Airlines for America®
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The Honorable Peter DeFazio
Chairman
Committee on Transportation & Infrastructure
United States House of Representatives
2134 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Sam Graves
Ranking Member
Committee on Transportation & Infrastructure
United States House of Representatives
1135 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman DeFazio and Ranking Member Graves:

Thank you for your letter regarding the Payroll Support Program (PSP) and the tremendous impact it had on the aviation sector. I want to specifically thank both of you for your leadership and bipartisan support of the aviation worker PSP. The entire aviation industry is deeply appreciative.

As widespread lockdowns, mandatory quarantines and travel restrictions were implemented in spring 2020, U.S. airline passenger volumes dropped sharply and suddenly—down 96 percent at the lowest point—to a level not seen since the 1950s. More than half of the U.S. passenger fleet was put in storage—parked wing to wing or nose to tail in the middle of the desert, empty airfields or anywhere our carriers could find space. Airports were virtual ghost towns.

The COVID-19 crisis has been the most devastating challenge the U.S. airline industry has ever faced. The recovery will be longer and more difficult than the industry's recovery after the September 11th attacks.

PSP was critical to ensuring that U.S. airline employees remained on the job, ready to go and able to provide essential services throughout the pandemic, including transporting first responders, shipping medical equipment and eventually distributing vaccines. PSP ensured that U.S. airlines were able to make payroll and protect the jobs of flight attendants, pilots, gate agents, mechanics and others throughout the most harrowing months of the pandemic when the industry was at an economic inflection point.

PSP was an overwhelming success—backed by labor unions and management in addition to the bicameral, bipartisan support in Congress—that kept employees on the job with a paycheck, healthcare and retirement contributions. Without PSP, U.S. airlines would have been forced to implement massive layoffs, dramatically reduce service and cancel fleet orders.

Congress's investment of $54 billion to pay tens of thousands of airline employees for weeks and months on end during the pandemic not only helped workers and their families but also ensured continued air service in communities of all sizes across the country and benefited the broader economy. If all of those employees had been furloughed, airlines would not have been able to meet the unprecedented demand surge that occurred this summer and has continued into this fall. Unfortunately, the depth and duration of the airlines' financial crisis combined with the temporary lapse in PSP funding in late 2020 forced several airlines to reduce payroll through a combination of layoffs during that two-month period as well as voluntary leaves of absence, early retirements and other forms of separation. This undermined one of the key tenets of PSP for airline workers: people certified with credentials and qualifications cannot be laid off and come back to work the next day. Our highly skilled workforce needs to maintain their qualification because it takes months to re-qualify and certify them.

Despite some media reports, the operational disruptions which made headlines recently resulted from a variety of differing issues, none of which included non-compliance with PSP requirements. The wide array of challenges includes passenger demand that outpaced the predictions of any historical models; extreme weather; security breaches; tight labor supply; high rates of employee absenteeism; fuel shortages; and supply chain issues which are shared by numerous other sectors of the economy. While domestic passenger volumes are now approaching pre-pandemic levels, the industry is not operating with a full fleet yet. Although the carriers have recalled furloughed employees, have been hiring new workers and are increasing the number of spare aircraft, any operational disruptions—especially those triggered by extreme weather on peak days—make for a difficult recovery. Notwithstanding some challenges, our overall operational performance (on-time and completion) has been very good and on-par or better than previous years. Our positive performance throughout November—including an exceptionally busy Thanksgiving holiday period—and in the first several days of December is further proof that we are committed to using every tool at our disposal to provide a safe and smooth experience to the traveling public.

1. How many U.S. airline employees were saved as a result of PSP?

An A4A-commisioned analysis by economic consulting firm Compass Lexecon found that PSP saved approximately 735,800 U.S. full-time equivalent jobs (FTEs), consisting of:

- 386,200 direct U.S. passenger airline FTEs (approximately 85 percent of the pre-pandemic workforce);
- 196,500 induced non-aviation FTEs attributable to the airline employees' extra income being spent in their local communities (and beyond), which continued to recirculate throughout the economy;
- 74,750 airline supply chain FTEs due to capacity preserved by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) minimum service requirements and avoided furloughs (by keeping airline employees on the payroll, the CARES Act created the incentive and capability for airlines to add flights and travelers back faster than they otherwise would have); and
- 78,350 economy-wide FTEs attributable to traveler spending enabled/stimulated by restored capacity, occurring primarily in July-September 2020.

