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Travel Industry Update

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Some Numbers Are Ugly. Some Are Really Ugly. Then There's The U.S. Airline Industry's 2020 Numbers.

- Analysts tell us that U.S. airlines last year likely lost somewhere around $35 billion thanks to the staggering and historic drop in travel demand caused by the global Covid-19 pandemic.
- We won't know the final numbers until April, when the airlines' beleaguered accounting departments get all the damage totaled up, but $35 billion really isn't the half of it.
- U.S. airlines combined in 2020 to churn through nearly another $100 billion on top of that. That includes $25 billion in federal grant money given them by Congress last summer to keep close to 60,000 of their suddenly excess employees on the payroll – doing essentially nothing — for a few extra months. And it does not count the $15 million more in federal payroll support approved by Congress just before the Christmas break because that money won't hit the airlines' books until 2021.
- The net loss the airlines will collectively report also won't show the $67 billion in debt they collectively had to take on last year so they wouldn't run out of cash before Christmas. In fact, if you add up their actual $35 billion or so in net losses, the $25 billion in federal gift money and the $67 billion in additional debt, the group ended the year around $127 billion worse off than they were just 10 months earlier.
- Indeed, the $92 billion that U.S. carriers borrowed (either on the market or from the government) or were given by the government in 2020 is just $5.5 billion less than the group's total net profits reported for the 10 years between 2010 and 2019, according to numbers from the MIT Airline Data Project.
- To be fair, the carriers haven't spent all $92 billion that they either borrowed or were given. But they almost certainly will long before they can return to profitability. That's because every airline continues to lose millions of dollars a day. Plus, they now have to start making huge payments on their whopping collective debt burden of $172 billion (that's roughly 13 times the industry's 2019 combined net profit of $13.4 billion).
- Meanwhile, even the most optimistic analysts recognize that if a reasonably decent recovery does begin this year it will be led by leisure travelers. The millions of high fare-paying business travelers on which the big, conventional carriers desperately depend for 60% or more of their revenues (and 100% of any profits they might earn) are likely to stay on the sidelines for most, if not all of 2021. That's because their corporate finance and legal bosses are afraid of the health, financial and legal liability risks associated with putting their employees out on the road again. Certainly, some business travelers are already back in the air – and in hotel rooms, restaurants and other public places. But the vast majority are not, and there are no market signals that it's time for them to get out there again.
- The expectation is that corporate leaders will wait and see how leisure travelers, frustrated by their inability to go on vacation or to visit friends and relatives, fare before they start putting the lives of their employees – and their companies' financial futures – at risk. If leisure travel really does pick up significantly, but thanks to vaccines and good

health practices infection rates among leisure travelers don't, then you can expect to see corporate travelers gingerly re-entering the market.

- Let's look at some of the grizzly numbers from 2020:
    - Airlines operated 49% fewer flights last year than in 2019, according to aviation consulting and data tracking firm Cirium. And remember, carriers didn't start cutting flights until the second week of March, and even then moved slowly for a couple of weeks until they grasped that demand had gone over the proverbial cliff.
    - Passenger traffic was down much, much more than the number of flights. That's why U.S. airlines now have around 800 fewer planes in service than a year ago. At the low point, the number of parked planes soared over 2,000, with nearly all of the rest being flown only a few hours each day instead of their normal 10-14 hours a day. Most international range widebody planes, which obviously carry far more passengers than narrow body planes, were – and continue to be - grounded or very lightly used by U.S. carriers. Health-related restrictions on international travel and the absence of almost any demand for such trips makes widebody planes both hugely expensive occupants of dessert real estate and even bigger money losers when they do fly.
    - Data from the Transportation Security Administration's daily count of people passing through its airport security checkpoints suggests total passenger boardings for 2020 were down 61% for the year. The TSA screened a total of 324 million people at airports last year vs. 824 million in 2019. (The TSA also screens air crew, other airline employees, airport employees and those who work in and support airport shops and restaurants. Still, its totals serve as a good proxy for passenger boarding totals, which typically aren't reported officially until several months after the fact.)
    - At the lowest point, on April 14 of last year, 87,534 people passed through TSA airport checkpoints. On the corresponding Tuesday in 2019, the TSA cleared 2,208,688 people through those same checkpoints. That's a 96% year-over-year-decline.
    - Per the TSA, the number of people cleared at airports fell below the 2 million mark – and stayed there - on March 9, then dropped below the 1 million mark for the first time on March 17. It did not rise above the 1 million mark again until October 18, and didn't reach 1 million again until Nov. 20.
    - TSA airport checks reached above 1 million passengers in a day only four times during the week of Thanksgiving and just nine days during the Christmas travel season this year. In December 2019 there were 26 days of more than 2 million passengers being cleared by the TSA, plus five days over the 1 million clearings mark. The peak day for clearings last month was December 27, when 1,284,599 people passed through TSA checkpoints. In December 2019 the peak day was December 18, when 2,608,088 people where checked by the TSA.
    - For several weeks in April and May U.S. airlines collectively reported load factors – the percentage seats filled by paying passengers – in the single digits vs. typical load factors in recent years near 80%. During one week in April the industry's load factor was reported to have been 4% despite the grounding or near-grounding of roughly 80% of their fleets.
    - The drop in passenger boardings was the first since 2009, when travel demand fell slightly in reaction to a big global economic downturn.
    - The drop in passenger boardings in 2020 effectively took the industry back to 1980s levels of passenger demand

