



Travel Industry Update

September 15, 2020

American Airlines Moving to Make DFW Airport Its Gateway to Asia

- Move over Los Angeles, DFW International Airport is poised to become the gateway to the Asian Pacific for American Airlines.
- Fort Worth-based American Airlines is moving much of its Asian traffic from the Southern California international flying hub to DFW, a move that could open more opportunities for North Texas to access business and leisure destinations but disrupt how much of the country gets across the Pacific.
- American is making the move after decades of considering LAX its trans-Pacific hub to fly to destinations such as Hong Kong, Beijing, Tokyo, Seoul and even Auckland, New Zealand. But the landscape is changing with the growth of traffic across the Pacific.
- American made the decision in June when it was trying to piece back together an international schedule that had been decimated by the COVID-19 pandemic, which first hit Asia and quickly affected travel to Asia from the U.S.
- American's emphasis on its DFW hub started even before the pandemic.
- Last year, it fulfilled a plan to put 900 flights a day out of DFW, its fortress hub that can connect to nearly any other location it serves in the country. About 26% of all of American's traffic goes through DFW, almost twice as much as what goes through its next biggest hub in Charlotte, N.C.
- That makes DFW an attractive launching point for Asia because it would be a single stop for most of American's U.S. travelers, said Nico Mirman, a Dallas-based aviation consultant with Ailevon Pacific. DFW is also a convenient connecting point for travelers from Latin America, Mirman said.
- "What American is probably thinking is to capitalize on the huge amount of connectivity that they get here," Mirman said. "That's something Los Angeles cannot offer for them."
- DFW has room to grow, too. The airport property is roughly the size of the island of Manhattan. There are plans for a new \$3 billion terminal F at DFW that would give 24 more gates, mostly to American Airlines. While the pandemic put those plans on hold, airport officials expect the project to only be pushed back, not scrapped.
- LAX is still an important hub for American, but just not as much for flying to Asia.
- "LAX is becoming very expensive for airlines to operate from and it's extremely competitive, and that tends to lower airfares," said Henry Harteveltdt, a travel consultant based in San Francisco. "It's a matter of American focusing on where it can have the best return on a very expensive asset."
- American has a similar strategy on the East Coast, moving out of the crowded JFK International Airport in New York and making Philadelphia the primary hub for European travel.

Is the great Covid-19 airplane seat overhaul happening?

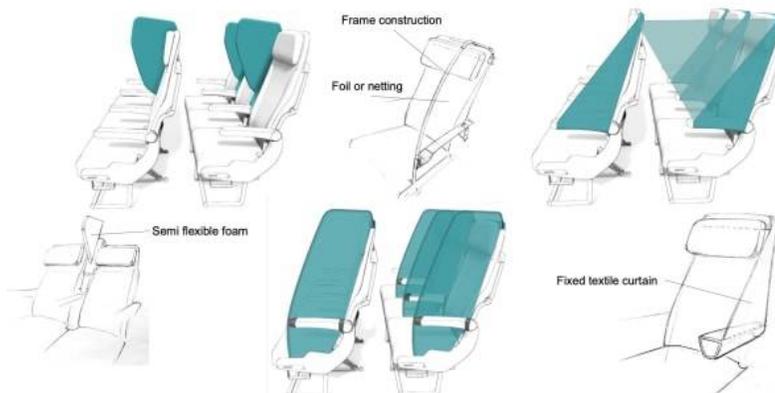
- Plexiglass dividers between passengers, new staggered row layouts, zig-zag seating, space-age transparent bubbles around travelers' heads -- just as new divider screens popped up in shops and restaurants around the world in response to the Covid-19 pandemic, so came a wide variety of new concepts for airline seating.
- In the months since, while mask mandates, hand gel and disinfectant wipes have become airline must-haves, a fundamental change to what we see when we sit down inside an aircraft cabin hasn't followed.
- At the same time, the scientific and medical understanding of how the SARS-CoV-2 coronavirus is transmitted has proceeded apace. Infection is now known to be largely via the droplet and aerosol (rather than fomite, or touch) routes, which affects the kind of protective barriers that are most effective.
- Indeed, the most effective barrier is closest to the mouth of an exhaling passenger: the humble face mask. That's why airlines are, by and large, mandating them -- and banning passengers who endanger others by not wearing them.
- Despite close quarters, the aircraft environment does not seem to be much higher risk than other inside spaces. Flights have continued in many parts of the world, and very few have turned out to be infection clusters themselves.
- "The reasons for the apparently low rate of in-flight transmission are not known," noted the International Air Transport Association (IATA), an airline trade body, "but could encompass a combination of the lack of face-to-face contact, and the physical barriers provided by seat backs, along with the characteristics of cabin air flow. Further study is anticipated."
- During the first half of 2020, a wide variety of cabin additions were proposed to combat the spread of Covid-19 and to reassure passengers. Transparent barriers clipping into the seatback pocket, foam inserts for the top of the seat, sculpted headrest shrouding additions and more.



