaley, the chief credit analyst for airlines at Standard & Poor’s, the federal help covers only about two-thirds of overall labor costs through September. He believes that between 20% and 30% of airline jobs could be eliminated through buyouts and early retirement offers, along with involuntary layoffs.
- "Ultimately, we will likely see 95,000 to 105,000 jobs lost in the US airline industry," said Helane Becker, airline analyst at financial services firm Cowen, in a note.

Delta

- Delta will temporarily cut flights to 10 secondary airports in the US; the cuts are part of a previously announced 85% reduction in service due to decreased demand.
- The airports are: Oakland International Airport near San Francisco, Chicago Midway, Long Beach Airport, Hollywood Burbank Airport, T.F. Green International Airport in Rhode Island, Westchester County Airport and Stewart International Airport in New York, Akron-Canton Airport in Ohio, Manchester- Boston Regional Airport in New Hampshire and Newport News/Williamsburg International Airport in Virginia.
- Delta says the airports where it is temporarily pulling service are relatively close to major airports that travelers can use as an alternative. Delta travelers who already had flights booked out of these secondary airports will now have their flights rescheduled to depart out of another airport close by.
- Delta, airline employees affected by the temporary suspension of service will be provided “pay protection options” through the end of September.
- The cuts begin May 13 and will last at least through September.
Southwest

- Southwest Airlines will sell and lease back 20 planes for gross proceeds of about $815 million, the company said in a regulatory filing on Friday.
- The airline did not specify who it was selling the planes to and the duration of the leaseback agreement.
- Selling and leasing back planes is a common way for airlines to add cash to their balance sheets.
- The airline said the money raised will be used for general corporate purposes.
- The airline plans to resume some of its international service beginning June 7. The airline will add flights to: Los Cabos and Cancun, Mexico; Havana, Cuba; Montego Bay, Jamaica and Nassau, Bahamas.

United passenger tweets photo of full plane

- “This is the last time I’ll be flying for a very long time,” Dr. Ethan Weiss tweeted Saturday from a crowded United Airlines flight from Newark to San Francisco. “People on this plane are scared/shocked.” Here is the image he tweeted:

The number of passengers caught Weiss a bit off-guard, since his flight to New York two weeks ago was only about a third full. “I’ve heard from a lot of people who have been doing these medical trips that the number of passengers on the plane has been increasing pretty steadily over the past month,” he says. “My colleagues who came out a month ago said their flights were completely empty.”
- United, and other airlines, had previously said they would block middle seats.

Airlines respond to PM Boris Johnson’s quarantine for incoming air passengers

- Prime Minister Boris Johnson said on Sunday a quarantine would soon be needed for people coming into the country by air to prevent a second peak of the virus outbreak.
• The new rules, which airlines have been told will be a 14-day quarantine period for most people arriving from abroad, will deter travelling and destroy any hopes of a swift recovery for an industry in crisis, said aviation bosses.
• Airlines UK, which represents British Airways, EasyJet and other UK carriers, said quarantine measures would lead to the industry requiring additional government support.

**Lufthansa to add flights in June**

• Lufthansa will add 80 aircraft to its schedule in June as travel demand increases in Europe.
• The 80 planes that will start flying again in June will bring the total number of aircraft in the Lufthansa Group operating to 160. At the end of 2019, the group had a fleet of 763 aircraft.

**Emirates reports profit and says it will raise debt as it faces “difficult months ahead”**

• Although the airline reported a 21% profit for its year, which ended on 31 March, the airline says the pandemic hit its 4th quarter hard.
• The airline lost revenues of 3.4 billion durham (US$ 925,648,640) in March 2020.
• The airline, which is owned by the government of Dubai, says it will tap banks to raise debt in its first quarter to lessen the impact on cash flows by the virus.

**Marriott misses profit estimates**

• Although the company had previously lowered it’s profit estimates, they still missed projected earnings for the 1st quarter.
• **Net income fell to $31 million**, or 9 cents a share, from $375 million, or $1.09 a share, in the year-ago period.
• Marriott’s shares, down 42% this year already, dipped another 4.5% as the company reported a 90% slump in the industry’s closely-watched revenue per available room indicator in April.
• For the first quarter, Marriott reported a 22.5% decline from a year earlier in revenue per available room to $84.51.

**Disney**

• While no official opening date has been announced, Disney World in Orlando, FL is now accepting reservations beginning July 1.
• Previously the resorts had been accepting reservations beginning June 1, so there is a chance the reservations for July 1 and later would be cancelled.
• Shanghai Disneyland re-opened today, three and a half months after it closed due to COVID-19.
• Timed entry and social distancing practices are in place, and guests must wear a face mask and show a green QR Shanghai health code, the government’s color-coded way of contact tracing to determine potential exposures.