Travel Industry Update
January 6, 2021

Southwest Airlines Posts First Annual Loss in 48 Years, Warns Revenues will Need to Double to Break Even

- Southwest Airlines finished the most challenging year since its launch with a $3.1 billion loss, even after taking billions in government grants and deeply cutting expenses to take on the devastating COVID-19 pandemic.
- Gary Kelly, CEO of the Dallas-based carrier, said Southwest is still losing $17 million a day and that revenue will need to double from current levels to hit break-even.
- “While we hope to achieve cash burn break even in 2021, it is wholly dependent upon a substantial rebound in passenger traffic and revenue; and, it is difficult to predict the timing of such a rebound, especially with respect to business travel,” Kelly said in a statement.
- Southwest is still clearly in belt-tightening mode, even after getting another $1.7 billion in government stimulus aid this month. Southwest said Tuesday that it would offer another round of partial pay, voluntary leave to employees as the company continues to be overstaffed.
- It appears that the early parts of 2021 aren’t providing any relief to the financially battered airline industry. Southwest said its core cash burn will be about $5 million a day higher than the $12 million it burned in the fourth quarter because of “softness in demand and a seasonally weaker travel period.”
- “While vaccine availability should mark the beginning of the end of this pandemic, current passenger booking trends do not indicate significant improvement through March 2021,” Kelly said in a statement.”

JetBlue Announces Fourth Quarter 2020 Results

- Fourth quarter 2020 revenue declined 67% year over year as a result of the impact of COVID-19. The decline is better than our prior expectations for the quarter of a 70% decline, and represents a nine-point sequential improvement quarter over quarter, mainly driven by solid booking trends in October and improving volumes in the back half of December.
- Reduced fourth quarter 2020 capacity by 47% year over year, in line with our planning assumption of a decrease between 45% and 50%, as a result of actions taken to manage cash burn and protect liquidity.
- Operating expenses declined 38% year over year. Excluding special items, adjusted operating expenses(1) declined 34% year over year compared to our planning assumption of a decrease of at least 30%. The results were driven by capacity actions taken to reduce variable costs and fixed cost reductions achieved by adjusting work schedules and managing external spend.
British Airways to trial Verifly digital health passport

- British Airways has announced a new trial of the Verifly health passport app, allowing customers to verify Covid-19 test certificates before they leave home for their flights.
- The trial begins on February 4 on all of the carrier’s transatlantic routes between London and the US (currently New York JFK, Los Angeles, San Francisco, Boston, Chicago, Dallas, Miami, Washington, Houston and Seattle).
- Customers can download the app to their mobile device, and then check that they meet the entry requirements of their destination “by providing digital health document verification and confirming eligibility”. Once submitted the app will provide either a ‘Pass’ or ‘Fail’ message.
- BA stresses that use of the app will be optional, and passengers can instead provide evidence that they meet US entry requirements at check-in should they prefer.

U.S. air travel falls to 6-month low as Covid infections, travel restrictions hinder recovery

- The Transportation Security Administration screened just 468,933 people at U.S. airports on Tuesday, down 71% from a year ago when more than 1.6 million people went through those checkpoints. It was the fewest number of screenings since July 4, the TSA said.
- The CEOs of Delta Air Lines and United Airlines recently warned that the industry faces a difficult start to 2021.
- Travel demand usually falls early in the year. But in addition to a slow rollout of vaccines, bookings are further challenged by increased travel restrictions aimed at curbing the spread of the virus.
U.S. 'actively looking' at mandating COVID-19 testing for domestic air travel

- The Biden administration is “actively looking” at expanding mandatory COVID-19 testing to travelers on U.S. domestic flights, a senior Centers for Disease Control and Prevention official said on Tuesday.
- On a call with reporters, Dr. Marty Cetron, director for the Division of Global Migration and Quarantine at CDC, was asked about whether new domestic travel testing requirements might be employed. Cetron replied that there were “conversations that are ongoing and looking at what the types and locations of testing might be... We’re actively looking at it.”
- Last week, President Joe Biden directed U.S. agencies to make recommendations to “impose additional public health measures for domestic travel” and to consider new requirements for people crossing land borders. Reuters reported Friday that administration officials said that could include requiring negative COVID-19 tests before flying domestically.

Airline executives say COVID tests for passengers on US flights not feasible, fair or needed: 'It's wholly impractical'