- The proposed barriers attached in a variety of ways to the seat, and that led to very specific challenges in bringing them on board. Many of these challenges intersect, of course.
- To start with, any addition to the aircraft cabin needs to be certified as safe in a variety of ways.
- It must be fire-resistant and not give off fumes that might be toxic to passengers. It needs to resist incredible forces without shattering, creating sharp edges or blocking passengers' emergency egress from their rows.

- That's true whether it's attached to the seat or provided by the airline -- as in, for example, a foam insert to create barriers from the row behind. These barriers would, in essence, create a "sneeze guard" between rows.
- Perhaps most complicatedly, anything attached to the seat in particular needs to undergo crash testing, which has become more arduous in recent years as regulators insist on ever-safer travel.
- For seats and anything attached to them, this includes loading them with crash dummies and the attachments and firing them down a sled to crash with 16 times the force of gravity, without the dummy taking simulated major injuries.
- "Certification has been the main challenge," explained Mark Hiller, chief executive officer at Recaro Aircraft Seating. "When you add a feature to the seat that increases weight, the entire seat must be recertified. It's not an easy process, but creating a long lasting, durable solution is what we are focused on."
- Recaro has proposed a number of barrier-style additions, as well as antimicrobial technology to be embedded in seat materials during the manufacturing process.
- All in all, it's much more complicated than your supermarket putting a plexiglass partition between you and the cashier.

PAX to PAX privacy



- Airlines would also have to keep all of these cabin additions maintained, replacing them due either to basic wear and tear or to misuse by passengers unfamiliar with them.
- Any additions, whether temporary or permanent, need to be cleaned and serviced regularly. Adding time to the already constrained schedules of airline cleaners creates complexity and cost, while airlines would also need to keep stocks of spares across their operations.
- Cost overall is certainly a factor, as airlines worldwide enter their deepest financial crisis of modern times.
- Timing, too, is a point against the implementation of many of these measures -- both the expected timing of widespread vaccine availability in early to mid-2021, and the time needed to design, certify, manufacture, and install new seats or barrier additions.
- In essence, there's little benefit in completing an expensive program just a couple of months ahead of the vaccine.
- For now, the best ways to combat Covid-19 seem to be around minimizing contact between passengers -- and between passengers and crew.
- Service standards have been changed to reduce the amount that crew circulate within the cabin, and meals have been rethought to reduce the amount of time they stay open to the air while being prepared and eaten, although food is not thought to be a transmission route.

- So what is changing? Well, some of the most intense work is on baking in antimicrobial - including antiviral -- properties into the materials used for seats and the cabin.
- Tapis, a company that makes fabrics and leathers for aircraft interiors, released in August its 9-series Ultraleather with "antimicrobial, silver ion technology embedded in the surface layers that prevent leaching and efficacy loss," which the company explained "provides a safe shield for aerosol borne micro-organisms within the aircraft to create a low risk, safe environment for passengers."
- This type of material essentially disrupts the functioning of microbes, including viruses, and tests have proven promising on the coronavirus that causes Covid-19.
- Fundamentally, this is the kind of product that airlines seem to be betting on: no massive changes during the pandemic, but acknowledging that passengers aren't going to become any less interested in onboard hygiene when the eventual Covid-19 vaccine eases the public health crisis.