    - Passenger airline stocks took a severe beating. While the Standard & Poor's 500 price average rose 16% last year, United Airlines' stock fell 51%, American's stock price dropped 45% and Delta's stock slide 31%. Even Southwest, long the best performing stock among the big airlines lost 14% of its value in 2020.
- Beyond the huge drops in passenger and flight operation totals, and in airline stock prices from 2019, 2020 also cost U.S. carriers dearly in terms of lost growth opportunities.
- From 2010 through 2019 the industry saw an average annual passenger boarding growth rate of 3.1%, according to the U.S. Bureau of Transportation Statistics. Since U.S carriers boarded 759.3 million passengers in 2019, the total in 2020 would have pushed near the one billion boardings mark, assuming that same 3.1% growth rate. Even a tiny bit higher growth rate would have put U.S. passenger boardings over 1 billion for the first time ever.
- And, oh yeah, there's another huge problem that'll need to be dealt with later this year. Eventually the approximately 60,000 or so industry jobs that now are being preserved by Congress' kindness/political motivations will have to be dealt with definitively. Those workers, through no fault of their own, either will have to become quasi-permanent "wards" of a federal government that will continue paying their wages until demand recovers enough for the airlines to actually make real use of them, or the government money with which they're being paid - now through March - will have to be cut off.
- The U.S. airline industry clearly has on its collective payroll around 60,000 more workers than it currently needs and can't afford to pay. And even the rosiest projections don't see a need for all 60,000 of them until at least sometime in 2024, or maybe later.

Airline passengers entering Canada need a negative coronavirus test

- The Canadian government said that all airline passengers entering the country must have a negative coronavirus test within three days before they arrive in the country.
- According to the website for the Ministry of Transport, the rule takes effect at 12:01 a.m. Thursday, Jan. 7, and applies to all air passengers over the age of five. Only molecular polymerase chain reaction (PCR) results will be accepted and the test must have been performed within 72 hours of the traveler's departure time.
- Even with a negative test, passengers will still be required to begin a 14-day quarantine. Travelers must file their quarantine lodging plans and contact information via the ArriveCAN smartphone app or website. If a government official does not approve their quarantine plan, the traveler may be ordered to spend it at a federal facility.
- Canada has already banned all flights from the United Kingdom because of the new variant of the coronavirus spreading there.
- The decision to require negative tests for airline passengers came a day after the premier of Canada's largest province said he had ordered his finance minister to end a Caribbean vacation he took at a time when the government is urging people to avoid nonessential travel.

UK lockdowns force British Airways, easyJet to review flying plans

- UK-based airlines British Airways and easyJet said they were reviewing their plans in response to new national COVID lockdowns, with reductions to already low levels of flying almost certain.

