Travel Industry Update
August 4, 2020

Airlines, unions push for billions in additional federal aid to save airline jobs as layoffs loom

- Airline executives and labor unions are pushing for billions of dollars in additional federal coronavirus aid as the threat of layoffs this fall looms for employees and Congress debates a new aid package to help the country to weather the pandemic.
- Airline labor unions have been pushing since June for an extension of the $32 billion in payroll support that would preserve sector jobs through the end of March 2021. A majority of House members have supported the extension, but it isn’t yet clear whether additional aid will make it into the next package.

British Airways confirms end of all business class LCY-JFK service

- British Airways has officially ended its all business class service between London City airport and New York JFK.
- The daily route launched in September 2009 and shortly after it was increased to twice daily, although this was pared back to one flight per day in 2016.
- The unique service was operated by 32-seat A318 aircraft, offering a special Club World London City seat, and operating under the prestigious BA001 and BA002 flight numbers (previously used by Concorde).
- Due to a short runway at LCY, flights routed via Shannon for refuelling on the outbound leg, where passengers were able to complete US immigration checks, thus bypassing normal checks on arrival into New York.
- BA’s sole remaining A318 is also set to exit the fleet.

EasyJet increases flights to cope with holidaymaker demand

- The airline had expected to operate at just 30% of its normal capacity, but is expanding its schedule to 40% as more people look to escape lockdown.
- It restarted flying in June and carried over two million passengers in July.
- "I am really encouraged that we have seen higher than expected levels of demand with load factor of 84% in July with destinations like Faro and Nice remaining popular with customers," said Johan Lundgren, CEO of Easyjet.
- He said bookings for the remainder of the summer "are performing better than expected" and as a result, it has expanded its schedule over the July-to-September quarter to fly at around 40% of normal capacity.
Ryanair traffic fell 70% to 4.4 million in July

- Ryanair flew 4.4 million passengers in July, a broadly expected 70% year-on-year fall after it operated around 40% of its normal July schedule with a 72% load factor, a measure of how well an airline fills its available seats.
- Europe’s biggest budget airline returned to a more regular schedule following the COVID-19 lockdown on July 1 when it said it expected to fly more than 4.5 million passengers during the first month back in the sky.
- The Irish airline cut its annual passenger target by a quarter last week and warned a second wave of COVID-19 infections could lower that further.

Virgin Atlantic Seeks Rescue Signoff to Avoid September Collapse

- Richard Branson’s Virgin Atlantic Airways Ltd. told a London court that it will collapse next month unless it secures approval for a 1.2 billion-pound ($1.6 billion) rescue package announced in July.
- Without the funds, available cash will drop to about 49 million pounds by late September, below the 75 million pounds specified in bondholder contracts, Virgin told a judge Tuesday. That would require the sale of Heathrow airport slots against which the bonds are secured, forcing the carrier to fold.
- Virgin Atlantic is asking the court for permission to hold four creditor meetings to vote on the restructuring plan as part of a so-called cram-down process that will bind all debt classes to the rescue plan. The carrier said that creditors in three of the groups have agreed to back it.
- The restructuring must be approved at a hearing scheduled for Sept. 2, after the creditor meetings, or will be placed into administration mid-month with any assets sold, David Allison, a lawyer for the company, told the court.
- Virgin Atlantic unveiled the rescue plan on July 14 after the coronavirus crisis shut down flights and the carrier was told that its credit ratings disqualified it from support through a state-backed loans program.
- Under the proposals, U.S. hedge fund Davidson Kempner Capital Management will provide about 170 million pounds in secured financing, while Branson himself will contribute 200 million pounds after raising money from space venture Virgin Galactic Holdings Inc.
- The plan also includes 450 million pounds of creditor deferrals and 400 million pounds of payment delays or waivers from Branson’s Virgin Group and co-owner Delta Air Lines Inc.

In-flight internet company Gogo lays off 14% of employees, citing continued damage to airline industry

- The eliminated positions are primarily in Gogo’s commercial aviation business, and are based at the company’s Chicago headquarters, said spokesman Dave Mellin. The layoffs will take effect Aug. 14.
- The company said in April that about 60% of its revenue comes from commercial airlines. As a result, it expected April sales to fall by 60% to 70%. Gogo has not reported its earnings for the second quarter.
- Gogo has been taking steps to reduce costs, including furloughing 600 employees, or about 60% of its workforce, starting in May.
• Gogo employs more than 1,050 employees, about 675 of whom are based in Chicago.
• The company applied for an $81 million grant and a $150 million loan under the coronavirus relief bill, or the CARES Act.
• Gogo has not received any of that money, according to a database maintained by the U.S. Treasury Department.

