Travel Industry Update

November 11, 2020

Delta Air Lines Sees Cash Burn Rate Edging Closer To Neutral

- Delta Air Lines (DAL) on Tuesday said it expected its daily cash burn to narrow to $10 million-$12 million in the fourth quarter, as the carrier navigates through a "steady but stable recovery in demand." However, Delta stock and other airline stocks were mixed, after surging Monday on coronavirus vaccine news.
- Airlines have tried to rein in their cash burn as passengers stay off flights. Delta said it expected daily cash burn in the month of December to be $10 million. Daily cash burn averaged $24 million in Q3, down from Q2's average burn rate of $43 million.
- The company expected operating expenses for the fourth quarter to be 50% lower than a year ago.

United Airlines boosts Thanksgiving schedule, expects most travelers since March

- United is adding 1,400 flights during Thanksgiving week on expectations of higher demand, a more than 9% increase during the week of Nov. 23 and is planning to "swap in larger aircraft when needed to accommodate last-minute demand."
- Airlines are focusing on price-sensitive customers booking within the U.S. and Caribbean as long-haul international travel suffers in the pandemic.
- JetBlue is also adding to its Thanksgiving week schedule.

United makes it official: Return to JFK airport set for February, thanks to pandemic travel lull

- United will resume its service at New York's John F. Kennedy International Airport on Feb. 1 with flights to California.
- The airline ended service at JFK in October 2015 after losing money there.
- A lull in traffic due to the coronavirus pandemic helped United find space at JFK.

Singapore and Hong Kong to start 'travel bubble' flights on Nov. 22

- Quarantine-free leisure travel between Hong Kong and Singapore will resume on Nov. 22.
- Passengers will be required to undergo a Covid-19 test and provide a negative result within 72 hours before departure.
- Singapore's minister for transport, Ong Ye Kung, hailed the agreement as a "first of its kind," and said it could provide a blueprint for other travel bubbles.

The hotel industry may not recover until 2023

- Even if a coronavirus vaccine is released next year, the battered lodging industry will take several years to recover.
- S&P Global Ratings said in a new report that a "solid recovery isn't likely" until 2023 -- and that's based on a widely available vaccine becoming available in the second half of 2021.
- In a worrisome stat for hotel companies, year-over-year revenue per available room, which is a closely watched metric for gauging hotel health, has decreased 50% in 2020. S&P forecasts that will rebound slightly in 2021, but will still remain between 20% and 30% lower compared to 2019. A full recovery to pre-Covid levels isn't expected for another few years.
- S&P has slashed ratings on about 75% of all rated US lodging companies since April. The downgrades spread to other travel-related industries including theme parks and cruise lines.

Here's How Much Cash the Cruise Lines Are Burning Through

- The world's largest cruise companies are still burning through around $1 billion a month for the fourth quarter while ships sit still in various stages of layup, according to financial reports.
- Carnival Corporation: $530,000,000 Per Month
- Royal Caribbean Group: $270,000,000 Per Month
- Norwegian Cruise Line Holdings: $175,000,000 Per Month

Why Disneyland Is Going To Have A Harder Time Reopening Than Walt Disney World

- Disneyland Resort is the only Disney theme park that has yet to reopen following its closure in March. At this point, given the state of California's significant restrictions, it looks like it could still be several more months before Disneyland is given the ok to reopen, even with all the expected health and safety precautions that parks like Walt Disney World are already using.
- Disneyland has been arguing that following the success that Walt Disney World has seen, there is proof that it too can reopen safely.
- While Disneyland may look nearly identical to Walt Disney World's Magic Kingdom, the resort is going to have many unique challenges to overcome that Walt Disney World never saw. Here are some places where Walt Disney World's success simply won't be able to be easily translated to Disneyland.
    - The Size of Disneyland Resort
        - Between the geographic size of Walt Disney World and the number of people who are inside its borders during a normal day, the theme park resort is larger than some decently-sized cities, because originally it was supposed to be one. Walt Disney World is actually part of the Reedy Creek Improvement District, a special municipal designation in Florida that gives Disney World control over its own destiny in many ways. So it almost is its own city, consisting not just of the four theme parks, but two water parks and over 20 hotels, all spread over two counties.

        - By comparison, Disneyland Resort is two theme parks, three hotels and Downtown Disney, and you can walk from the theme park entrance plaza to the Disneyland Hotel at the far end of Downtown Disney in just a few minutes. Everything is up against everything else. This means that whatever limited number of people are allowed into Disneyland Resort when the theme parks open up, they'll be found within a relatively small geographic space, making social distancing that much more difficult. Certainly, a Disneyland at, say, 20% capacity will have fewer people in than a Walt Disney World of the same size, but those people will still need to be managed more closely.
    - Socially Distant Queues
        - This issue of size for the Disneyland Resort is something which is equally important when we're talking about the individual theme parks as well. The size of places like Magic Kingdom have been invaluable because the need to create socially distant attraction lines at Walt Disney World have created some very circuitous routes through the theme parks. The fact is that some attractions appear to be closed not because they can't be open, but because there simply isn't enough space in the theme parks for all of these extremely long lines snaking through the various lands.
        - That problem is going to be that much more of an issue at Disneyland. If Tomorrowland at Magic Kingdom has an absolutely insane line that's running all over the place, then Disneyland, where Tomorrowland is a fraction of the size, is going to have to be even more creative when it comes to figuring out where to put all the people that want to get on any given ride.
    - Disneyland's Local Popularity
        - Walt Disney World is one of the single most popular vacation destinations in the world. People travel not only from all over the country, but all over the world to visit. This fact has been both a blessing and a curse during the era of COVID-19. The simple fact is it hasn't been too complicated for Walt Disney World to manage the crowds these days because the crowds are mostly staying home. This means the park is visited mostly by locals right now, which is a small fraction of the number of people that would normally be there.
        - While Disneyland certainly welcomes guests from all over the world as well, the number of international guests and those from out of state make up a significantly smaller percentage of an average day's attendance. Disneyland finds itself in the heart of Southern California, one of the most populated areas in the world, and a lot more people from the local area visit Disneyland on a normal day than they do Walt Disney World. This is only going to make managing those people that much more difficult. Whatever constitutes "max capacity" at Disneyland, the resort has a much higher chance of hitting it on a regular basis.