2. Approximately how many flights and how many points of service did PSP enable airlines to continue offering?

Despite seeing a 71 percent decline in the number of passengers carried from the third quarter of 2019 to the third quarter of 2020, A4A member airlines reduced the number of flights operated by just 49 percent. Similarly, despite a staggering 78 percent drop in revenue passenger miles flown during the third quarter, A4A airlines cut available seat miles (i.e., capacity) just 60 percent.

Left to market forces alone, airlines undoubtedly would have reduced capacity commensurate with the drop in passenger traffic to avoid a steep drop in load factor. Instead, due to the low price of jet fuel at the time and the paid-for additional labor on staff, they deployed 18 percentage points of capacity more than warranted by demand. This benefited customers and the economy not only by resulting in additional air service but also by putting further downward pressure on fares, which reached an all-time inflation-adjusted low in 2020.

3. Has any A4A member been informed, or there is a basis to believe, that such member has not complied with any statutory requirement attached to PSP grants?

We are not aware that any A4A member has been informed of noncompliance, nor is there any reason to believe that noncompliance has occurred. Airline legal teams worked closely with the Department of Transportation (DOT) and the Department of Treasury (Treasury) to ensure they were following the letter of the law at every step.

4. What approximate average percentage of payroll costs did PSP grants and loans cover?

From April 2020 through September 2021, the 11 largest U.S. passenger airlines (A4A passenger carriers plus Allegiant, Frontier, Spirit and Sun Country) received $49.6 billion in PSP funds consisting of $35.6 billion in grants (non-repayable) and $14 billion in loans (repayable with interest). During that same timeframe, they incurred $64.1 billion in payroll expenses (salaries, wages and benefits). Of note, those payroll expenses would have been much higher if not for the significant savings achieved through voluntary measures such as early retirement, voluntary separation and unpaid leaves of absence, enacted by many carriers.

In total, PSP covered 77.4 percent of these airlines' payroll costs. Excluding the portion that must be repaid to Treasury, even before factoring in interest on those loans, PSP covered 55.5 percent of payroll costs. Either way, this meant that carriers had to take significant measures to preserve liquidity and avoid deeper cuts that would have been necessary in a potential bankruptcy proceeding. Carriers were experiencing unprecedented rates of cash burn (negative cash flow) and had no indication as to when the industry, let alone the nation, would turn a corner.

5. To what extent did carriers rely on early retirements and voluntary leaves of absence to weather the pandemic? Were voluntary separations necessary to enable airlines to remain solvent?

For the reasons cited above, PSP funds alone were not sufficient to ensure solvency, let alone maintain plentiful air service to customers. For these 11 carriers, the loan portion constituted 28.3 percent of PSP funds, as implemented by Treasury. Also, prior to the passage of PSP 2 and PSP 3, airlines could not count on additional federal assistance amid uncertainty of air-travel demand, so they took swift action to save their businesses assuming they could very well be left to the market's devices. Indeed, PSP lapsed for two months (October and November 2020) between PSP 1 and PSP 2.

Based on a mix of public reports and information provided directly by carriers, A4A estimates that approximately 50,000 airline employees opted for early retirement or voluntary separation while approximately 100,000 took unpaid leaves of absence.

6. **What were the primary causes of the operational disruptions experienced by some carriers this summer? Were they a result of mismanaging PSP funds? What steps are airlines taking to avoid future operational disruptions like those we saw this fall?**

PSP funds, by law, could be used and were only used for one single purpose—to pay airline workers and avoid any involuntary reductions in payroll expense. They absolutely were not used for any other purpose. With the earlier-than-predicted commercial advent and regulatory approval of not one but three highly efficacious COVID-19 vaccines, demand for almost every good and service across the global economy surged more quickly than supply could adjust. Air travel was by no means unique in this regard. Hence, the United States and many other countries are struggling with supply chain bottlenecks and challenges in recalling furloughed workers as well as hiring new ones.