- "A mistake."
- "Wholly impractical."
- "A real goat rodeo."
- Southwest Airlines’ top two executives had choice words Thursday about mandatory COVID-19 testing on flights within the U.S., a policy the U.S. Centers for Disease Control and Prevention this week said is under consideration.
- And they weren’t alone.
- The president of JetBlue Airways bluntly said the airline doesn't support the measure.
- The CEO of American Airlines took a more diplomatic stance but said testing all passengers would be difficult and "would have us testing Americans on airplanes that we all know are safe to be on."
- The airline officials, asked about the CDC proposal by Wall Street analysts and reporters on their earnings conference calls Thursday, said they didn't have much, if any, information on what's on the table.
- "It's not clear if, when, what, how we'd be asked to do that," Southwest Airlines President Tom Nealon said.
- "It hasn't been floated to us," American CEO Doug Parker said. "We haven’t heard anything directly from regulators or others about that possibility."
- Parker and others have said they supported the addition of COVID testing on international flights to the U.S. because it was seen as a way to reopen international borders. Industry officials had hoped the new testing regime would result in a reduction in quarantines and other international travel restrictions, especially for Europe travel, but those have not yet been relaxed.
- The prospect of domestic testing was raised in a media briefing on Tuesday with Dr. Martin Cetron, director of the CDC’s Division of Global Migration and Quarantine.
- His comments came the same day a COVID testing requirement went into effect for all passengers boarding international flights to the U.S. Travelers will be denied boarding unless they provide a negative test result taken no more than three days prior to their flight or show proof of recovery from COVID-19 in the past three months.
On Wednesday, new CDC director Rochelle Walensky, appeared to double down on the idea of mandatory testing on domestic flights during a CNN interview with Anderson Cooper.

Walensky said there is money in the budget to boost the availability of COVID-19 tests, with much of it designated for testing in schools.

"But I would like to really see much of that budget, and I think the Biden administration (does) as well, to use it for high-risk activities, and one of those high-risk activities would be for travel and domestic flights."

Despite talk of new testing to help fight the spread of the coronavirus that causes COVID-19, the CDC and the U.S. State Department have a more urgent message for Americans: don't travel at all.

"I want to emphasize that now is not the time to be traveling period, internationally or domestically," Walensky said.

JetBlue President Joanna Geraghty said COVID-19 testing slots in many parts of the country are scarce and results can take days.

"When you start thinking about a framework that's already overburdened and you add domestic travel into that, this puts a ton of pressure on an already fragile system."

Southwest Airlines CEO Gary Kelly said he thinks mandatory testing "would be a mistake" because of testing access and the costs of administering the tests.

"I just think it's wholly impractical," he said.

Kelly said the focus should be on the rollout of the COVID vaccines.

"I would hate for us to take our eye off that ball," he said.

It's not fair to single out airlines. Kelly suggested mandated testing for airline passengers would "pick on travel."

"If you want to test people, test them," he said. "But test them before they go to the grocery store. Test them before they go to restaurants. Test them before they go to a sporting event."

He and JetBlue's Geraghty noted that air travel is just one mode of transportation, with trains and road trips also carrying travelers across the country.

"People need to travel. They'll figure out a way to get there. They'll figure out a way to see Mom, Dad," Geraghty said. "And, frankly, putting this burden on air travel is, we think, far too cumbersome."

Ticket bookings will take a hit. As evidenced by billions of dollars in losses in 2020 and a relatively weak outlook for the first few months of 2021, airlines are struggling to fill planes. A testing requirement on flights within the country would prompt some travelers to cancel planned trips and hurt future bookings, airlines say.

There is already evidence that is happening in Mexico and other countries since the international testing requirement was announced on Jan. 12 as travelers don't want to risk not being able to find a test or testing positive and being stranded at their own expense.

If any domestic restrictions are proposed, Parker said, "we certainly would want to make sure it's not something that would restrict demand."

A logistical nightmare. With international travel already severely restricted due to global travel reservations, there are far fewer international flights to the U.S. than flights within the U.S.

Too much additional stress on employees. Geraghty said airline workers don't need anything else on their to-do list during the pandemic.

"We already have them as the mask police. We already have them as the social distance police," she said. "Adding document checks and testing validations put them, frankly, in an untenable position and in an environment where we're trying to promote social distancing."
**U.S. State Department Advises Americans to 'Seriously Reconsider' International Travel**

- The U.S. State Department has advised Americans to "seriously reconsider" their trips overseas — one of the sharpest warnings yet against international travel — in light of the country's new testing mandate.
- In a phone briefing on Tuesday, Acting Assistant Secretary Ian Brownlee, of the State Department's Bureau of Consular Affairs, told Americans to "seriously reconsider going overseas right now. If you're overseas right now, it's going to be harder to come home for a while. So be informed and be prepared."
- The warning came as a new rule went into effect requiring all international travelers returning to the U.S. to show proof of a negative COVID-19 test taken within three days of their flight.
- Brownlee added if American travelers do go abroad, they should have a "plan B" in case they were unable to fly home.
- "This means that U.S. citizens who choose to go abroad, whether it's for a holiday or a genuine emergency, everyone needs to be prepared to be potentially seriously disrupted in their trips," he said. "If you cannot easily access a COVID-19 test or if you test positive, you will end up overseas for much longer than you planned. If that happens, you will be responsible for covering your own lodging and medical costs during that time. Please keep in mind, we know it's entirely possible to feel fine, to be asymptomatic, and still to test positive."

