



Travel Industry Update

October 26, 2020

Southwest Airlines to Stop Blocking Middle Seats in December

- Southwest Airlines, the second-largest carrier in Atlanta, said it will end its pandemic-driven policy of blocking middle seats Dec. 1.
- Gary Kelly, CEO of the Dallas-based airline, made the announcement Thursday while reporting the company's financial results, saying "This practice of effectively keeping middle seats open bridged us from the early days of the pandemic, when we had little knowledge about the behavior of the virus, to now."
- "Today," his written statement continued, "aligned with science-based findings from trusted medical and aviation organizations, we will resume selling all available seats for travel beginning December 1, 2020."
- Southwest said customers on "fuller flights" can rebook to another flight if desired.
- Atlanta-based Delta Air Lines, the dominant carrier at Hartsfield-Jackson International Airport, has said it plans to block middle seats through Jan. 6.
- That leaves Delta as the only major network carrier to block middle seats through the holiday travel season. United and American are no longer blocking middle seats. Alaska Airlines, a smaller carrier, said it will block middle seats through Jan. 6.
- Although Delta is blocking middle seats, that doesn't necessarily guarantee passengers will have an empty seat next to them.
- That's because not all airplanes have middle seats. On smaller aircraft like Delta Connection regional jets with two seats on each side of the aisle per row, passengers could still be seated directly next to a stranger. Delta says it will block "select aisle seats" on those aircraft.
- "The middle seat blocking is a challenge on regionals because you don't have a middle seat," Delta's chief customer experience officer Bill Lentsch said in a Facebook Live video this week. But, he said, "we have selectively gone in and blocked seats from being booked on the regional flights."
- Travelers may also still see middle seats occupied on larger Delta planes. That's because families and groups traveling together can book a middle seat to sit next to each other.
- Delta said in August that it would cap seating on its planes at 75% capacity in the main cabin from October through early January. That's up from the 60% cap it had through Sept. 30.
- In business class on Delta widebody jets, which have more spacious seating configurations, there are no capacity limits.
- When Delta will lift seating caps will depend on "consumer sentiment and confidence in air travel," CEO Ed Bastian said last week.
- "Sometime in the first half of next year, I have no doubt we will be lifting those caps," he said.

Delta adds 460 people to no-fly list for refusing to wear masks

- Usually reserved for suspected terrorists, Delta Airlines has added the names of 460 people to its no-fly lists for refusing to comply with a requirement to wear masks during flights, according to a memo to employees from the company's CEO.
- Delta CEO Ed Bastian revealed the number in an internal memo.
- Bastian went on to cite a significant increase in COVID-19 infections across the nation, saying the continuing public health crisis "makes it as important as ever for us to be aware of the multiple layers of defense."
- "Wearing a mask is among the simplest and most effective actions we can take to reduce transmission, which is why Delta has long required them for our customers and our people," Bastian wrote. "As of this week, we've added 460 people to our no-fly list for refusing to comply with our mask requirement."

Alaska Airlines Plans to End Middle-Seat Blocking in Early 2021

- Alaska Airlines will continue blocking middle seats for the rest of this year but is "mapping a framework" to end the policy in early 2021, executives said Thursday during an earnings call.
- Passenger revenue in the third quarter declined 74 percent year over year to \$572 million. The carrier has seen "a month by month steady uptick" in passengers and improving future bookings, and it is continuing to rebuild its network, chairman and CEO Brad Tilden said. Alaska's network, which dropped from 1,300 daily flights to 350 "nearly overnight" at the onset of the pandemic, has grown back to 760 daily flights and soon will be increased to 840 daily flights, he said.
- Alaska also has continued to reduce daily cash burn, which was \$4 million in the third quarter, compared with \$5 million per day in the second quarter and \$13 million per day earlier in the pandemic. In order to reach a break-even point, Alaska will need to recover to about 60 percent of normal passenger levels, or about 70,000 to 80,000 passengers per day, Alaska president Ben Minicucci said. Blocking middle seats caps makes it impossible for flights to have load factors that reach those levels, EVP and CFO Shane Tackett said.

