Travel Industry Update
August 6, 2020

JetBlue, Alaska Airlines add stricter mask requirements, extend blocked seats

- JetBlue became the third U.S. airline to “prohibit masks with vents or exhalation valves” — in this case, beginning Monday, Aug. 10 — and Alaska Airlines released a similar policy of its own, kicking in on Aug. 7.
- Other airlines that prohibit masks with vents or exhalation valves include United, Delta and Spirit.
- Next Monday also marks another JetBlue mask shift. JetBlue will refuse to carry any passenger who claims an exemption, joining American and Southwest, Spirit Airlines and, now, Alaska Airlines as well. As JetBlue President Joanna Geraghty explained in a press release, “Our terminals and airplanes are a shared space, and every customer must wear a proper face covering or will need to delay their travel on JetBlue until face coverings are no longer required.”
- All JetBlue passengers older than 2 will be required to comply with the new policy. If a flight attendant determines that a passenger’s face covering is insufficient, the crew provide a suitable mask free of charge. Additionally, as is the case with a handful of other carriers, both JetBlue and Alaska customers who don’t comply with the mask requirement may not be permitted to travel on the airline in the future.
- JetBlue’s promise that you won’t be seated next to a stranger will be valid through Oct. 15, an extension beyond the guarantee’s current Sept. 8 end date. As part of that policy, the airline is blocking middle seats on Airbus aircraft, and aisle seats on smaller Embraer planes, to allow for more distance onboard.
- JetBlue is extending its flight change waivers, also through Oct. 15., allowing customers to book travel without change or cancellation fees for all tickets purchased by that date.
- At Alaska Airlines, the carrier is making similar moves. Aside from strengthening its mask policy to bar vents and remove exemptions, the Seattle-based carrier also announced Wednesday that it will continue blocking seats at least through Oct. 31. With that, Alaska and JetBlue join Delta and Southwest in extending policies to cap seat sales on each flight to help with social distancing.

Lufthansa plans compulsory lay-offs as forecasts travel slump to 2024

- Lufthansa put German workers on notice of compulsory lay-offs on Thursday, saying tumbling air travel and slow progress in union negotiations meant cuts were unavoidable after it lost 1.7 billion euros ($2 billion) in a single quarter.
- The German airline, which secured a 9 billion euro state bailout in June, flew just 4% of prior-year passengers between April and June as a result of the COVID-19 pandemic and expects capacity to increase to only around 50% by the end of the year and two-thirds of last year’s level in 2021.
• Lufthansa Chief Executive Carsten Spohr said on Thursday he does not expect demand for air travel to return to pre-crisis levels until 2024, echoing a forecast last month by the International Air Transport Association (IATA).
• The airline, which has already announced plans to cut 20% of its leadership positions and 1,000 administrative jobs, said it had run out of patience in talks with unions.
• It aims to reduce 22,000 full-time jobs and said it had 8,300 fewer employees by the end of June, due mainly to people leaving jobs at its catering business and non-German businesses, which include Swiss, Austrian Airlines and Brussels Airlines.
• The sharp drop in passenger numbers pushed Lufthansa to a quarterly adjusted operating loss of 1.7 billion euros, the worst performance in its 65-year history.
• Lufthansa plans to cut capital expenditure to 1.3 billion euros this year and next.
• And it expects to burn through around 400-500 million euros in cash per month for the rest of the year and hopes to get back to positive free cash flow in the course of 2021.

Korean Air Posts Surprise Earnings of 148.5 Bln Won in 2Q

• Korean Air posted nearly 150 billion won in operating profit in the second quarter despite a plunge in travel demand amid worldwide COVID-19-induced lockdowns.
• In regulatory filing on Thursday, the largest South Korean airline estimated its operating profit in the April to June period at 148-point-five billion won, a turnaround from the operating loss of 101-point-five billion won in the same quarter last year.
• The surprise earnings were attributed to a sharp decrease in operating costs, which approximately halved to one-trillion-542-point-five billion won from three-trillion-121-point-six billion won a year ago.
• Efforts to save fuel costs and labor costs as well as the use of passenger jets for cargo transport were said to have contributed to the cost reductions.

Trump says he’s in favor of plan to give $25 billion more to struggling airline industry

• Trump expressed support for a proposal for another $25 billion in federal aid to support airline industry jobs.
• A previous aid bill provided that amount to airlines as long as they didn’t cut jobs until Oct. 1.
• The proposed extension has gained bipartisan support as a rebound in travel demand remains remote.

