

# OVERSIGHT OF THE U.S. AIRLINE INDUSTRY

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## HEARING

BEFORE THE

### COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

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DECEMBER 15, 2021

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Printed for the use of the Committee on Commerce, Science, and Transportation



Available online: <http://www.govinfo.gov>

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U.S. GOVERNMENT PUBLISHING OFFICE

53-137 PDF

WASHINGTON : 2023

SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

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# OVERSIGHT OF THE U.S. AIRLINE INDUSTRY

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WEDNESDAY, DECEMBER 15, 2021

U.S. SENATE,  
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,  
*Washington, DC.*

The Committee met, pursuant to notice, at 2:35 p.m., in room SR-253, Russell Senate Office Building, Hon. Maria Cantwell, Chairwoman of the Committee, presiding.

Present: Senators Cantwell [presiding], Klobuchar, Blumenthal, Schatz, Markey, Peters, Baldwin, Sinema, Rosen, Luján, Hickenlooper, Wicker, Thune, Blunt, Cruz, Fischer, Moran, Blackburn, Young, and Scott.

## OPENING STATEMENT OF HON. MARIA CANTWELL, U.S. SENATOR FROM WASHINGTON

The CHAIRWOMAN. The U.S. Senate Committee on Commerce, Science, and Transportation will come to order. Today we are having an oversight hearing on the U.S. airline industry and the PSP program. We have a distinguished panel of witnesses. Oh, I think some are joining us remotely.

So thank you all very much for being here today. I know that some of our colleagues, we just had a vote called and are running to do that and we will be back. But again, I want to thank American Airlines CEO, Mr. Parker, for being here; Southwest Airlines, Mr. Kelly, for being here; Scott Kirby, the CEO of United Airlines, Mr. Laughter—is that how you pronounce it right? Laughter—

Mr. LAUGHTER. Laughter.

The CHAIRWOMAN. Mr. Laughter, thank you—representing Delta Airlines, and Ms. Nelson, representing the flight attendants, and I believe remotely, we have someone from my part of the world anyway, British Columbia, the Pacific Northwest, Mister—sorry, sir. Mr. Trethe? Let's see—

Mr. TRETHEWAY. Tretheway.

The CHAIRWOMAN. Tretheway. Mr. Tretheway, thank you so much. You are going to be leading us off after I make a few comments and Senator Wicker gives his statement, but certainly appreciate you and your company in analyzing transportation. The immediate question before the Committee today is whether the Payroll Support Program for the airlines worked.

As we will hear from our panelists today, economists, union presidents, and airline executives, the answer to that question is yes. The Payroll Support Program was a historic investment to sustain a critical sector of the U.S. economy. Aviation amounts to more than 5 percent of U.S. GDP and contributes \$1.8 trillion in total

economic activity. By ensuring airlines had funding to continue to pay their employees' wages and salaries and benefits, the Payroll Support Program saved the jobs and livelihoods of hundreds of thousands of workers.

And I am sure that that is the story we are going to hear. Specifically, though, the relief saved 386,200 direct full-time U.S. passenger airline jobs, approximately 85 percent of the pre-pandemic workforce, according to data reported by the major airlines. In addition, the workforce aid indirectly supported over 340,000 jobs, including over 74,000 jobs in the supply chain. This is one of the great things about this program is that it helped the entire ecosystem of aviation.

Today, the U.S. domestic capacity is 87 percent of the pre-pandemic levels, which is above our peer markets in Europe and Asia. I think these two charts probably show it best and the gap, the United States being the blue line and in this case, Europe, being in the red. The fact that the United States acted quickly and continually built on that showed the difference in what we were able to restore for aviation travel.

To look specifically over that same time period, in the various months, again, where we are today, you can see more people have started to catch up where the United States is. But during this time period, the United States was able to move faster. That meant a lot to our economy. It meant a lot to those families and to the workers, and the fact that as of September 2021, the airline industry was operating with only about 5 percent fewer employees than under pre-pandemic levels in early 2020. So we know that this means good news for the future.

We will hear testimony, as I said from an economist who is going to tell us why the United States proposal and program worked so well and how it helped us retain experienced and trained workforce individuals, and why that is so important as we move forward. In Mr. Tretheway's words, correctly focusing on the key objectives of retaining airline industry workforce and ensuring continuity of economic and social connectivity was an important goal.

Indeed, the Payroll Support Program provided relief to other parts of the aviation system, including contractors, repair stations, service providers, and I want to thank my colleagues, specifically Senator Duckworth and Senator Peters, who focused on that. Airlines were also required to service 662 U.S. destinations, including some small communities that might otherwise have lost service in the pandemic, and as a result, U.S. airlines continue to operate 5,936 weekly frequencies to these destinations, amounting to over 300,000 frequencies per year.

This service guarantee ensured that the nation's air transportation network remained open for business. It was critical for supplies, including vaccines and the health care system that everyone was counting on. But let's be clear, this success was not a foregone conclusion. This required Congress to act immediately. And I want to thank my colleague, Senator Wicker and the team of people on this committee on both sides of the aisle who worked day and night for weeks and worked with the various counterparts in the House and in the private sector and the White House to try to come up with this proposal.

With the market demand collapsing at record speed bottoming out at nearly 5 percent of pre-pandemic levels within weeks, the Payroll Support Program provided a degree of confidence and certainty in the marketplace. We know the PSP program worked because U.S. airlines kept frontline workers employed and were able to capture the air travel rebound that I just showed in those charts. In January 2021, the U.S. domestic passenger volumes were at 42 percent of pre-pandemic levels, and by last week they were at 87 percent.

