



Travel Industry Update

August 25, 2020

Delta plans to furlough more than 1,900 pilots in October

- Delta says it's preparing to furlough 1,941 pilots in October.
- The airline said it could reduce or avoid furloughs if it can reach cost-cutting agreements with the union.
- Close to 2,000 Delta pilots applied for early retirements, but the airline said it wasn't enough to offset the lower staffing needs.
- "With approximately 11,200 active pilots still on the roster following the September 1 [voluntary early retirement] departures, we are simply overstaffed, and we are faced with an incredibly difficult decision," he wrote. Laughter said letters would be going out this week to pilots hired on or after July 17, 2017.
- "We are six months into this pandemic and only 25% of our revenues have been recovered," said John Laughter, Delta's senior vice president of flight operations.
- Delta last month said remaining pilots could avoid furloughs altogether with a 15% cut to minimum pay.
- The Air Line Pilots Association, which represents Delta's pilots, urged the company to come up with a solution. It previously proposed offering pilots voluntary time off with partial pay, but Delta and the union have so far failed to reach an agreement.
- Laughter said the company will need about 9,450 pilots for summer 2021, "which we expect will be the peak flying for the next 12-18 months."
- Separately, Delta said its COO Gil West plans to retire at the end of September after 12 years at the Atlanta-based airline.

Southwest Airlines to cut 35,000 flights this October

- Southwest Airlines will cut roughly 40 percent of its flights from the October schedule.
- That means 35,000 fewer flights due to a decrease in demand.
- The decision to cut the flights was based off of forecasted travel demand.
- The airline says it will re-evaluate routes again ahead of what is typically a busy holiday travel season.

JetBlue Is Still Going to London in 2021

- Last year, JetBlue Airways (NASDAQ:JBLU) made a long-awaited announcement that it would enter the transatlantic market with flights to London in 2021. JetBlue converted 13 of its Airbus A321neo orders to the new long-range A321LR models to support its transatlantic expansion plans.
- Less than a year later, the COVID-19 pandemic crushed air travel demand -- particularly on international routes.

- Nevertheless, JetBlue CEO Robin Hayes recently confirmed that the New York-based airline still expects to launch its first flights to London in 2021.
- Hayes cautioned that flights were likely to begin later in the year than originally planned. When pressed for more detail, he indicated that flights would most likely start in the third quarter, or about a year from now.

ExpressJet To End Flights By October After United Cut Its Contract

- Georgia-based ExpressJet Airlines has announced that it will cease operations at the end of September.
- The reason behind the decision was two-fold. Firstly, due to a massive drop in passenger demand, and secondly, United Airlines' decision to consolidate its regional business with another carrier.
- Other than the Chicago-headquartered United, ExpressJet had no other customers.
- The airline said yesterday that it would terminate operations on September 30 and lay off most of its 3,000 employees. Coincidentally, the September 30 deadline is also the day that the airline's financial assistance from the United States government ends.

Over 15 Tons Of United Airlines Nuts Are On Sale

- For the past two years GNS Foods, based in Arlington, Texas, has been supplying United Airlines' premium cabin nuts. However, with coronavirus, United Airlines stopped serving nuts as of March to reduce contact between passengers and flight attendants. As a result, GNS Foods has more than 30,000 pounds of excess nuts.
- As Kim Peacock, owner of GNS Foods, describes the situation:
 - "Not only are we left with bags of mixes, we are also left with the raw ingredients and ingredient contracts from the suppliers. We were asked to maintain United's costs on their mixes for one year. In order to do that, we had to sign raw ingredient contracts for one year. Now we're left with these contracts. If nut prices rise, then you can sell the contract at a profit. Unfortunately, that's not what happened. Nut prices fell, and the raw ingredient suppliers are looking to us to make up the difference! The other question is, 'Where to go with all of these nuts?'"
- United Airlines nuts are being offered in two varieties, sold in two pound bags.
- Nuts aren't the only airline goodies we've seen for sale during the pandemic — British Airways gin and Qantas pajamas have also been available, though sold out pretty quickly.

Korean Air seals \$835 million sale of in-flight business to private equity firm

- Korean Air Lines Co. Ltd. signed a definitive agreement on August 25 to sell its in-flight duty-free and meal service business to South Korea's No.2 private equity firm Hahn & Co. for 990.6 billion won (\$835.4 million), as part of its self-rescue measures to ease liquidity problems.
- Under the deal, the in-flight business division will be transferred to a special purpose company (SPC) to be set up by the country's No.2 private equity firm. Korean Air will take a 20% stake in the SPC as a supplier of in-flight meals and duty-free products, according to sources with knowledge of the matter.
- It is expected to take a couple of months before finalizing the deal.

