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**Testimony**

**THE STATE OF THE AVIATION INDUSTRY: EXAMINING THE IMPACT OF THE COVID-19  
PANDEMIC  
STATEMENT OF AIRLINES FOR AMERICA (A4A)  
BEFORE THE  
UNITED STATES SENATE COMMERCE, SCIENCE AND TRANSPORTATION COMMITTEE**

**MAY 6, 2020**

Airlines for America (A4A) appreciates the opportunity to testify today to share with you the impact of the COVID-19 pandemic on the commercial aviation industry. On behalf of our more than 750,000 employees and our nation's airlines, I would like to acknowledge and sincerely thank Congress and the Administration for reaching agreement on the bipartisan Coronavirus Aid, Relief, and Economic Security (CARES) Act, which included provisions intended to assist the U.S. airline industry to continue making payroll and protect the jobs of pilots, flight attendants, gate agents, mechanics and others. Our employees are the backbone of the industry and our greatest resource. U.S. airlines were among the first industries to feel the economic impacts of the pandemic and without passage of the CARES Act, the near-term impacts of the COVID-19 pandemic would have been even more devastating to our industry and our workforce.

Particularly, Chairman Wicker, I thank you and your staff for your unwavering leadership on behalf of our industry during the CARES Act debate. While we are thankful to so many in Congress and the Administration for their role in that process, this Committee played a central, material and critical role in providing our industry a lifeline at the most humbling moment in our history. The ripple effects of your work provided much-needed solace to many of the 11 million U.S. workers our industry either directly represents or supports economy-wide. We are beyond thankful.

**Impact of the COVID-19 Pandemic**

Before the COVID-19 pandemic, U.S. airlines were experiencing what some have called the "Golden Age." Just a few months ago, I gave a speech in which I quoted a J.D. Power survey question, "Is this the golden age of air travel?" The question was the first line in a press release announcing the findings of the 2019 North America Airline Satisfaction Study which found that a combination of newer planes, better ticket value and improved customer touchpoints had driven overall satisfaction with airlines to its highest point in history.

In many ways, 2019 seems like a distant memory now. U.S. airlines were seeing an average 2.5 million passengers each day. Air travel between the U.S. and foreign countries reached an all-time high with nearly 80 million foreign visitors coming to the U.S. last year. The Transportation Security Administration (TSA) reported its busiest day ever on May 24, 2019 – the Friday before Memorial Day – screening 2,792,525 passengers and crew members. That day, the TSA issued a press release touting the numbers and also announcing that the agency anticipated more than 4% traveler growth over the summer months, with the expectation that it would see more record



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travel in the coming weeks. In fact, on July 7 – the Sunday after the Fourth of July holiday – the TSA screened 2,795,369 people. And on Sunday, December 1 – the Sunday after Thanksgiving – the TSA once again set a new record, screening 2,870,764 travelers in a single day.

This record travel was in large part because of two main factors: affordability and accessibility. Airfares were at historic lows. Accounting for inflation, average fares were down about 22% since 2000 and 44% since deregulation in 1978. It was truly remarkable how accessible air travel had become. At the time, 23% of Americans who flew had family incomes below \$50,000. 42% of people who flew had family incomes below \$75,000. Plus, airlines were offering more flights, more routes and going to more destinations than any time in the history of commercial aviation.

Think about your own travel. We took it for granted that we could make it anywhere in the country or around the world to attend an important business meeting, participate in a family reunion, attend a grandchild's graduation or dance at their wedding.

All indications were for air travel to rise again and set more records in 2020. In January and February, U.S. airlines saw year-over-year increases of 5.5 percent and 6.7 percent, respectively. Then the bottom fell out. In the late April, passenger volumes were down an unfathomable 96 percent to a level not seen since the 1950s, before the dawn of the jet age. Many of you and your Senate colleagues saw the effects of this firsthand as you traveled to Washington this week. Your hometown airport may have been eerily empty – with restaurants closed and shops shuttered. And you probably noticed that there were significantly fewer flights taking off.

The impact of government- and business-imposed travel restrictions compounded by public concern has decimated demand for air travel, which has all but evaporated. Since the beginning of March, U.S. air carriers – both passenger and cargo – have seen their previous positions of strong financial health deteriorate at an unprecedented and unsustainable pace. The human, financial and operational impacts are difficult to comprehend, and the future remains uncertain. Attached is a PowerPoint slide deck of industry data that can better paint the dismal picture; below is a non-exhaustive list of some of the facts that encapsulate the unprecedented changes we have seen over the course of a few short months:

- After growing steadily in January and February, 2020, A4A member airline passenger volumes have fallen over 95%;
- Despite sharp reductions in the number of flights operated, A4A passenger carriers are averaging just 17 passengers per domestic flight and 29 passengers per international flight;
- Net booked passengers have fallen by nearly 100% YOY and net booked revenues have fallen over 100%;
- U.S. passenger airlines have grounded over 3,000 aircraft, nearly 50% of the active fleet. Planes are sitting parked nose to tail and wing to wing on airstrips in the desert and any place else that can accommodate them. While the numbers are staggering, pictures



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show the magnitude of this harsh reality. I encourage you to see the pictures included in the accompanying PowerPoint slide deck.

