



## Travel Industry Update

September 1, 2020

### The airline industry could shrink by half to survive, United Airlines chairman says

- The US airline industry needs to shrink its labor costs by as much as 50% to survive -- and even then it's possible some carriers don't make it through the crisis, says United Airlines Executive Chairman Oscar Munoz.
- "The stark reality of what we're facing is dire," Munoz said.
- "This industry has gone through hell and back on repeated occasions," said Munoz. "This is, by far, orders of magnitude larger than anything we've ever seen."
- Munoz said that a potential 50% drop in industry-wide payroll costs doesn't necessarily translate to a loss of half of the jobs. That's because some jobs cost more than others. And Munoz mentioned that companies could adopt job-sharing programs where workers share a job — and a salary — for a period of time. That would reduce worker hours and pay, eliminating the need for layoffs.
- "You've seen some airlines, in essence, fold. I suspect you may see more the longer this thing goes on," Munoz said. "If this would stretch an inordinate amount of time, all of us would be affected to some degree."
- He added that most major airlines have enough financial resources to withstand the crisis "certainly through next year."

### Delta, American drop domestic change fees, following move by United

- Delta Air Lines and American Airlines are the latest major carriers to sideline ticket change fees, one day after United Airlines announced a similar new policy.
- Atlanta-based Delta said the elimination of change fees is effective immediately and includes tickets purchased for travel within the United States, Puerto Rico and U.S. Virgin Islands for all tickets except basic economy. American's change also covers flights to Canada, Mexico and the Caribbean.
- Delta CEO Ed Bastian told CNBC that it was a "path we were on," notwithstanding the effects of the coronavirus pandemic.
- Bastian did not unequivocally say whether dropping the fees would be permanent. "They're effectively eliminated from this point forward," he said.
- The industry as a whole brought in more than \$2.8 billion of revenue in related change and cancellation fees in 2019, down from a peak of \$3 billion in 2015, according to the federal Transportation Department.

### Southwest CEO: 'We'll need our business to double in order to break even'

- After "stalled" traffic trends in July and a "modest improvement" in August, Southwest Airlines is hoping business will pick up this fall, CEO Gary Kelly said.

- Historically, September is a heavier month for business travel for the Dallas-based airline, Kelly said.
- “We still haven’t seen much activity from our business travelers, of course,” Kelly said. “So, hopefully, we can hold these improving trends into the fall. But passenger demand remains inconsistent and difficult to forecast and still at very depressed levels.”
- In July, the airline burned through \$17 million a day, Kelly said, and he expects that number to be \$20 million a day in the third quarter.
- “At least that’s down from our prior estimate of about \$23 million a day,” he said. “It’s welcome progress, but we’ll need our business to double in order to break even.”
- The company has about \$15 billion in cash and short-term investments, he said.
- “We’ve got to find a way to eliminate these huge cash losses and just get to the other side of this pandemic,” he said.

### **Alaska Airlines becomes the latest carrier to permanently eliminate change fees**

- Alaska is permanently dropping change fees effective immediately. Alaska’s offer includes tickets to all destinations the carrier flies, including the carrier’s international flights to Canada, Costa Rica and Mexico.
- All tickets types are included in the no-change-fee policy, except for Alaska’s version of basic economy, known as Saver fares. (All tickets purchased through Dec. 31, 2020, including Saver fares, can be changed with no fee.)
- Just because Alaska is eliminating change fees doesn’t mean that all fares are immediately refundable. You’ll still need to purchase a refundable ticket to enjoy that privilege (or hope that the airline significantly delays or cancels your flight). Otherwise, you’ll receive a future travel credit should you decide to cancel your flight.