- Korean Air is planning to sell a 37,000 square-meter land in central Seoul for approximately 500 billion won. The Seoul city has recently offered to buy the undeveloped land.
- It is also in talks to dispose of a stake in an amusement and theme park operator west of Seoul, while entering negotiations to refinance debts on Wilshire Grand Center in Los Angeles, a landmark commercial building.
- As part of the self-rescue efforts, Korean Air had to suspend the majority of its international flights and placed over 70% of its employees on paid or unpaid leave.

Kids fly for free on Malaysia Airlines

- Kids get to fly for free in Malaysia Airlines' brand new holiday campaign.
- Every booking under MHHolidays will be entitled to a complimentary flight and accommodation package for one child aged between three and 11 years old or an infant aged two years and below.
- The campaign period is from now until Sept 2 and the packages are valid for immediate travel until Jan 31 next year.
- Malaysia Airlines group chief marketing and customer experience officer Lau Yin May said since the lifting of the movement control order (MCO), many customers are keen to travel with loved ones.
- "MHHolidays is here for them offering great value-for-money deals that cater not only for solo travellers indulging their wanderlust, but for families who want to enjoy a hassle-free holiday," she said.

Qantas plans to cut another 2,500 ground crew jobs, on top of 6,000 existing redundancies

- Qantas has revealed plans to outsource ground handling at major Australian airports, including Sydney and Melbourne, as well as at larger regional airports.
- The plans will likely cut almost 2,500 jobs across Qantas and its budget airline Jetstar, on top of the 6,000 job cuts already announced in June this year.
- The roles include baggage handlers, tug drivers and cabin cleaners. Qantas said the work was already being outsourced in smaller airports around the country.
- It said it believed it could save \$100 million a year by extending the arrangement to major airports.
- "Further significant losses are projected in the 2021 financial year, and an at least \$10 billion drop in revenue due to the ongoing impact of COVID," Qantas said in a statement.

Emirates and Etihad airlines ask crew to take more unpaid leave

- Emirates and Etihad Airways have again asked cabin crew to take unpaid leave as they try to manage the impact from the COVID-19 pandemic.
- In an internal memo, Emirates crew are told they can take unpaid leave for between one and three months from Sept. 1 to Nov. 30 owing to expected staffing requirements.
- In an Etihad internal memo, staff were told that the airline has more crew than needed and that many are not being rostered on flights, which is not sustainable for the business. Crew can take between 10 days to six months of unpaid leave from Sept. 16, the email said.

The coronavirus crisis claims its first U.S.-based cruise line

- Add Blount Small Ship Adventures to the list of cruise companies shutting down for good due to the impact of the coronavirus pandemic.
- The Warren, Rhode Island-based small-ship cruise specialist has canceled all future sailings and is selling its three vessels.
- Blount Small Ship Adventures is the first North American cruise line to permanently shut down during the coronavirus pandemic.

Returning from overseas or out of state? The CDC removes its 14-day quarantine recommendation

- The CDC updated its travel requirements online Friday, advising travelers to "follow state, territorial, tribal and local recommendations or requirements after travel." Previous guidelines recommended a 14-day quarantine for those returning from international destinations or areas with a high concentration of coronavirus cases.
- Though it still notes that those exposed to the coronavirus pose a risk of infecting others for 14 days, the CDC's page on traveling amid the pandemic recommends that travelers, "regardless of where you traveled or what you did during your trip," follow social distancing guidelines indoors and outdoors, wear a mask outside the home, wash hands often and look out for COVID-19 symptoms upon their return home.
- Individual states have a mix of quarantine requirements and recommendations for visitors and residents returning from travels overseas and from other states.
- Some discourage interstate travel by requiring or recommending that visitors and residents returning from other states quarantine; others require a recent negative COVID-19 test in lieu of a blanket quarantine policy.

Bali will remained closed to international tourists through the end of the year

- After reports that Bali might open its doors to international travelers as early as Sept. 11, Bali's governor, Wayan Koster, said the island will remain closed until 2021 due to the "rising level of coronavirus cases."
- Bali's vice-governor, Tjokorda Oka Artha Ardana Sukawati, called COVID-19 "the most devastating disaster for Bali tourism."
- Sukawati, who is also the former chair of Bali's hotel and restaurant association, said the pandemic's economic affect on the tourism industry is "much worse than the Bali bombings, both the first and the second, and worse than all the [2017] Mount Agung eruptions combined."