- At present, U.S. airlines are collectively burning more than \$10 billion of cash per month; and
- Standard & Poor's has lowered the ratings of every U.S. passenger carrier and placed some cargo carriers on negative watch.

### **Challenges Resulting From the COVID-19 Pandemic**

The COVID-19 crisis hit a previously robust airline industry at lightning speed. Unfortunately, recovery from the crisis will not be nearly as swift. We anticipate a long and difficult road ahead. For context, passenger volumes took 3 years to recover from 9/11 and over 7 years to recover from the global financial crisis in 2008. Once demand does recover, it will take years to retire the newly accumulated debt and to address the sizable interest accrued, thereby limiting carriers' ability to reinvest in their people and products. History has shown that air transport demand has never experienced a V-shaped recovery from a downturn.

Our industry is adapting on an almost daily basis to the unique near, mid-, and long-term challenges of the pandemic. However, to set a realistic and practical expectation, while the industry will do everything it can to mitigate and address the multitude of challenges, no factual doubt exists that the U.S. airline industry will emerge from this crisis a mere shadow of what it was just three short months ago. There is simply no way around the detrimental and lasting economic impact this pandemic will have on our industry.

Beyond the health concerns raised by the spread of the virus, businesses and consumers are also facing a sharp global economic downturn of unknown duration. Unlike after 9/11, when air-travel demand reductions were largely confined to domestic and transatlantic markets, the effects of COVID-19 are clearly global. With unemployment soaring to historic levels, family incomes plummeting and household net worth evaporating, we expect to see businesses, governments and households alike curtail travel. The airline industry is bracing for what will be an extremely difficult operating environment for the coming years.

Our industry has a history of being resilient, and airlines are reacting nimbly to this new normal. While addressing consumer confidence will take many actions by both the public and private sector, airlines are aggressively dealing with the variables they can control. A good example of these efforts is aircraft cleaning procedures.

U.S. airlines have been taking substantial steps to protect passengers and employees since the onset of this crisis. A4A's member carriers all comply with or exceed the Centers for Disease Control and Prevention (CDC) recommended cleaning protocols, in some cases to include electrostatic cleaning and fogging procedures. Carriers are working around the clock to sanitize cockpits, cabins and key touchpoints – including tray tables, arm rests, seatbelts, buttons, vents, handles and lavatories – throughout the day with disinfectants approved by both the Environmental Protection Administration (EPA) and the CDC. And airlines have increased the frequency of deep cleaning procedures for both domestic and international flights. Additionally,



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carriers have implemented a range of policies – including back-to-front boarding and adjusting food and beverage services – to help ensure the wellbeing of passengers and crew. The industry will continue to adapt.

A prime example of this occurred last week when A4A passenger carriers voluntarily came together to require customer-facing employees and passengers to wear a cloth face covering over their nose and mouth throughout check-in, boarding, in-flight and deplaning. These are not easy decisions, but our industry will continue to work closely with public and private sector partners to address tough policy issues, including government-administered temperature checks and contact tracing because it is the right thing to do.

On contact tracing, I would like to thank the Committee for its work and attention in this area, specifically the leadership shown by Aviation Subcommittee Chairman Cruz and Ranking Member Sinema. They have been vigilant and innovative in their efforts to create a thoughtful, practical and workable approach to contact tracing specific to aviation and more broadly. We appreciate their continued work.

Those efforts specifically listed, and many other measures such as vaccine development, will play a critical role in establishing a comprehensive set of broad components needed to bring global travelers out of their homes safely, securely and confidently. We are committed to playing a positive role in that process.

### **Implementation of the CARES Act**

As noted, the industry is extremely thankful to Congress for the relief opportunities provided in the CARES Act. We are equally thankful for the implementation work done by the Administration, particularly the efforts undertaken by Treasury Secretary Mnuchin and Department of Transportation (DOT) Secretary Chao. Both continue to play a pivotal role in the evolving implementation process. For their part, air carriers continue to work through their respective agreements with Treasury and with the DOT on service issues. We expect the situation to remain fluid and it is important on-going communication channels remain open as the economic environment evolves. I would note for the Committee, while carriers are certainly complying with the CARES Act requirement and DOT Show Cause Order requiring minimum service levels to U.S. communities, the cost associated with operating nearly empty flights to communities with little to no demand significantly exacerbates air carrier liquidity. We would ask both this Committee and the Administration to seek solutions to address the challenges posed by this unsustainable requirement. Make no mistake, as the duration of this pandemic lingers, the reasonability and practicality of this requirement significantly diminishes. Carriers and communities alike are going to have to come together and acknowledge the footprint and frequency of service in 2019 cannot convey to the 2020 COVID-19 pandemic reality.