### **Hawaiian Airlines announces furlough of flight attendants, pilots, maintenance workers**

- Hawaiian Airlines CEO Peter Ingram announced on Monday the furlough of thousands of workers amid reduced demand for travel because of the ongoing coronavirus health crisis.
- Ingram said the furlough notices for pilots and flight attendants would be issued that day, with furlough notices planned for the International Association of Machinists and Aerospace Workers (IAM) and the Transport Workers Union of America (TWU) in September. All are expected to take effect by the beginning of October.
- Of the 2,041 furlough notices Hawaiian Airlines will issue, 341 of the 816 furloughs planned for flight attendants are said to be involuntary, while 101 of the 173 pilot furloughs are involuntary. The number of involuntary furloughs among the IAM and TWU unions (1,034 and 18, respectively) was not specified.
- “These reductions to our teams are painful and stressful for all of us, but necessary to ensure our business survives and is poised to respond to opportunities when we are able to resume a more normal flight schedule,” Ingram said in a message to employees on Monday.

## **Air France-KLM firms up plan to raise funds amid travel slump**

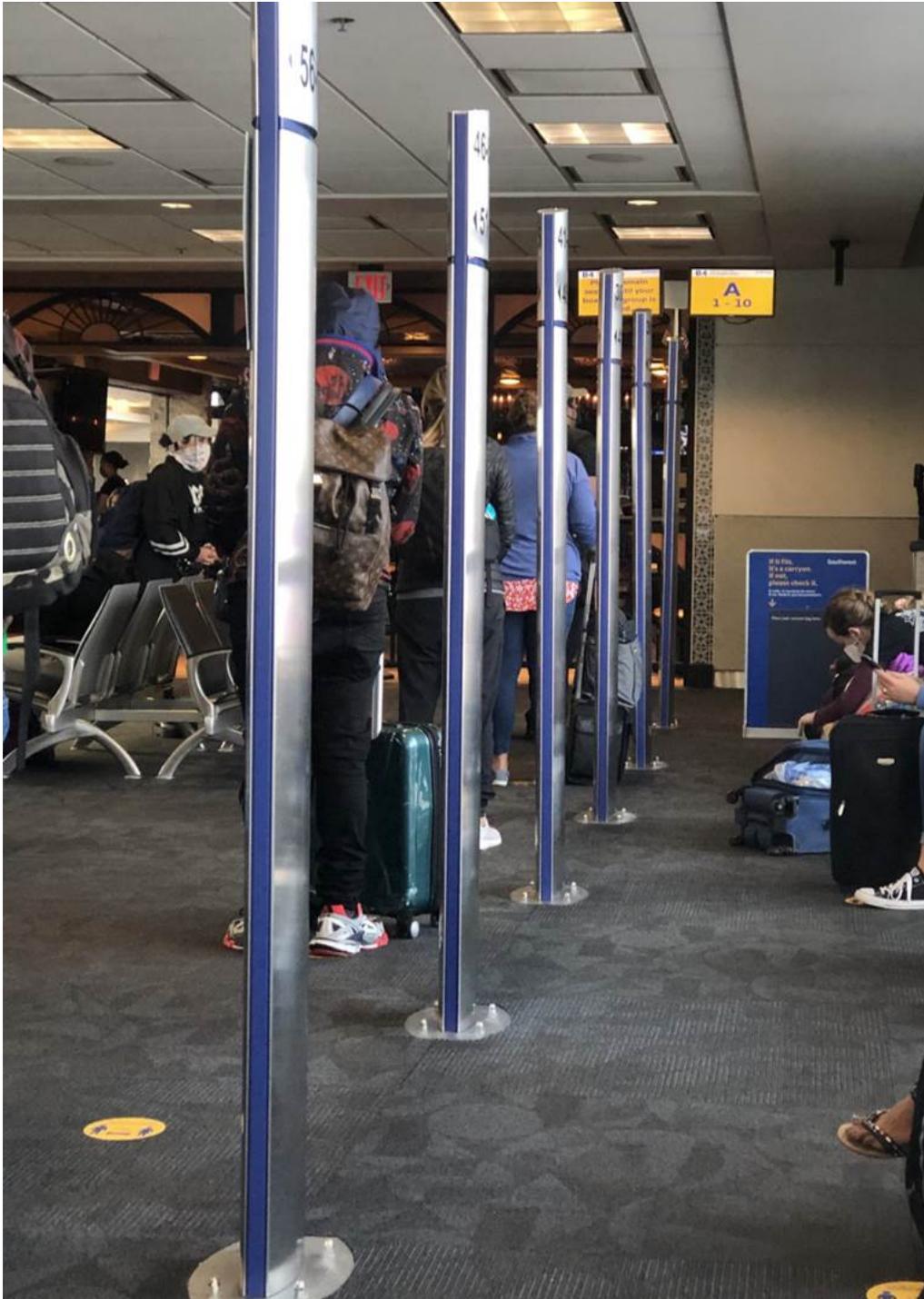
- Air France-KLM is firming up a plan to raise funds by May of next year after agreeing a rescue package from the Dutch and French governments to help outlast the global aviation crisis.
- The carrier “intends to implement measures to strengthen its equity and quasi-equity,” Air France-KLM said in a statement Tuesday, reiterating a timeline given previously by Chief Executive Officer Ben Smith. To lower financing costs, it’s redeeming 403.3 million euros (\$483 million) in notes.
- Air France-KLM, in which the two European states own a combined 28% stake, posted a record quarterly loss in July and is predicting “significantly negative” earnings in the second half.

