Travel Industry Update
June 17, 2020

Southwest Airlines says has enough cash for two years as demand improves

- Southwest Airlines said on Wednesday it has enough cash to carry on business for the next two years, up from its prior forecast of 20 months, as travel demand gradually picks up.
- The company’s assessment is based on current cash and short-term investments of $13.9 billion and an expected average daily cash burn of about $20 million in June.
- “The company has continued to experience a modest improvement in passenger demand and bookings in June 2020—primarily leisure-driven demand,” Southwest said.
- In the second quarter, Southwest said it expects average daily core cash spending of between $30 million and $35 million. The airline had earlier forecast a capacity decline of up to 60% from a year ago.

Lufthansa warns of threat to its $10 billion bailout deal

- German airline Lufthansa warned on Wednesday that it might need to apply for protection from creditors if its state-backed bailout deal failed to win sufficient support at a shareholder vote on June 25.
- Its statement came after German billionaire Heinz Hermann Thiele criticized the 9 billion euro ($10.1 billion) bailout, saying he had raised his stake in Lufthansa to over 15% and hoped alternative options could be explored.
- In an interview with the Frankfurter Allgemeine Zeitung newspaper, Lufthansa’s biggest shareholder said he was not satisfied with the deal that gives the German government a 20% stake in Lufthansa and two seats on its supervisory board.
- Lufthansa said its executive board expected the attendance at its June 25 virtual general meeting to vote on the deal to be under 50%, which would mean two-thirds of those present would need to vote in favor.
- “The board considers it possible that the stabilization package could fail to achieve the two-thirds majority of votes cast,” it said.
- Lufthansa said it might possibly have to apply for protective shield proceedings under insolvency law a few days after the meeting if no other solution is found immediately.
- Under German protective shield proceedings, a company’s management remains in charge and gets up to three months to come up with a survival plan.

Qantas cancels almost all international flights into October

- Qantas has cancelled all international flights through to October 24 2020, with the exception of services to New Zealand and Tokyo/Haneda.
- October 24 marks the cut-over to the Northern Winter 2020 airline schedule period as defined by the International Air Transport Association.
Many airlines cut alcohol service to limit onboard contact

- Virgin Atlantic, Delta, American and several other airlines have announced that no alcohol will be served onboard.
- The ban includes international flights on some airlines.

Amtrak is ending daily service to hundreds of stations

- Amtrak is ending daily service to hundreds of stations outside the Northeast, and you can blame the coronavirus pandemic, the railroad said this week.
- Starting Oct. 1, most Amtrak long-distance trains will operate three times a week instead of daily.
- The carrier is also planning to enter fiscal year 2021 with reduced train frequencies in the Northeast Corridor, the busiest in its network, and on its state-funded routes, the company said.
- “Congress is not going to support us indefinitely to run mostly empty trains,” Roger Harris, Amtrak’s executive vice president and chief marketing and revenue officer, said in the memo to employees. “We need to demonstrate that we are using our resources efficiently and responsibly.”
- Ridership was down 95 percent during the height of the pandemic, and the Northeast Corridor, which had several coronavirus hot spots, was hit especially hard. Even as states begin to reopen, ridership remains down 90 percent.
- As many as 461 stations outside the Northeast Corridor will lose daily service.
- The Long Distance Service, which includes 15 routes, is Amtrak’s least profitable. It also is the most dependent on government subsidies. But the routes also have a strong fan base of train aficionados who take to the tracks to travel across America and riders from parts of the country where airports are not easily accessible.
- Amtrak also plans to operate trains 32 percent less often in the Northeast and 24 percent less often for state-supported services beginning Oct. 1.
- In a statement, Amtrak said, “Our goal is to restore daily service on these routes as demand warrants, potentially by the summer of 2021.”
- The Auto Train, which travels from the Washington suburbs of Lorton, Va., to the Orlando area, is the only long-distance route that will continue to operate daily, Amtrak said. According to the company, the Auto Train has remained strong, even during the pandemic, maintaining a loyal ridership of people who seasonally migrate between Florida and the Northeast.

Hilton to cut 2,100 corporate jobs globally

- Hotel chain Hilton Worldwide Holdings Inc said on Tuesday it would cut about 22% of its corporate workforce, or 2,100 jobs.
- Hilton said it is also extending previously announced furloughs, reduced hours, and corporate pay cuts for up to an additional three months.
- “Never in Hilton’s 101-year history has our industry faced a global crisis that brings travel to a virtual standstill,” Chief Executive Officer Christopher Nassetta said.
- Hilton’s corporate staff numbered 9,600 workers globally, while total employees were 173,000 at the end of 2019.
**ASTA Urges CDC To Take Lead In Travel Industry Recovery**

- Last week, in a letter to Robert Redfield, the director of CDC, Zane Kerby, president and CEO of the American Society of Travel Advisors (ASTA), called for a number of specific actions to help restore consumer confidence in the domestic and international travel system.
- The top priorities, in ASTA's view, is to set clear standards across all travel modes and for public health officials to assure consumers that it is safe to travel again.
- While the CDC has issued very specific communications for cruise travel, Kerby says its other efforts have been “uneven at best.” He adds, “In the absence of clear communication, the entire population remains essentially in the dark, left to rely on a patchwork of regional, state and local pronouncements to inform their decision making with respect to travel.” By leaving airlines, hoteliers, cruise lines, tour operators, rental car companies, insurance providers and others to their own devices as it pertains to restating their operations—as opposed to a coordinated approach—the overall revival of the travel industry will be hindered.