Lufthansa to ground more planes during winter as pandemic bites

- Deutsche Lufthansa LHAG.DE is preparing to ground more planes than planned and cut working hours during the winter as a surge in coronavirus infections is putting people off travelling.
- Lufthansa and its subsidiaries Eurowings, Swiss, Austrian and Brussels Airlines will ground 125 more aircraft during the winter than originally planned, Chief Executive Carsten Spohr said in a letter to staff seen by Reuters.
- "It is unavoidable to ramp down operations during the winter of 2020/21 even further and to put as many areas as possible in 'hibernation' from mid-December," he said.
- Most of the group's administrative staff will be put on a government-sponsored reduced hours scheme, he added.
- Lufthansa said this month said it will likely only offer up to 25% of the last year's capacity in the fourth quarter, as it reported a third-quarter operating loss of 1.26 billion euros.

Emirates Prepares To Distribute The COVID-19 Vaccine

- With great anticipation for the release of a safe and proven COVID-19 vaccine, the cargo division of Emirates airline group is ensuring it will be capable of the mammoth task of distribution. Emirates SkyCargo is letting the world know that it has created 'the world's first dedicated airside cargo hub' for the vaccine. This plan will include re-opening the SkyCentral DWC cargo terminal at Dubai South.
- SkyCargo's role will be to fly in vaccines from manufacturing sites globally, then store and prepare shipments for regional and global distribution.

What's next for no-touch air travel?

- How many times do you touch the cabin around you in an airplane when you fly? How about the airport? How many times do the people working there touch your belongings?
- The answer today is, as a rule, "quite a lot." But airlines, airports and the aviation industry want the answer in the near future to be "quite a bit less."
- "Touchless travel" comprises a fairly wide collection of individual changes and additions to the environment around us, everything from hands-free flushing in airport and airplane lavatories to automated scan-and-board gates, controlling your inflight entertainment system from your phone or tablet, and much more.
- "Touchless travel promises peace of mind," explains Daniel Baron, who operates LIFT Aero Design, an aircraft cabin design studio with offices in Tokyo and Singapore, calling it "the state of not having to even think about 'clean,' made possible by technologies and processes to mitigate angst along the journey."
- It also includes not just touch-free but also "less-touch" and "fewer-touch" travel: both the need to touch physical things in the travel environment less and also fewer times during each interaction.
- Making touchless cabins is very complex
- "In the cabin, the most promising area is the lavatory," explains Baron. "It is common knowledge in the cabin interiors industry that even before Covid, many passengers hesitated to use lavatories out of negative perception; in other words, having to touch dirty surfaces. We have seen incremental improvements over the past decade, mostly touchless faucets and toilet lids and flush buttons. Next will be soap dispensers and hand dryers, plus the doors and locks."
- Some of this is automated, such as infrared sensing faucets, but some of it is also redesigning physical parts of the experience, such as doors or trash bins you can open with your feet.
- "Any change to the aircraft architecture requires consultation, testing and validation to achieve certification," explains Matt Round, chief creative officer at Tangerine, a design consultancy in London. "There is therefore a need for accelerated certification and conversations earlier within the process and a need to look at relationships across all parties to enable faster certification."
- The touchless airport is arriving ahead of schedule
- At the airport, touchless technology is speeding up.
- "Airports have been quicker to adopt touchless travel than aircraft cabins," says Round. "We are already seeing touchless security, and more and more processes are moving out of airport infrastructure and into the digital world thereby reducing the number of contact points in the airport."
- In implementation, this all ranges quite widely across your journey. One element is checking in online and keeping your boarding pass on your phone. Another is remote bag

drop, either the first-generation tap-the-kiosk-screen versions or, increasingly, the newer scan-your-app-barcode versions.