## **What it’s like to fly BWI-LAX-BWI on Southwest during COVID**

- Traveling by air during the COVID-19 crisis is certainly not the same experience as flying in pre-pandemic days.
- But on a recent Southwest roundtrip between Baltimore/Washington (BWI) and Los Angeles (LAX), I was happy to discover that the airline and both airports have struck a balance between offering a recognizable product to passengers while enhancing their health and safety protocols.
- Arriving masked-up at BWI for the early morning flight, I noticed that everyone was wearing a face covering, as required. Outside of that, I didn’t observe any significant changes to the bag-tag and bag drop experience, except for new signage on the Southwest kiosks and new markers on the floor indicating where people should stand to ensure a physical distance of 6ft.
- The situation at security was not much different, with the same social distancing stickers in place to keep people apart. I noted with interest, however, that the TSA agent sometimes asked passengers to pull down their masks to confirm their identities.
- Once past security, I headed to Starbucks for a morning pick-me-up. I certainly was not alone. The line stretched outside the small coffee shop in Concourse B – just like in the “olden days” except this time with everyone wearing masks and standing 6ft apart.
- I ventured over to the food court between Concourse A and B to buy some breakfast at Chipotle, one of the handful of open eateries. The tables were spaced apart, and everything looked sparkling clean, like it had just been wiped down.



- At the gate, I was surprised to see a lot of passengers sitting beside each other. There weren't any markers on the seats to promote social distancing. I regularly observed cleaning personnel in action, emptying garbage bins and keeping surfaces clean.
- Southwest Airlines has implemented a new boarding procedure; it now boards in groups of ten on only one side of the poles at a time, and everyone is socially distanced.



- We arrived at LAX a bit early. But many of the LAX restaurants and businesses were closed. I also saw a number of people not wearing their masks properly, with the coverings hanging down around their chins. It didn't seem as if anyone was enforcing the mask policy at the airport, but everyone must wear a mask to board.
- The return experience was rather similar and unremarkable, which I appreciated.

