

As virus cases rise, Southwest sees slower travel recovery

November 12 2020, by David Koenig



In this June 24, 2020 file photo, Southwest Airlines employee Oscar Gonzalez, right, assists a passenger at the ticket counter at Love Field in Dallas. Southwest Airlines cautioned Thursday, Nov. 12, 2020 that the tenuous recovery in air travel could be fading as coronavirus cases spike across the United States. The nation's fourth-biggest airline said after a modest rise in leisure-travel bookings from August through October, it now sees a slowdown in improving revenue trends for November and December. (AP Photo/Tony Gutierrez, File)

Southwest Airlines cautioned Thursday that the tenuous recovery in air travel could be fading as coronavirus cases spike across the United States.

The nation's fourth-biggest airline said after a modest rise in leisure-travel bookings from August through October, it now sees a slowdown in what were improving revenue trends for November and December.

Separately, JetBlue Airways announced it will stop blocking seats starting Jan. 8—a bet that people feel more confident about traveling on full flights during a pandemic. The airline currently limits flights to 70% of capacity but will raise that to 85% on Dec. 2.

Airline stocks surged on Monday after Pfizer reported promising early results from a trial of a coronavirus vaccine. Delta CEO Ed Bastian called the vaccine news a "welcome glimmer of light in the darkness." However, the stocks have retreated as new confirmed cases of COVID-19 soared over the past two weeks, reaching an average of about 127,000 in the past two weeks—the highest on record.

The report from Dallas-based Southwest added to fears that the spreading virus cases will hurt travel demand heading into Thanksgiving, a key period for airlines.

Southwest said in a regulatory filing that October revenue is down about 65% from a year ago, and that November and December revenue will be off 60% to 65%. It is unclear whether the weakening booking trends is directly related to the surge in virus cases. Other industry officials left little doubt, however.

"Demand is softening, and in the wake of the news, it's probably not hard to figure out why," said Nicholas Calio, president of the trade group Airlines for America.

Air travel remains deeply depressed—in the U.S., it's down about 65% from a year ago. Although that is improvement over April's 95% decline, Calio told reporters that U.S. airlines are still losing about \$180 million a day.

Airlines have added more flights for Thanksgiving, but health officials are warning against big gatherings over the holiday. This week, New York limited private gatherings to 10 people, even for outdoor events.

In the early days of the pandemic, several airlines tried to reassure frightened travelers by blocking some seats to create more space between passengers. As flights have become more crowded in recent months, airlines are losing money by leaving seats empty.

JetBlue is the latest U.S. carrier to abandon seating limits. Southwest will stop blocking middle seats on Dec. 1. The last holdouts—Delta Air Lines and Alaska Airlines—plan to eliminate their seating limits early next year.

JetBlue and Southwest both cited studies including an airline industry-funded report by Harvard University public health researchers that found a low risk of transmitting the virus during flights. The studies credited strong ventilation and air-filtration systems on modern jetliners.

Even if airplane cabins are safe, air travel allowed COVID-19 to spread rapidly from China around the world. Travel restrictions designed to stop that spread have devastated the airline business.

The top nine U.S. carriers have lost \$36 billion so far this year, according to industry group Airlines for America. Business travel and international routes have been particularly hard-hit.

Canada, Europe and much of Asia are closed to most Americans.

Mexico is a relative bright spot, with travel there from the U.S. down only 41%, to 1.3 million passengers, in October. With other nations cut off, the Dominican Republic is now the second-biggest destination for U.S. international travelers, according to the airline trade group.

Airline stocks fell more sharply than broader market indexes. JetBlue shares dropped 5% and Southwest lost 3%.

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