While the U.S. Government has played a vital role in the near-term stability of the industry, airlines have and will continue to do their part. Over the past decade airlines had reinvested \$143 billion into the fleet, facilities, technology and other equipment and spent \$424 billion on the workforce – hiring at a brisk pace and boosting average wages and benefits per worker by



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56 percent. In both hiring and wages, U.S. airlines sharply outpaced the rest of the U.S. private sector. As of February 2020, U.S. passenger and cargo airline industry headcount had risen to 754,359, the highest since June, 2001. By managing their businesses well – including the retirement of \$91 billion in long-term debt – and taking care of their employees, airlines acted as an outsized multiplier for overall U.S. economic activity, helping drive 5% of U.S. GDP.

As a result of COVID-19 and accompanying government actions to contain it, those strong balance sheets have been challenged and much of the years of gains attributable to their business improvements have been erased within a few short months. In turn, carriers have engaged in significant self-help measures to bolster their liquidity which will be critical to surviving this unprecedented economic event. These self-help measures include, but are not limited to:

- Accessing outside sources of cash such as, but not limited to, unsecured or secured loans amounting to nearly \$40 billion since late February;
- Rescinding all planned issuance of dividends or stock repurchases;
- Deferring aircraft deliveries to the extent negotiable with manufacturers;
- Prematurely retiring more than 1,000 planes from the current fleet;
- Halting almost all discretionary (not operationally critical) capital projects;
- Trimming unprofitable flying;
- Redeploying passenger aircraft to provide essential cargo-only service to transport medical supplies;
- Negotiating with vendors and airport partners to secure relief on payment terms and timing; and
- Securing voluntary unpaid leaves of absence or salary reductions.

To the last point, we are grateful for the strong collaboration between labor and management to address the realities of this crisis. In fact, to date, more than 100,000 employees have opted for some form of reduced hours, reduced pay, or early retirement which has brought much needed flexibility to an almost unmanageable situation. We appreciate all employees who have dedicated their lives to the U.S. airline industry and are helping the industry to survive this public health crisis.

It is also important to note, the funds provided in the CARES Act are truly an investment in our economy. According to a Compass Lexecon study conducted at A4A's request, the CARES Act payroll support program funds are estimated to have saved 736,000 U.S. jobs (386,000 airline jobs and 350,000 non-airline jobs) through September 30, 2020. Specifically, the air carrier investments are expected to:

- Enable airlines to preserve jobs and support \$162 million per day in salaries and benefits through September 30, 2020;
- Maintain between \$3.4 and \$5.8 billion in federal/state/local income tax revenues and Social Security and Medicare tax contributions;
- Avoid between \$5.8 and \$9.9 billion in both state and federal unemployment insurance claims; and



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- Support between \$4.7 and \$8.0 billion of economic spending in the U.S. economy – as every dollar spent of airline wages generates additional spending as the recipients spend that income in their local economy.

The CARES Act investments will be an important component of air carrier sustainability throughout a challenging summer, going into a very uncertain fall season.

Finally, I would like to directly address the issue on which our industry has been most fervently criticized, and that is the issue of cash refunds. First, I want the Committee and the American public to know, we are all human and we understand and appreciate the myriad of challenges this pandemic has brought to individuals and families. We are committed to working with each and every customer to address their circumstances and situation. We strictly follow and comply with all federal laws and regulations on this matter and when a refund is due under those regulations, carriers promptly provide them. It is also true, while policies vary from carrier to carrier based on their respective business models, many carriers are encouraging customers to accept vouchers for future travel. This practice is not done with ill intent, but instead underscores the economic reality that if air carriers refund all tickets, including those purchased under the condition of being non-refundable or those cancelled by a passenger instead of the carrier, this will result in negative cash balances that will lead to bankruptcy. Vouchers, future credit opportunities and other incentives are being offered as a means to stem untenable cash drain in order to protect our employee's livelihood. Airlines understand the frustration and always strive to make the travel experience positive. That's why we are working collaboratively with policy makers and the flying public to find the right balance as we also work to protect and sustain the jobs of our workers while navigating this crisis.

### **Moving Forward**

U.S. carriers continue to work with government and health officials across the country to ensure that essential travel continues, and that essential shipments and relief supplies are delivered to the communities that need them as safely and efficiently as possible. This includes moving critical cargo – including medical supplies, pharmaceuticals, perishable food and mail – as well as the transportation of medical, government and military personnel. Throughout the pandemic, U.S. carriers have continued to transport medical patients who need regular care, such as cancer treatment not available in their hometown or metropolitan area and assist in the repatriation of thousands of Americans on regularly scheduled commercial flights. Additionally, there are operational and logistical justifications for some flights to ensure planes and crew are at the right place to execute these essential flights.

The safety and wellbeing of our customers and our employees is the top priority of U.S. airlines. This continues to be a rapidly evolving situation and U.S. carriers will remain in close contact with Congress, the Administration, federal agencies and public health experts. And, as travel restrictions and stay-at-home orders are lifted, we look forward to once again connecting friends, families and colleagues across the country and around the globe. The U.S. commercial aviation industry wants to lead the way to economic recovery.