## **Report: State Of Hotel Industry Six Months Into COVID Pandemic; hotel industry on brink of collapse**

- The American Hotel & Lodging Association (AHLA) today released an analysis on the economic and human struggle of the hotel industry six months into the COVID-19 pandemic, with millions of employees still furloughed or laid off and travel demand lagging far behind normal levels.
- Key findings of the report include:
  - Four out of 10 hotel employees are still not working.
  - With nearly half of direct hotel operations employees still laid off or furloughed, hotel workers are losing more than \$1.7 billion in earnings each week.
  - Almost two-thirds (65%) of hotels remain at or below 50 percent occupancy, which is below the threshold at which most hotels can break even and pay debt.
  - Consumer travel remains at all-time low, with only 33 percent of Americans reporting they have traveled overnight for leisure or vacation since March and just 38 percent saying they are likely to travel by the end of the year.
  - Urban hotels are suffering the most and facing collapse with crippling low occupancies of 38 percent, significantly below the national average.
  - COVID-19 has left hotels in major cities across the country struggling to stay in business, resulting in massive job loss and dramatically reducing state and local tax revenue for 2020 and beyond.
- Chip Rogers, president and CEO of AHLA, said the prolonged economic impact of the pandemic has taken an incredible toll on the hotel industry, with no sign of a recovery in sight.
- "While hotels have seen an uptick in demand during the summer compared to where we were in April, occupancy rates are nowhere near where they were a year ago. Thousands of hotels can't afford to pay their mortgages and are facing the possibility of foreclosure and closing their doors permanently," said Rogers.
- "Our industry is in crisis. Thousands of hotels are in jeopardy of closing forever, and that will have a ripple effect throughout our communities for years to come," said Rogers. "We need help urgently to keep hotels open so that our industry and our employees can survive and recover from this public health crisis."
- Full report available [here](#).

## **Airbnb claims 1.2M listings are on enhanced cleaning program**

- More evidence that hygiene is becoming an important indicator for brands to use in their marketing and distribution strategy, as Airbnb indicates the number of properties that have passed a new grading system.
- The private accommodation giant, which is now on the road to a formal listing on the public financial markets, says 1.2 million listings have cleared its Enhanced Cleaning Protocol.
- The program was launched in June in a bid to showcase properties that had demonstrated enhanced hygiene standards and cleaning, or set booking buffers between guests.
- It is now available in 220 countries and regions, Airbnb says, with the U.S., France, U.K, Spain and Italy the top five with the highest number of listings with the new protocol.

- The company claims that listings using the scheme are securing three times more bookings than other properties on the platform.
- The average star rating for those listings is 4.8, it says.
- The program provides educational materials and guidelines for the cleaning and sanitization of homes based on information from the U.S. and European Centers for Disease Control and Prevention and a former surgeon general of the United States.
- Airbnb has also added guidelines about mask-wearing and social distancing.
- The company says it is working with a cleaning and hygiene technology company, Diversey, which has endorsed the protocol and is developing more solutions for the future.
- Hosts - including those that share private rooms - who complete a quiz and attest to the Enhanced Cleaning Protocol receive a special highlight on their listing to let guests know they have committed to the routine.

### **Travelers Flying Into Hawaii will be Required to Complete Safe Travels Application**

- The Safe Travels application, starting Tuesday, will become the newest mandatory requirement for travelers flying into Hawaii.
- Here's how it works: A traveler completes an online application and receives a QR code (like a square bar code). The screener, a person at the airport who uses an iPad to read the QR code, is then able to quickly review passenger information for clearance or secondary screening.
- A mandatory 14-day quarantine remains in effect for out-of-state travelers to reduce the spread of COVID-19. A partial interisland quarantine also was reinstated on Aug. 11.
- Once a traveler's information is in the system, it can be used by officials, including police, to check on visitors who are required to quarantine for 14 days. It also allows them to automatically generate quarantine check-in reminders as emails and text messages and makes it easier for the state Department of Health to reach out if there are medical issues to address.
- It isn't set up to allow GPS tracking to ping a visitor's phone or computer for a location.
- The app is expected to simplify the paper-based process, which currently requires different forms for interisland and trans-Pacific travel.

### **One Disney World resort won't reopen until next summer as others remain closed indefinitely**

- Walt Disney World is postponing the reopening of its Polynesian Village Resort until next summer, as the coronavirus pandemic continues to hammer hotel occupancy in central Florida.
- Disney has postponed the reopening of the Polynesian Village multiple times. As of late June, it was supposed to reopen on Aug. 12; as of July, it was supposed to reopen on Oct. 4.
- Two other Disney World Resorts, the Beach Club Resort and BoardWalk Inn, will remain closed indefinitely.
- Hotel occupancy in Orlando continues to be among the lowest in the country, according to STR, which tracks hotel occupancy data. As of the week ending Aug. 22, occupancy in the Orlando market was 29.3%, well below the national average of 48.8%.