Travel Industry Update
August 5, 2020

Virgin Atlantic Airways seeks U.S. Chapter 15 bankruptcy protection

- Virgin Atlantic Airways Ltd [VA.UL] is seeking protection from creditors in the United States under Chapter 15 of the U.S. Bankruptcy Code, which allows a foreign debtor to shield assets in this country, according to a court filing on Tuesday.
- Virgin Atlantic’s filing in U.S. bankruptcy court in the southern district of New York said it has negotiated a deal with stakeholders “for a consensual recapitalization” that will get debt off its balance sheet and “immediately position it for sustainable long-term growth.”
- The U.S. filing is an ancillary proceeding tied to a separate action filed in a British court, where Virgin Atlantic obtained approval Tuesday to convene meetings of affected creditors to vote on the plan on Aug. 25.
- Non U.S.-companies use Chapter 15 to block creditors who want to file lawsuits or tie up assets in the United States.
- The airline, 51% owned by Branson’s Virgin Group and 49% by U.S. airline Delta, closed its Gatwick base and cut more than 3,500 jobs to contend with the fallout from the COVID-19 pandemic.
- “Delta said it supported the plan and was “optimistic” that it would help Virgin Atlantic “maintain its position” in the travel market.

Union wants vulnerable TSA officers to be kept home as coronavirus cases among employees surge

- The union representing Transportation Security Administration officers is urging the agency’s chief to allow its most vulnerable employees to stay home as cases of the novel coronavirus in the agency’s ranks climbs rapidly, topping 1,500 this week.
- In the early stages of the pandemic, employees in high-risk health groups were allowed to stay home using weather and safety leave, and the agency’s regional directors reduced work schedules for everyone else, union leaders say. But in late June, just as the virus began taking hold again, the leave policy was canceled, and officers were ordered back to work, even though air passenger numbers were still down by about 70 percent.
- “Your decision to implement WSL for high-risk employees correctly recognized that the Agency could continue to carry out its mission without having to sacrifice its most vulnerable employees, and this calculus has not changed,” union president Hydrick Thomas wrote. “Passenger throughput continues to be a fraction of what it was one year ago, the number of flights per day remains low, and the coronavirus continues to wreak havoc on vulnerable populations.”
- While it’s not clear that officers are being exposed at work, the TSA has reported far higher rates of positive tests than either the Defense Department or Veterans Affairs Department, which also regularly disclose when employees have fallen ill.
- Lisa Farbstein, a TSA spokeswoman, said the agency changed its policy in anticipation of needing more officers in advance of the July 4 holiday. Having extra officers available to
work means passengers can be moved through checkpoints quickly while still being allowed to spread out, reducing their risk of being exposed to the virus.

Disney lost nearly $5 billion while theme parks were closed due to coronavirus

- The Walt Disney Company lost nearly $5 billion April, May and June, while its theme parks were shut down due to the coronavirus pandemic, according to a presentation Disney executives made Tuesday.
- It cost the company $3.5 billion just to close the parks during the third quarter, on top of the $1 billion it cost to shut them down the second half of March.
- In all, the company posted a loss of nearly $5 billion for the third quarter, including a $2 billion loss in its parks, experiences and products segment.
- Disney’s domestic parks – Disney World and Disneyland, as well as Disneyland Paris, resorts and cruise operations were closed for the entirety of the quarter and the final two weeks of the previous quarter.
- The company’s parks, experiences and products segment revenue declined 85% to $1 billion compared with the same quarter in 2019. Operating income fell $3.7 billion to a loss of $2 billion.
- Disney’s media networks segment helped offset the losses from parks, experiences and products. Across all segments, the coronavirus pandemic’s impact cost the company $2.9 billion in April, May and June.
- Disney has felt the full impact of the coronavirus pandemic, from its theme parks, resort hotels and retail stores, to its cruise lines and TV and film production.
- Disney World has experienced a falloff in visitors coming to the park from out-of-state. Long-distance travel remains well below last year’s volume, and airlines have cut flights from their schedules.
- The impact of the park's reopening on the company won't be known until it releases fourth-quarter results.

Disney CEO Bob Chapek Says Walt Disney World Seeing Cancellations From Florida’s COVID “Ebb And Flow”

- Walt Disney’s chief executive and its CFO said the dramatic spike in Florida COVID-19 infections last month right when Walt Disney World reopened have resulted in higher cancellations at the park than they’d first anticipated.
- CEO Bob Chapek and chief financial officer Christine McCarthy said, however, that the park is meeting the financial criteria set by Disney to sustain a reopening. It has to cover variable costs, plus kick in a little extra. They acknowledged on a conference call to discuss quarterly earnings that they had hoped the little extra would have been bigger.
- Cancellations are not a surprise, Chapek said, “because the disease does ebb and flow.” Annual pass holders who spend less have been filling in for more lucrative vacationers who might come from farther away and book for a week.
- All parks are already running at much reduced capacity for health and safety reasons.
Hotel group Accor to cut 1,000 jobs after coronavirus loss

- France's Accor, the world's sixth-largest hotel chain, said on Tuesday that it was slashing 1,000 jobs worldwide in a major cost-cutting plan accelerated by the effects of the coronavirus pandemic.
- The group, which runs high-end chains such as Raffles and Sofitel and budget brands like Ibis, plans to cut costs by €200 million (S$324 million) by 2022.
- The company employs 18,000 people at headquarter level. Accor, which operates more than 5,000 hotels in 110 countries, could not yet specify where the job cuts would be.
- Accor has around 320,000 employees in its network worldwide.

Passengers quarantined as a third cruise ship deals with a COVID situation

- SeaDream Yacht Club late Tuesday said passengers and most crew on one of its two ships, the 112-passenger SeaDream I, had been placed in quarantine on board the vessel after a passenger from a previous voyage tested positive for COVID-19.
- In a statement, the line said only crew essential to operate the vessel, which is in the midst of a seven-night cruise along the Norwegian coast, were exempt from the quarantine.
- The ship is heading back to the port of Bodø, Norway, and the voyage is being canceled.
- The SeaDream statement said the passenger who tested positive, who is Danish, had left the vessel on Sunday in Tromsø, Norway, at the end of the ship's last sailing.
- In a statement issued late Tuesday, the Norwegian Institute of Health said it was in discussions with the town of Bodø and a local hospital about “handling testing, quarantine and more” for the passengers and crew on board SeaDream I after it arrives.
- All passengers and crew will undergo a 10-day quarantine, the institute said. It didn’t say if passengers would be quarantined on or off the vessel.