- Restrictions on travel due to the pandemic, and particularly a halt by some countries to passenger traffic from Britain due to an outbreak of a new variant of the coronavirus, means that there are only a fraction of flights currently operating.
- But the new lockdown in England stops most people from travelling abroad, making more cuts likely, and putting airline finances under renewed pressure as carriers had hoped for a recovery in travel by the spring.
- Goodbody analysts said the lockdown would wipe out income from the school half-term holiday in February, usually a strong travel period, and risked impacting bookings for Easter and summer.
- In response to the new lockdown, easyJet, which in December had been flying about 20% of its 2019 capacity, once again called for more government help for aviation.
- “Given the ongoing impact of the pandemic on travel, we continue to call for sector specific support such as has been provided to hospitality,” the airline said in its statement.

Ryanair passenger numbers dropped 83% in December

- Fewer than 1.9 million flyers boarded a Ryanair flight in December, as the impact of Covid-19 on airlines continued over the Christmas period.
- In December 2019, the airline carried 11.2 million travellers, it said in a message to investors on Tuesday.
- At the same time, Hungarian airline Wizz Air announced that the number of passengers it carried in December had dropped 80% to 665,722.

Air France may face €2 billion loss in 2021

- The new COVID-19 outbreaks and a new strain of the virus pose a serious threat to Air France, a subsidiary of the Air France KLM Group, which has already been weakened by the downturn in travel demand. It seems that the French air carrier prepares for the worst financial scenario in 2021. The local media reported that Air France goes towards a loss of €2 billion in FY2021.
- Air France reportedly has already prepared the budget for the financial year of 2021. According to the French media, the airline is likely to prepare for the worst financial scenario as it expects to face an operating loss of €2 billion in 2021. The expected loss could be equivalent to €5.4 million loss per day on average.
- However, if the calculations are confirmed, Air France's loss in 2021 would be 45% lower than the airline had suffered in 2020. The French airline also reportedly forecasts a 40% decrease in seat capacity in comparison to the pre-COVID-19 crisis levels in 2019.

TSA Passenger Numbers Dropped By 61% In 2020

- The TSA released its final travel volume figures for 2020 on Monday. It will have come as a surprise to no one that the numbers were low, to say the least. The end-of-year total of 324 million passengers was a mere 39% of 2019 levels.
- Between January 1st and December 31st, 2020, the TSA screened close to 324 million passengers at airport security checkpoints. That is down by 61% of the 824 million total passengers from the year before.

In-room Covid-19 testing is a hotel amenity on the rise in the new year

- Hotels and resorts have been somewhat slow to adopt Covid-19 testing protocols for guests, but as the pandemic stretches toward the one-year mark, the concept of testing as an amenity is starting to gain traction.
- Among those that have pioneered the concept of on-property testing are Spain-based chain Room Mate Hotels, which in September unveiled plans to make complimentary rapid antigen Covid-19 tests available to its guests portfoliowide, and Soneva, which operates luxury resorts in the Maldives and Thailand and announced mandatory guest testing upon arrival this past summer.
- Such comprehensive on-site guest testing programs, however, have generally remained few and far between, with many hospitality players relying on national, regional or local pretravel testing mandates -- such as requirements calling for proof of a negative PCR test result within 72 hours of departure -- to serve as the guest-testing component of their Covid-19 safety plans.
- But according to Dr. Teresa Bartlett, senior medical officer for the claims management firm Sedgwick, pretravel testing requirements are far from foolproof.
- "Testing is only good up until the moment you take the test," said Bartlett. "A person could have contact with a positive individual any time during the 72 hours and during their travel or even in a cab or public transportation upon arrival. It would be best if [hotels and resorts] had testing on-site again when guests arrive to ensure they are negative."
- Bartlett acknowledged that for hospitality operators, introducing Covid-19 tests as part of the guest experience can be tricky, with on-site testing policies at risk of being seen as "an invasion of privacy."

Some Rides at Disney World Reopen to Full Capacity

- A handful of attractions at Walt Disney World have been given clearance to operate at full capacity, after almost six months of reduced riders because of the coronavirus pandemic.
- Following a report from Walt Disney World News Today that showed rides like Rock 'n' Roller Coaster, Slinky Dog Dash, and Avatar Flight of Passage using all seats, a Disney spokesperson confirmed to Travel + Leisure on Wednesday that due to the rides' design, they were allowed to accommodate more guests at a time in cooperation with local health authorities.
- But no other precautions have been trimmed back. While in line, social distance markers spread guests out, and all rides are disinfected throughout the day