Officials Work to Create Air Bridge Between the US and UK

- A new app that tracks required testing protocols for travelers has just made a successful debut and American Express Global Business Travel (GBT) is working to create an air bridge that would open up a corridor between London and New York City.
- Drew Crawley, chief commercial officer of GBT, has been at the forefront of discussions with government entities, airlines and industry leaders to open this corridor and noted that one of the keys to restoring travel is that travelers need reassurance to begin flying again.
- “The issue behind travel is the paralysis caused by the quarantines and border closures,” he said. “Travelers need to be confident to get back in the air, and that is something that we need to fix to give travelers confidence to travel safely.”
- GBT is working with various entities to negotiate ways in which travelers can once again travel by air between the U.S. and the U.K.
- “The genesis of the thought was to persuade governments to undertake a pilot [program] which would enable them to get confidence themselves,” said Crawley. “There is a solution to intelligently risk-managed travel rather than trying to manage the risk of travel to zero.”
- “The other thing that we noticed is that the travel industry is very fragmented and there were lots of different voices asking for slightly different things. We felt that GBT could play a role in getting airline partners because we have contact with all of them to coalesce around a single idea so that we have a single voice rather than multiple propositions from multiple stakeholders.”
- One of the biggest hurdles was overcoming 14-day quarantines.
- They believe that an antigen test, 15-minute tests will mitigate a large enough chunk of people. It is privately funded and won’t burden the health system.
- Crawley points out that, while people believe that quarantines mitigate risk, they aren’t actually as effective as they should be.
- “A quarantine is self-policed by humans,” he said. “If you were able to get data, I would be 100 percent sure that 100 percent of people did not quarantine. We think that it’s more risky than having people do tests to board airplanes.”
- It already looks like programs such as CommonPass are coming to fruition and are being launched successfully. United Airlines just hosted the first CommonPass test flight between the U.K. and the U.S. and also had success with Cathay Pacific.

United Airlines testing global health app on UK-U.S. flight in effort to reopen borders

- United Airlines UAL.O is set on Wednesday to test a digital health pass under a global pilot program seeking to establish a common international standard for COVID-19 test results and eventually vaccine records that could help reopen borders.
- The nonprofit initiative, called CommonPass, is backed by the World Economic Forum and Swiss-based foundation The Commons Project. If successful, it could persuade governments to ease the restrictions and quarantines that have slammed air travel since the coronavirus starting spreading across the globe.

- Volunteers on the United flight, which will be observed by the U.S Centers for Disease Control and Prevention, will upload COVID-19 test results from a certified lab to their smartphones and complete any required health screening questions to generate a verified QR (quick response) code that airline staff and border officials can scan.
- They will present the code, which can be printed for passengers without mobile devices, before departing and on arrival.
- The project aims to build a network of trusted labs and would rely on those results and vaccination records to be certified across borders, replacing the current method of sharing paper-based and easily falsified test results from unknown labs.
- The labs would verify a person's identity for the app, which is designed to protect personal data and privacy, said Meyer, who is in a dialogue with airlines and countries across the globe for the project.
- "The model only works if countries agree to trust health data from other countries," he said.

STR: Q3 U.S. Hotel Occupancy Lowest on Record

- Third-quarter U.S. hotel industry occupancy was the lowest for any third quarter on record, according to STR. The absolute level declined 32.2 percent year over year to 48 percent. Still, that was a marked improvement from the second-quarter decline of 52.1 percent year over year to 33.5 percent, evidence the industry is slowly recovering.
- Revenue per available room dropped 48.5 percent to \$48.58. Again, that's an improvement from the second quarter's fall of 69.9 percent year over year to \$27.98.
- The key performance indicators for the month of September, however, were down slightly from August. Occupancy for September 2020 compared to a year prior dropped 28.2 percent to 48.3 percent. Average daily rate declined 24.9 percent to \$99.12. Revenue per available room declined 46.1 percent to \$47.87.