IATA encourages Canada to relax travel restrictions

- The International Air Transport Association (IATA) has called on the government of Canada to relax its stringent travel restrictions and allow air travel within, to and from the country to return to a semblance of normalcy.
- The international aviation trade organization says on 14 September that blanket testing for the coronavirus could be a good alternative to the current measures, which require 14-day quarantines for most inbound passengers, be they visitors, citizens or permanent residents.
- "There are alternatives to the quarantine measures currently in place that can both keep Canadians safe as well as revive the economy," IATA director general Alexandre de Juniac says. "The ICAO multi-layered approach is one. The work that Air Canada and WestJet are doing on testing adds another dimension."
- "It is critical that the government of Canada act on these before the economic and social damages become permanent and the public health consequences of mass unemployment become even more apparent," he adds.
- In March, the country imposed some of the strictest lockdown and shelter-in-place measures in the world in order to stop the spread of the highly-contagious virus. Six months on, many of those measures are still in place, angering travel companies, passenger carriers and related industries, and hindering the country's travel sector from returning to normal operations.
- IATA estimates that about 410,000 jobs and some C\$39 billion (\$29.6 million) of Canada's gross domestic product are at risk because of the rules. It adds that 3.2% of the country's GDP, or 633,000 jobs, are supported by the air transport sector and foreign tourists arriving in the country.

Courtyard by Marriott in Herald Square to close permanently

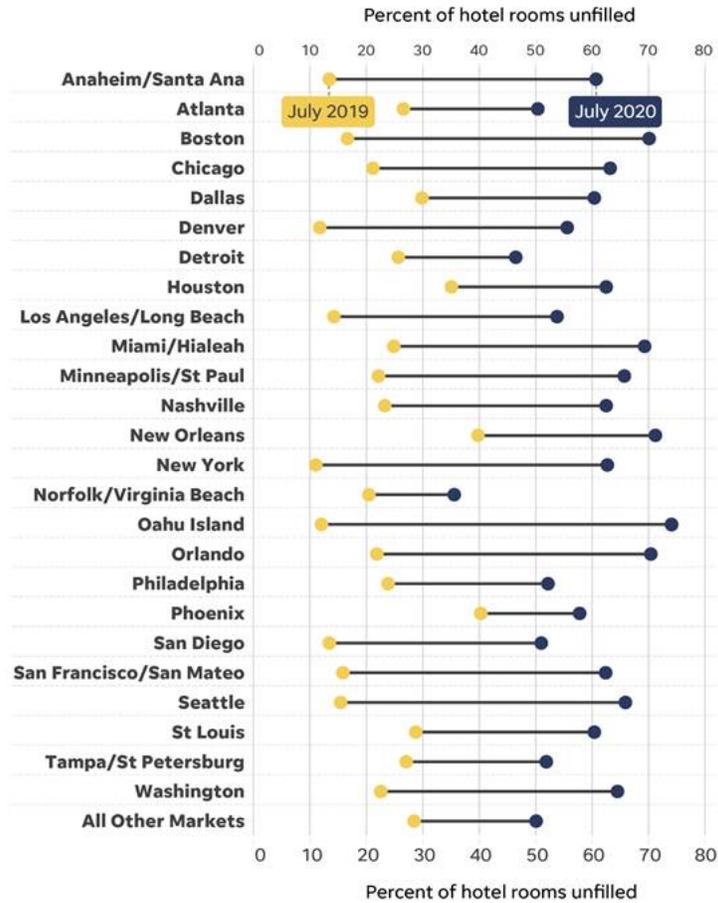
- The wave of closures hitting New York City hotels has claimed another victim: Herald Square's Courtyard by Marriott.
- The hotel's owner recently filed a notice with the New York State Department of Labor detailing its plan to lay off 59 employees, who have been furloughed since March 21. The reason for layoffs is permanent closure of the 167-room hotel, located at 8 Herald Square, due to "unforeseeable business circumstances prompted by Covid-19." Layoffs will occur between Sept. 24 and Oct. 8, according to the filing.