Hyatt’s Results Show Deep Pain from Collapse of Global Travel

• Hyatt Hotels Corp. reported second-quarter results that show just how deep the pain from travel bans and hotel closures have been for the lodging industry.
• Revenue per available room, a measure of rates and occupancy, fell 89% worldwide in the period, according to a statement Monday.
• The company reported an adjusted net loss of $183 million, or $1.80 a share. Analysts were expecting a loss of $137 million on average.
• Hyatt’s hotel portfolio skews toward full-service properties that are more likely to depend on group meetings and corporate travel. That helps explain why Hyatt’s results lagged.
• The recent spike in coronavirus cases has weighed on what was a nascent travel recovery in the U.S. Hyatt said RevPar was down 76% in July compared with a year earlier. Hotel bookings had increased gradually during the quarter as vacationers embarked on road trips to regional destinations.
• Hyatt said it has enough liquidity to “fund operations for at least the next 36 months” even if room demand stays at second-quarter levels. The company has spent recent months conserving cash by laying off corporate employees and lining up new credit facilities.
• Hyatt shares have plummeted about 47% this year through Monday’s close.

Booking.com to Cut Thousands of Workers After Covid-19 Travel Hit

• Booking Holdings Inc. is the latest online travel giant to eliminate thousands of jobs after the coronavirus pandemic hammered the industry.
• As much as 25% of employees at Booking.com, the company’s biggest business, will be cut, the company said in a statement Tuesday. That’s about 4,000 workers. The reductions will be implemented globally.
• Booking received government aid in Europe earlier this year. When the company applied, it was criticized by politicians and the media. Without that support, the company believes there would have been more job cuts, a spokeswoman said.
• The Norwalk, Connecticut-based company, which operates in more than 65 countries, has five major brands and a workforce of about 26,000. The brand Booking.com represents most of the operations, employing about 17,500. Due to different rules that govern workforce downsizing around the world, Booking said it will work alongside labor organizations and other groups to finalize its plan in the coming weeks and months.

China, Italy, and the U.S. — A Tale of 3 Hotel Industry Recoveries

• The hotel industries in three coronavirus hotspots — past and present — are rebounding from coronavirus shutdowns differently than executives and analysts first predicted.
• Marriott CEO Arne Sorenson said earlier this summer the hotel business in China and the U.S. would rebound from coronavirus-related lockdowns faster than Europe due to
their respective strong domestic traveler bases. Hotel analysts generally agreed with the forecast. But China and Europe have actually posted the strongest recovery momentum in recent weeks.

- “Unfortunately, American society as a whole isn’t disciplined enough to reopen rapidly,” said Patrick Scholes, managing director of lodging and leisure equity research at SunTrust Robinson Humphrey.
- Hotel occupancy rates in late July were 60 percent in China, 48 percent in the U.S., and 32 percent in Italy, according to STR. China’s elevated occupancy numbers, although still down nearly 21 percent from the same time last year, indicate business travel is beginning to return.
- An 11-week streak of consecutive occupancy gains in the U.S. ended in early July. U.S. revenue per available room, or RevPAR — the key performance metric for the hotel industry — is essentially back to where it was at the end of June. Meanwhile, European RevPAR has increased about 20 points, Scholes said.
- “Europe has a deeper hole to climb out of than the U.S.,” Scholes said. “But it’s climbing out of its hole at a much faster pace.”

Passengers confined to cabins as coronavirus appears on another cruise ship

- Another cruise ship that tried to resume sailings in recent days is having a coronavirus crisis.
- The French Polynesia-based, 332-passerger Paul Gauguin returned early to its home port of Papeete, Tahiti, over the weekend after a passenger tested positive for the illness.
- French Polynesia’s High Commission on Monday said 148 passengers on the vessel had been confined to their cabins.
- The passenger who tested positive and a family member sharing the same cabin have been removed from the ship and placed in isolation on land.
- The High Commission said initial COVID-19 testing of passengers and crew members who were in close contact with the passenger who tested positive have come back negative. Health officials are now testing all remaining passengers and crew on the vessel.

New Toolkit Helps Americans Travel Responsibly, Confidently

- The U.S. Travel Association has launched a new Travel Confidently Toolkit featuring industry guidance for promoting the health and safety of all travelers, including enhanced sanitation, redesigned public spaces, improved health screening measures and much more.
- "Travelers also have a responsibility," U.S. Travel stated. "They must adopt new travel practices and follow science-based guidelines to help protect the health of their family and those around them, including fellow travelers and industry employees."