With respect to U.S. passenger airlines, carriers have sometimes faced challenges in five areas, some of which are unique to this industry:

Traffic Surge. Beginning in March 2021, concurrent with the earnest rollout of the vaccines, carriers saw rapid increases in demand for air travel. During the first year of the pandemic, airlines had almost no visibility on demand beyond 7-10 days at any given time. Booking curves were highly compressed, with almost no travelers purchasing tickets for trips more than a month out. This made it extremely difficult for airlines to forecast demand and plan their operations and staffing needs accordingly, as with many others in the travel sector and beyond.

Recall Reluctance. Airlines were surprised to discover the extent to which many workers who had taken leave of voluntary separation did not want to return to work in the airline industry. Some were concerned about their employer's financial viability. Others were frustrated by the lack of civility and escalation of unruly behavior exhibited by some customers. Some had decided to enroll in school or change careers while others opted to take care of sick family members or provide childcare while kids attended school from home or while many day care facilities were closed.

Even in cases where some of these individuals were willing to return to their previous airline jobs, they were not necessarily willing to do so immediately, and many required weeks or month of training/retraining before they could properly and/or legally support the operation and/or serve the customers in accordance with FAA regulations.

Challenges Hiring New Workers. As noted previously, airlines found themselves competing for scarce workers amid a nationwide labor shortage spanning multiple sectors of the economy. And once they came aboard, the brand-new workers needed even more training than veteran workers who were returning to previous positions.

Absenteeism. Compounding the breakdown of historically proven traffic-forecasting models was the breakdown of historically proven staffing models. With respect to workers still on the payrolls and actively deployed, airlines experienced high rates of absenteeism, such as workers calling in sick. Unfortunately for customers, these patterns were especially acute on weekends and holidays when travel demand was higher. And some of the extreme weather that triggered multi-day irregular operations for some carriers this year happened to fall on Fridays, including Columbus Day weekend, for example.

Scarcity of Hotel Rooms for Flight Crews. As with airlines, hotels had difficulty forecasting demand, managing their room inventory (i.e., number of daily rooms available to different types of customers), estimating staffing needs and retaining and hiring workers. In turn, airlines ran into numerous problems finding suitable accommodations for their pilots and flight attendants and, at times, were forced to cancel flights.

7. Are carriers experiencing workforce shortages? If so, why? Did these shortages play any role in operational disruptions this year? What steps are being taken to address these shortages?

The entire nation and most businesses are dealing with a tight labor market, and airlines are no different. Carriers have been hosting job fairs; aggressively marketing their companies as employers; hiring and training new employees; recalling employees that had taken voluntary leave; putting new aircraft into service; and returning to service aircraft that had been put in storage during the pandemic. Some carriers are also offering hiring bonuses, attendance bonuses and performance bonuses. Along with cooperative weather, these efforts paid off over the Thanksgiving holiday during which the Transportation Security Administration (TSA) screened a pandemic-record number of travelers.

Six A4A passenger carriers and their regional partners reported strong performance across the Thanksgiving travel period, flying an average of nearly 19,000 flights per day – a 38 percent increase in flights per day over 2020. During this period, the airlines reported their best on-time performance since 2017 (excluding 2020) at 85 percent and reported a 99.7 percent completion factor of all scheduled flights – the best results since the 2014 Thanksgiving travel period. This performance exceeds pre-pandemic years and showcases the preparation and resiliency the industry is putting forth.

8. Please provide details regarding the amount of time and resources required to hire, train, and qualify flight and cabin crewmembers, mechanics, and other workers whom airlines may be hiring to address any shortages referenced in question 7.

While hiring, training and other aspects of workforce issues can, and do, vary from air carrier to air carrier, below are some generalizations outlining some of the nuances for respective positions. These generalizations offer an estimate of the time necessary per position; they do not cover every individual circumstance, including prior career experience versus a new hire.

