Travel Industry Update
May 14, 2020

Travel industry

- Recent data says the fear of COVID-19 will slow the recovery of the travel industry by years.
- According to a new survey released Wednesday by Mower, an independent marketing research agency, only 16% of U.S. adults say they would travel aboard a commercial airliner on the first day after officials sound the “all clear” and remove all restrictions or health warnings put in place to limit the spread of coronavirus and resulting COVID-19 pandemic. And only 56% say they would be comfortable flying even 60 days after the “all clear” is given.
- While it may seem like 60% of American adults being willing to fly again within six months of the all clear sign is a very positive sign, such a recovery is neither full enough nor quick enough to stop the massive amounts of financial bleeding at the airlines and throughout the aviation and travel industries, which together count as the nation’s biggest business sector.
- Assuming roughly 60% of Americans really will be willing to fly commercially six months after the all clear is given, that does not mean airlines will be flying with 60% of their seats filled. Far from it.
- In normal times, when virtually all adults presumably are willing to fly, only about half of them board at least one flight in any given year. And only around 25%, tops, take more than one trip by air in a year.
- Not only fears of health safety, but convenience, availability and affordability of flights, will also impact demand.

Iceland plans to re-open to tourists on June 15

- While those arriving in the country will be required to undergo a 14-day home quarantine, there is an option for travelers to skip this step. Testing for SARS-CoV-2 will be available upon arrival, with same-day results available. Those testing negative will not be required to quarantine and can go on to enjoy what Iceland has to offer. The same applies to visitors that have a medical certificate confirming a recent negative test.
- Exactly how the testing procedures will be carried out at Keflavík Airport is unclear, although it will be done in collaboration with the National University Hospital of Iceland.
- Currently, Icelandair is the only airline offering flights to the country. Icelandair, the flag carrier of Iceland, is trying to keep itself out of bankruptcy.
Delta

- The carrier is retiring its Boeing 777 fleet, a sign that it doesn’t expect international long-haul travel to return quickly. More “fuel-efficient and cost-effective” A330s and A350-900 planes, made by Airbus will be used instead.
- Delta said it has reached its goal to halve its daily cash burn in the second quarter to $50 million. The airline is aiming to eliminate its daily cash burn by the end of the year.
- “Our principal financial goal for 2020 is to reduce our cash burn to zero by the end of the year, which will mean, for the next two to three years, a smaller network, fleet and operation in response to substantially reduced customer demand,” CEO Ed Bastian said in a staff memo.
- Delta Air Lines, with more than 14,000 pilots on its roster, expects to have 7,000 more than it needs in the fall.
- “I recognize that is an alarming number so it’s important to know that our intent is to align staffing for what we need over the long term,” John Laughter, S.V.P. of flight operations, said.
- Laughter said that by the third quarter of 2021, the airline would have between 2,500 and 3,500 pilots more than needed to fly its schedule, even accounting for pilots who will reach mandatory retirement age between now and next summer.

IATA says Caribbean should cut air taxes

- Caribbean governments should cut air passenger taxes if they “wish to be competitive” when tourism resumes, according to Peter Cerda, regional vice president for the Americas at the IATA.
- “Governments can help the international carriers continue to operate there [by] lowering passenger fees and taxation fees,” Cerda said. “One of the biggest problems that we’ve always faced in Caribbean is the Caribbean is a very highly taxed market. And it’s always taxed on the airline side, on the passenger, consumer side. And this will be a big challenge for the Caribbean once we are able to escape from this crisis.”
- “Because of the financial crisis that will follow the apprehensions that the consumer has, if the Caribbean does not position itself – that it is competitive, it has a good level of service in terms of medical services, it has the right procedures being implemented – these passengers may decide to go somewhere else, somewhere else in Central America, Mexico or even see in the US,” Cerda said.

Cruise lines

- Disney cancels all cruises through July 27. No firm date for resumption of cruises.
- Seychelles bans cruise arrivals until 2022. The ban is a part of measures to prevent or minimize a second wave of COVID-19 cases.
- Carnival Corp announced it will layoff and furlough some employees and will cut pay for other employees. Exact numbers of employees impacted is not available yet. The company is not eligible for bailout money from the CARES act because it is incorporated in Panama.
- Norwegian Cruise Line reported a quarterly loss of $1.6 billion.