Travel Industry Update

September 17, 2020

Delta Borrows $9 Billion in Largest Airline Debt Sale Ever

- Delta Air Lines Inc. raised $9 billion in the industry's largest debt sale ever, tapping into investors' rampant demand for yield while seeking to survive a slowdown that's causing it to burn through $27 million a day.
- The bonds, secured by Delta's frequent-flier program, carry high-grade ratings, but some yield as much as 4.75%.
- The prospective payout was so alluring to investors that they placed three times as many orders as bonds and loans available for sale. That allowed Delta to boost the size of the deal from an original $6.5 billion -- which the company said already would've been enough to rule out the need for additional federal aid.

American Airlines, unions call for six-month extension of government aid

- American Airlines urged the Trump administration and congressional leadership to extend the relief the airline industry received in March to help offset the effects of the coronavirus pandemic by six months to avoid massive layoffs.
- American CEO Doug Parker and airline industry unions asked Treasury Secretary Steven Mnuchin, White House chief of staff Mark Meadows, and House and Senate leadership in a letter on Wednesday to "find a way to work together" to reach an agreement on the next relief package that includes an extension.
- "Despite the aggressive self-help measures the company has taken to bolster its financial position, and even with several thousand of our colleagues opting for voluntary leave and early retirement, nearly 20,000 American Airlines team members are facing furloughs in just two short weeks, and several markets in our domestic network are at risk of significant reductions in air service," the groups, including the Allied Pilots Association and the Association of Professional Flight Attendants, wrote. Other unions on the letter included the Transport Workers Union, Communications Workers of America, and the International Association of Machinists & Aerospace Workers.
- They said that the PSP has gone directly to salaries and benefits since March and the investment from the federal government has paid off.
- "The dire circumstances we face now — massive furloughs and reductions in air service — are exactly the circumstances the PSP was designed to guard against, which explains why a six-month extension of the program enjoys overwhelming support from a broad coalition of Republicans and Democrats in both chambers," they wrote.

Southwest Airlines trims cash burn, will keep middle seats open through November

- Southwest said its October capacity will likely fall 40 to 45% in October and 35% to 40% in November.
- The low-cost carrier will keep middle seats open until the end of November for travelers not flying together.
- The Dallas-based airline trimmed its cash-burn estimate for the third quarter to $17 million a day from an earlier estimate of $20 million.

58 Percent of Manhattan Hotel Rooms Remain Closed

- 58 percent of Manhattan hotels remain closed, according to the latest Manhattan Lodging Index from PricewaterhouseCoopers.
- Findings from the report show approximately 61,450 hotel rooms in Manhattan had not reopened as of early September.
- Of these, nearly 2,700 are expected to be shuttered permanently.
- "You won't see meaningful increases in operating metrics for Manhattan hotels until we see a return of the business traveler, and that likely comes after a widely distributable vaccine and therapeutics become available," said Warren Marr, managing director of U.S. hospitality and leisure for PwC.
- Some properties are already closing their doors. Among the hotels lost to Covid-19 are the Omni Berkshire Place, Times Square Edition, Hilton Westchester, W New York Downtown and the Hilton Hotel Times Square, all of which are in New York state.
- A report from The Wall Street Journal suggests 20 percent of New York state's total hotel supply (about 250,000 rooms) could close permanently.
- Hospitality data provider STR expects U.S. hotel demand will not fully recover until 2023.

Six months into pandemic pause, Carnival cancels more cruises into spring 2021

- After more than six months on operational pause due to the ongoing coronavirus pandemic, Carnival Cruise Line on Wednesday announced additional voyage cancellations into late spring of next year.
- Carnival Magic, Itineraries from Miami are canceled until March 13.
- Carnival Paradise, Itineraries from Tampa are canceled until March 19.
- Carnival Valor, Itineraries from New Orleans are canceled until April 29.
- Carnival Spirit, Itineraries from Brisbane are canceled through May 16. The first sailing will be the Singapore to Brisbane voyage on June 12.

U.S. Senators introduce bill to allow cruise lines to restart

- Two United States Senators introduced a new bill that aims to reopen the cruise industry to start sailing again.
- Senators Rick Scott and Marco Rubio announced new legislation known as the Set Sail Safely Act.
- The bill creates a Maritime Task Force focused on the health, safety, security, & logistical changes to allow cruise lines & ports to resume operations.
- At its heart, the Set Sail Safely Act would do two basic things:

    - Require the proper federal agencies, led by the U.S. Department of Homeland Security, to work together with input from private sector stakeholders to develop a plan for the safe resumption of cruise line operations.
    - Create a timeline for meetings of the Task Force, recommendations, and implementation of the Task Force's recommendations.
- Private Sector stakeholders would include representatives from the passenger cruise line industry, U.S. ports, commercial fishermen, small businesses and health professionals.