Travel Industry Update
June 22, 2020

American Airlines seeks $3.5 billion in new financing

- American Airlines Group Inc said on Sunday it plans to secure $3.5 billion in new financing, to improve the airline’s liquidity as it grapples with travel restrictions caused by the coronavirus.
- The company plans to raise $1.5 billion by selling shares and convertible senior notes due 2025, the airline said in a statement.
- Additionally, the airline said it will offer $1.5 billion in senior secured notes and that it intends to enter into a new $500 million term loan facility due 2024.
- The company expects to use the net proceeds from the stock and convertible notes offerings for general corporate purposes and to enhance its liquidity position, the airline added.

London City Airport re-opens

- London City Airport has re-opened to the public after it was closed for nearly three months because of Covid-19.
- Commercial and private flights stopped operating on 25 March due to travel restrictions and a collapse in demand.

British Airways CityFlyer To Resume London City Flights In July

- British Airways’ CityFlyer subsidiary is set to resume operations from London City Airport in July.
- According to the airline’s booking engine, flights to Spain and Italy will be the first to resume services.
- Domestic services will follow ten days after the international resumption.

Ryanair resumes summer flights early

- Ryanair has resumed flights ten days earlier than expected.
- The no-frills carrier was due to restart services on July 1 but brought forward the date to yesterday (Sunday), the same day Spain lifted its border restrictions to holidaymakers.

Lufthansa bailout standoff with shareholder

- The German government held last-ditch talks with the airline group’s biggest shareholder, billionaire investor Heinz Hermann Thiele, who is threatening to block a 9 billion euro ($10 billion) bailout unless its terms are adjusted.
• Thiele, who holds 15.5% of the group, objects to bailout terms that would see Germany acquire a 20% stake and board seats, diluting existing shareholders, and has instead proposed an indirect holding via the country’s KfW development bank.

Korean Air to sell in-flight meal service

• Korean Air will sell its highly lucrative in-flight meal business to secure liquidity as its plan to sell the land parcel in Songhyeon-dong, central Seoul has hit a snag.
• Credit Suisse (CS), which has been requested by Korean Air to estimate the value of its assets, will send teaser letters (investment information) to potential buyers as early as next week.
• Korean Air was expected to sell its Mileage Division and MRO (maintenance, repair and operating supply) Division as well, but the two divisions were not put up for sale.
• Proceeds from the sale of the in-flight meal business are expected to give a breather to cash-strapped Korean Air. If the original buyer tapping is outlined, the sale process will begin in the second half of 2020.
• Korean Air’s in-flight meal business unit is a cash cow that recorded annual sales of 350 billion won (US $288,946) and operating profit of 30 billion won (US $24,766,884) annually before the COVID-19 crisis. It provides an average of 71,000 meals a day. Its earnings before interest, taxes, depreciation and amortization (EBITDA) amounts to 20 percent and its enterprise value (EV) is estimated at 600 billion won (US $495,337,680).
• When Asiana Airlines sold its in-flight mean business to LSG, which is affiliated with Lufthansa in Germany, in 2003, the sale price was nearly 10 times the annual sales of the division. Some observers say the sale price of Korean Air’s in-flight meal division will eclipse that of Asiana Airlines.

How the Pandemic Has Affected Passports, Global Entry, T.S.A. Pre-Check

• Nearly two million Americans in need of passports are facing severe delays because of processing center closures.
• People applying for security-expediting services like T.S.A. PreCheck or Global Entry may have had their interviews canceled for similar reasons.
• A backlog of 1.7 million passports has piled up since the State Department shut down most of its consular services to protect its workers on March 19, officials confirmed last week.
• Fourteen passport processing centers have reopened for limited service as of Monday, June 15. Pending applications will be addressed on a first in, first out basis, beginning with the oldest applications received — some going back as far as February.
• Officials have said they hope to process about 200,000 applications each week, but that it could take up to eight weeks — before even starting on the new applications — to cut through the backlog.
• If you’re applying for a passport now, you should expect delays of at least two months, if not three or more.
• Expedited services, barring life-or-death circumstances, have been suspended until the final phase of reopening the passport offices (no timeline has been announced for this).
• Enrollment centers for Trusted Traveler Programs, including those that process Global Entry applications, have suspended operations until at least July 6. You can apply for conditional approval for Global Entry via the website, but will be unable to schedule an interview until after July 6.
• Officials advise that the fastest way to get Global Entry now is to apply for conditional approval online and complete the enrollment process upon arrival from abroad at a participating airport. You won’t need to pre-schedule an interview for this.
• Conditional approval can currently take between 15 days to more than five months. If you do decide to book an interview after July 6, know that demand will be high and there may be long wait times to get an appointment.
• Global Entry applicants who are conditionally approved have a year to complete an interview for their enrollment. The C.B.P. recently extended this grace period to 485 days. Members who apply for renewal before their expiration is up will have an 18-month extension to their benefits, instead of the usual six months.
• Some T.S.A Pre-check enrollment centers have closed or modified their hours during the pandemic, although most are open.
• T.S.A. officials recommend making an appointment rather than walking into an enrollment center, so you can know ahead of time of any disruptions and so the center can manage social distancing.
• Officials said the pandemic has not caused a backlog or delays in processing, and that the Pre-check approval process should take about two to three weeks.
• At some airports, Pre-Check lanes may be temporarily closed because of low passenger numbers.
• If you are a Pre-Check member not making use of your membership because you’re not traveling, the T.S.A. isn’t currently offering refunds or extensions.
• Clear, a private company that allows its members to scan their fingerprints or irises at a designated pod to bypass ID-check lines and get to security screening faster, is offering a free three-month extension for current members and also allowing a three-month pause option.