**UK imposes hotel quarantine for travelers from Covid hotspots**

- British people arriving home from 22 "high risk" countries will have to undergo a 10-day hotel quarantine at their own expense, as the United Kingdom tightens border controls to try to curb one of the world’s worst Covid-19 outbreaks.
- Announcing the measure, Prime Minister Boris Johnson said that the tougher new rules would apply to travelers from "red list countries where we have particular concern about new variants."
- Non-UK residents will be refused entry, while British citizens and permanent residents will be picked up straight from the airport and transferred to government-provided accommodation where they will begin their mandatory stay.
- Meals and hotel expenses in what is one of the world’s most expensive cities could end up costing travelers more than $2,000 for a 10-day quarantine.
- The announcement came a day after the UK yesterday reached the grim milestone of 100,000 coronavirus deaths -- the first country in Europe to do so.
- Johnson also said that travelers will be questioned as to their purpose for travel. "I want to make clear that under the stay-at-home regulations it is illegal to leave home to travel abroad for leisure purposes and we will enforce this at ports and airports by asking people why they are leaving and instructing them to return home if they do not have a valid reason to travel," he said.
- UK Home Secretary Priti Patel later announced that people wishing to travel out of the UK will have to first make a declaration proving that their journey is essential.
More than half of world's airline pilots no longer flying - survey

- More than half of the world's airline pilots are no longer flying for a living amid the plunge in demand during the coronavirus pandemic, according to a new survey, and those that are still flying feel less valued by their employers.
- A poll of nearly 2,600 pilots by UK-based GOOSE Recruitment and industry publication FlightGlobal, released on Thursday, found only 43% were doing the job they had trained for, with 30% unemployed, 17% furloughed and 10% in non-flying roles.
- Many pilots that are still flying have faced deteriorating working conditions. Hong Kong’s Cathay Pacific Airways Ltd, for example, instituted permanent pay cuts of up to 58%, and Turkish Airways and Singapore Airlines Ltd have temporarily lowering salaries.
- For the unemployed pilots in the survey, 84% said it was due to the pandemic. Before COVID-19 hit, there had been widespread pilot shortages that had driven up demand for aviators and led to improving pay and conditions.
- Now, 82% of unemployed pilots would take a pay cut for a new opportunity, the survey found.

U.S. Travel Association Lays Out Needs to Revive Air Travel

- In his annual address, Roger Dow, president and CEO of the U.S. Travel Association, laid out what the association sees as the path forward for air travel and tourism.
- Dow pointed to biometric technology and touchless travel as a key part of the path forward and urged for their accelerated adoption.
- The U.S. Travel Association is calling on the U.S. government to expand the biometric exit systems currently operating at 20 airports and seven seaports. The association is also asking the government to set and communicate clear standards for privacy and security.
- Dow said that the Real ID act needs to be expanded and the enaction date pushed back. Currently, Real ID requirements are slated to go into effect Oct. 2021, but Dow says the pandemic has made it nearly impossible for American citizens to visit the DMV and acquire a Real ID and the number of people who do have an ID are too low.
- Dow’s final point of consideration for jumpstarting air travel is to condense and create more concise, advanced security measures for those entering and leaving the country. A more streamlined approach will be crucial in handling the resurgence of travelers, he said.
- “TSA Pre-Check, Global Entry, Sentry and Nexus should all be consolidated into one program. Global Entry and Pre-Clearance locations should be expanded to the visa waiver program countries, and the U.S. should expedite visas for low-risk applicants and automate non-immigrant travel visas,” Dow said.
- While the U.S. Travel Association is open to testing international travelers, when speaking with the media after the address, they said they do not feel that testing domestic travelers is the right move.
- “We are very much in favor of international testing for opening up international travel. It will be the thing that opens up international travel around the world. We’re opposed to domestic criteria for testing prior to domestic flights,” Dow said.
- “Based on January 2021 data, we also believe a testing requirement for domestic air travel could necessitate as much as 42 percent increase in daily testing capacity needs nationwide, is likely to increase the cost of travel and disproportionately effect the less advantaged because of the cost and availability issues.”
• Barnes added that the association has communicated to multiple agencies, such as the White House, their worries about the damage domestic testing could have on travel and the economy.
• However, the association is in support of measures such as mandates for masks to be worn on flights, social distancing orders and other hygienic best practices for safe air travel.

**COVID-19 Crushing NYC Hotel Industry**

• New York City has always been resilient and has always bounced back from adversity, but the COVID-19 pandemic has been a particularly nasty opponent.
• According to new data released by the Department of City Planning, 146 of the city’s 705 hotels and 42,030 rooms of New York’s 128,000 hotel rooms have closed.
• That’s 20 percent of all hotels and 33 percent of available hotel rooms.
• And the analysis by the City Planners suggests the lodging industry in New York City won’t fully recover to pre-pandemic levels until 2025.
• Vijay Dandapani, head of the New York City Hotel Association, said he thought the situation was even worse. Dandapani said he believes it’s more like 200 hotels that have closed.
• “We have hotels closing every day,” Dandapani told the Post. “We fell off a cliff.”
• Dandapani said many hotels — facing a daunting cash crisis and unable to pay their property tax debt and mortgage payments — will never reopen.