Hilton posts bigger-than-expected loss as virus hammers bookings

• Hilton Worldwide Holdings Inc posted a bigger-than-expected quarterly loss on Thursday, as the coronavirus pandemic hammered bookings and average room revenue throughout its largely reopened hotel networks.
• Shares of the company fell 2.4% in premarket trading after the company also reported an 81% plunge in RevPAR - a key performance measure for the hotel industry - for the second quarter.
• The company said 96% of its system-wide hotels were open, as of July 31.
Royal Caribbean, Carnival, Disney, and dozens of other cruise lines won't sail out of the US until at least October 31

- An industry group of roughly 60 cruise lines announced on Wednesday that they won't sail from US ports until October 31 at the earliest.
- This extension from an earlier September 15 date comes amid multiple outbreaks of the coronavirus aboard cruise ships worldwide that recently began sailing.
- The sail date extension from September 15 to October 31 comes amid multiple outbreaks of the coronavirus aboard some of the first cruises to set sail since the pandemic forced closures across the industry. Two cruise ships in Europe and one in the South Pacific have experienced coronavirus outbreaks. This included Norway's Hurtigruten, Germany's AIDA, and Paul Gauguin in the South Pacific region.
- "This is a difficult decision as we recognize the crushing impact that this pandemic has had on our community and every other industry," the cruise industry group said in a statement. "However, we believe this proactive action further demonstrates the cruise industry's commitment to public health and willingness to voluntarily suspend operations in the interest of public health and safety, as has occurred twice prior. CLIA [Cruise Line International Association] cruise line members will continue to monitor the situation with the understanding that we will revisit a possible further extension on or before 30 September 2020. At the same time, should conditions in the US change and it becomes possible to consider short, modified sailings, we would consider an earlier restart."
- The cruise industry is bound to take an even bigger hit as a result of this announcement. Maintaining and storing the ships is a major expense in terms of overhead.
- Cruise activity in the US supports 421,000 jobs and generates $53 billion annually in economic activity, according to the CLIA's Economic Impact Study published in November 2019. Not to mention, each day of the suspension of US cruise operations leads to a loss of up to $110 million in economic activity, including 800 direct and indirect domestic jobs.

Four Station Casinos properties in Las Vegas may never reopen after pandemic closure

- Frank Fertitta III, CEO of Station's parent company, Red Rock Resorts, revealed in an earnings call Tuesday that the company is uncertain whether Texas Station, Fiesta Henderson, Fiesta Rancho and the off-Strip Palms will reopen in the wake of COVID-19.
- Before deciding whether to reopen the properties, Red Rock's Chief Financial Officer Stephen Cootey said the company must learn whether data shows healthy demand at reopened resorts.
- Red Rock Resorts reported net second quarter revenue of $108.5 million — a drop of 77.5% from the $482.9 million collected in the same quarter of 2019.
- The company’s net loss was $118.4 million. In the second quarter of 2019, the company recorded a loss of $7.1 million. Revenue at Red Rock’s Las Vegas properties alone dropped $356.7 million year over year.
- While the company has held off reopening the four properties now in question, several others have opened in recent weeks: Red Rock, Green Valley Ranch, Santa Fe, Boulder Station, Palace Station, Sunset Station and Wildfire.
- Red Rock Resorts' grim earnings report follows similar news from Las Vegas competitors.
• A sustained shutdown of MGM Resorts properties in the wake of COVID-19 contributed to a second quarter operating loss of $1 billion.
• Citing the disappearance of convention business on The Strip, Las Vegas Sands reported second quarter loss of almost $1 billion.
• Las Vegas Sands reported a second quarter loss of $985 million due to the coronavirus pandemic – down 97.1% from last year.
• Caesars Entertainment will report second quarter results Thursday afternoon.

New York City sets up quarantine checkpoints as it toughens state travel restrictions

• New York City is setting up quarantine checkpoints at “key entry points” along main bridges and tunnels to the city to screen some incoming travelers, Mayor Bill de Blasio said.
• “Travelers coming in from those states will be given information about the quarantine, they will be reminded that it is required, not optional,” de Blasio said at a press briefing. “They’ll be reminded that failure to quarantine is a violation of state law and it comes with serious penalties.” The checkpoints will begin Wednesday.
• Dr. Ted Long, head of New York City’s Test & Trace Corps, said that a fifth of all new coronavirus cases in New York City are from out-of-state travelers.
• The new agency is deploying teams to Penn Station and the Port Authority Bus Terminal starting Thursday. They are checking in on travelers through calls and text messages, “and if we can’t get through to you on the phone, we’ve deployed teams that are now knocking on your door and making sure you’re safe,” Long said.
• “We want you to come into New York City, but we need you to safely separate for two weeks when you arrive to keep New York City safe,” he said.
• Long said the city will help those quarantining with free food deliveries, assistance with medications, telehealth services or “even a hotel stay.”