- The hotel's demise is part of the ongoing trend in the pandemic-stricken hospitality industry. Nearly two dozen hotels — including six operated by Marriott — filed similar notices with the Department of Labor in June. More than \$1 billion in commercial mortgage-backed securities loans on hotels have gone unpaid. And occupancy rates in New York City remain lower than the national average, putting pressure on hospitality firms' bottom lines.

Six months of carnage and counting: Travel industry struggles to rebound from COVID-19

- Six months after the World Health Organization declared a pandemic, the toll from COVID-19 turned out to be even worse for the industry in most cases, the projected timeline for a travel rebound and recovery extended again and again as case counts remain high, travel restrictions abound and business travel shows few signs of life.
- U.S. airlines that had been confident \$25 billion in government payroll aid would be the bridge they needed to keep workers employed until travel rebounded are less than a month from laying off tens of thousands of employees. That's on top of thousands who have voluntarily left or taken leave.
- Nearly two out of three hotels are at or below 50% occupancy, according to a study Aug. 31 by the American Hotel & Lodging Association, and four out of 10 hotel workers remain unemployed.
- Cruise lines, an early victim of coronavirus damage as passengers became sick in droves on some ships, have basically been out of business for six months. The last departure from a major U.S. port was on March 13. The next: Nov. 1 at the earliest.
- The U.S. economy is projected to lose \$155 billion in 2020 – or \$425 million per day – because foreign visitors are kept at home by the pandemic and international travel bans, according to the U.S. Travel Association, a trade group.
- Chip Rogers, president and CEO of the American Hotel & Lodging Association, said that if business travel doesn't return in 2021, there's "no way the industry can survive on leisure travel alone."
- The worst-case scenario for the travel industry would be a major resurgence of COVID-19: Another shutdown would be a "disaster," Dow said. The best case would be the arrival of a vaccine and medications to treat COVID-19 – the sooner, the better.
- Coronavirus travel toll: Numbers from the past six months tell the story:
 - 10: The number of passengers on an average U.S. flight on April 1, compared with 104 on Jan. 1 as the holiday season drew to a close. The number rose as high as 70 in late June but fell to 58 by late August.
 - 55,487: The number of weekly U.S. flights in the week beginning April 19, compared with nearly 183,000 a year earlier. The number of flights has more than doubled from that pandemic low point, to 112,991 weekly flights in late August. That is still down 40% from a year ago. Airlines slashed early fall flights in response to a summer spike in COVID-19 cases in multiple states, though some carriers have since added back flights for October.
 - 70%: The projected decline in airline passenger traffic for 2020, more than five times the decline seen in the first six months after 9/11.
 - 21,914: The number of consumer complaints filed with the U.S. Department of Transportation in May, the bulk of them about airline refund issues. The same figure a year ago: 1,296.
 - 1,057: The number of U.S. hotels still closed, according to STR, a group that provides market data on hotels.

- 18,000: The number of workers casino giant MGM Resorts laid off in Las Vegas and other cities in August.
- \$1.7 billion: How much U.S. hotel workers lose in earnings each week while laid off or furloughed.
- 0: The number of cruise passengers who have sailed from the USA since mid-March. That count will stay the same at least through Oct. 31. Pre-pandemic, 550,000 passengers would sail on a typical day worldwide in 2019.
- 8.75 million: The number of customers who will have missed out on their cruises by Oct. 31. This estimate is based on CLIA's estimate that more than 14 million passengers sailed from the USA in 2019.
- 334,000: The number of lost cruise-related jobs, including 163,700 direct and ancillary American jobs, that will have been lost by the end of September from mid-March.
- 2,500: Jobs lost worldwide each day cruises don't operate.
- \$19 billion: Approximately how much was lost from the time cruising stopped in mid-March in the USA through the end of August. By the end of October, that number can be expected to swell to about \$26 billion.
- \$110 million: How much the U.S. economy loses each day the cruise industry remains on pause, according to CLIA.
- 78 days: How long Las Vegas casinos were closed. They shuttered March 18 and gradually started reopening June 4.
- 4 months: The duration of Walt Disney World's closure.
- 125: The number of days New York City's Empire State Building observation deck was closed.



Number of passengers who went through TSA checkpoints

The number of airline passengers has drastically decreased in 2020 compared to the same period in 2019.