Pilots. The time it takes to fully train and certify a commercial pilot can take several years. Once a pilot is certified, it can take between 120 and 180 days to on-board them at a U.S. airline. The hiring process, consisting of an application, evaluation, testing, interview, technical proficiency evaluation, selection, offer plus background and security check, can take between 30 and 60 days. Once a pilot is hired, they must undergo basic indoctrination and initial type rating, which qualifies them for a particular aircraft, and initial operating experience before being released for line operations. This process can take another 90-120 days.

Flight Attendants. The time it takes from the point of initial assessment until job offer to completion of initial training can take approximately 12-15 weeks.

Maintenance Technicians. The time it takes to hire, train and become a fully proficient technician across all shifts and all fleet types can take approximately 3 years. For a newly hired but well-experienced technician, it takes 2-3 weeks of indoctrination training followed by work under supervision for at least 6 months including aircraft-specific training.

9. **What steps are airlines taking to improve the passenger travel experience in the wake of the COVID-19 pandemic? To what extent did PSP grants enable airlines to take these steps?**

The most important step airlines took in the wake of the pandemic was to follow science, research and data and therefore do everything in their means to ensure a safe journey for travelers. This included increasing the frequency and using new methods to sanitize all customer touch points, to maintain superior air filtration aboard the aircraft, to require masks and enforce the federal mask mandate for all travelers and other measures.

Multiple scientific studies have shown that the risk of transmission onboard aircraft is very low. Specifically, the Harvard Aviation Public Health Initiative found that the layered approach of mitigation “reduces the risk of SARS-CoV-2 transmission onboard aircraft below that of other routine activities during the pandemic, such as grocery shopping or eating out.” More details about the research are available on Harvard’s National Preparedness Leadership Initiative website: https://npli.sph.harvard.edu/resources-2/aviation-public-health-initiative-aphi/.

Airlines, airports and TSA also have individually and jointly worked to reduce the number of physical touchpoints for travelers by automating features, providing more biometric options, allowing self-bag drop in airport lobbies, among other examples. More details about these efforts are available at www.FlyHealthyFlySmart.com.

Airlines also reoriented their route networks and search engines to accommodate the predominantly leisure demand (with many travelers wanting to take a vacation or visit family and friends), making it much easier for customers to find flights to the places they wanted to visit. Additionally, airlines created travel-ready centers on their websites and mobile applications to help customers navigate the ever-changing travel restrictions at points within and outside the United States.

Notably, in addition to waiving change fees throughout the pandemic, most airlines have now permanently eliminated change fees on most domestic and international tickets and invested in web and app functionality to make it easier than ever for customers with travel credits to redeem them. In that same vein, most carriers extended by one or even two years the amount of time afforded to travelers to use those credits. They also have rolled out enhanced features to store vaccination records and passport information, receive weather-related alerts and boarding notifications, and rebook flights automatically during a disruption without needing to consult an airline customer service representative. For those customers needing to speak with an agent, many carriers now allow travelers to leave a message and receive a call-back rather than remaining on hold as they continue to bring on additional staff.

PSP helped carriers avoid the prospect of bankruptcy proceedings, where cuts in service and/or capital projects to procure state-of-the-art aircraft or upgrade facilities would undoubtedly have been steeper. Airlines have continued to take delivery of—and place orders for—the most fuel-efficient aircraft commercially available and deploy human capital and financial resources to pursue sustainable fuels to operate those aircraft. Similar steps are being taken with respect to ground support equipment.

In conclusion, since this summer, travelers have been returning to the skies at a more rapid pace, and U.S. airlines look forward to welcoming back even more customers during the December holiday season. That includes those customers originating or returning from abroad, for whom restrictions were eased in early November in most cases. Recent events such as the emergence of the Omicron variant and the accompanying response demonstrate how challenging it is to project and navigate travel demand during a pandemic now entering its third year. Nevertheless, carriers are continually in the process of identifying future staffing needs to accommodate current demand and projected future demand. We are committed to being agile and nimble to the ever-evolving landscape and we are thankful we can provide that world-class service with a workforce the PSP program was instrumental in maintaining.

Sincerely,

Nicholas E. Calio

Nicholas E. Calio