This is a 107 percent increase in domestic airline capacity in 2021 and indicates domestic travel could be fully back by 2022. In contrast, as the chart showed, other nations weren't at that same capacity. In fact, I think the Asian Pacific region is lingering around 53 percent airline capacity in comparison to 2019 levels. Again, we have a different market, different complexities. So as designed, the PSP helped us preserve skills and high paying jobs critical to our economy, and I can't wait to hear from the witnesses in more detail.

According to the Treasury Department, out of the \$54 billion in PSP funds, the airlines must repay \$14 billion, which is 26 percent of PSP funds. The Treasury holds warrants that are currently worth over \$200 million, and the Committee is asking for an assessment of what we would have spent if the U.S. Government would have taken care of that same population on unemployment benefits.

So we know that in the end, it would have been still a lot of cost to the Federal Government. The Committee will be working on a full report in the New Year about this program, and today's hearing informs us about some of those details the Committee would like to know. Obviously, during this time period, there were challenges, outages, weather events, workforce challenges. I am sure that we will hear from our witnesses about those and questions from my colleagues on those disruptions and what we should do.

I am sure we will hear about consumer delays and cancellations of flights and refunds; consumer refunds and complaints against U.S. airlines did skyrocket in 2020. The Department of Transportation reports a 4,634 percent increase in filed complaints over 2019 levels. While 2021 is better, there are still more than 5,500 refund complaints so far, and we here know that the law requires airlines to provide refunds to consumers for airline driven cancellations, and we expect airlines to comply with that law.

Tomorrow, we will hear from the general counsel nominee for DOT who will be in charge of this issue, and we look forward to hearing their comments. So again, I want to note that while we have witnesses here before us today, just in the interest of time and committee participation and dialog, we have asked other airlines, including Alaska, JetBlue, and Spirit, to provide written testimony that will be part of the record.

My colleagues should feel free to ask questions for the record of those airlines as well. I know that we are in a better place than where we would have been if we hadn't done the PSP program.

I hope that we can also share the thanks to Gerry Petrella in Senator Schumer's office and Scott Raab in Senator McConnell's office for their hard work on this program as well and would like to

now turn it over to my colleague, Senator Wicker, for his comments.

**STATEMENT OF HON. ROGER WICKER,  
U.S. SENATOR FROM MISSISSIPPI**

Senator WICKER. Madam Chair, I am sitting here wondering if I should simply yield back my time and say that I subscribe wholly to everything you said in your statement. But I think I will go ahead. She had hope for a moment. Beginning in March of last year, COVID-19 began to devastate air travel.

In the ensuing weeks, passenger air traffic was reduced to a trickle and the commercial aviation sector faced the possibility of bankruptcies and layoffs for hundreds of thousands of workers. The National Air Transportation Network, which Americans rely upon, was at risk of collapsing.

By establishing the Payroll Support Program, PSP, as part of the CARES Act, Congress acted boldly to help the industry weather the storm and to preserve National Air Service for big cities and small towns alike. I am proud to have been part of the bipartisan effort to create PSP.

A spokesman for the Allied Pilots Association Union was exactly right when he said recently that, “PSP was an over-the-top success. Without it, the airline industry would have collapsed.” It is worth noting two important aspects of PSP. First, it required airlines to continue serving all the markets they served before the pandemic, even as demand vanished.

Second, the assistance provided covered pay and benefits for frontline workers, pilots, flight attendants, gate agents, and service contractors, but not senior management. Furthermore, the passenger airline PSP, covered only 77 percent of the total payroll cost for the largest 11 airlines. In other words, PSP was a necessary lifeline, not a windfall. And that lifeline worked.

In fact, one recent analysis found that nearly 400,000 direct passenger airline jobs were saved. This figure does not include the jobs saved by PSP funds that were directed to cargo airlines and aviation service contractors. Unfortunately, the pandemic and its catastrophic impact on passenger demand lasted far longer than any of us had hoped or anticipated.

In the fall of 2020, Senator Collins and I introduced legislation to extend PSP past its original expiration date of September 30, 2020. Even though the bill had 24 bipartisan co-sponsors, I regret that somehow Congress was unable to act in time to prevent a lapse of the PSP program.

In December of last year, Congress extended PSP in the Consolidated Appropriations Act of 2021, but the nearly three-month lapse in the program, along with lower demand, created a period of uncertainty, forcing the aviation industry to adjust staffing levels through voluntary furloughs and buyouts. Fortunately, the second round of PSP paved the way for airlines to rehire employees who had left voluntarily. If that gap in PSP and the uncertainty it caused could have been avoided, the airlines would have been better positioned to handle the resurgence in air travel demand and operational challenges.

As a COVID-19 vaccine rollout began, the demand for passenger air travel returned faster than anticipated. Over the summer of 2021, we saw many instances in which some airlines were overly ambitious, and passengers paid the price. No one likes flight delays or cancellations. Having thousands of customers stranded and unable to get to their destinations is frustrating and unacceptable, but those disruptions should not lead us to question whether PSP was the right decision.

PSP kept the airlines from collapsing entirely. PSP is the reason flight cancellations were limited to mere days and not months and years, and PSP is the reason ticket prices did not skyrocket. I call that a success, and I join the Chair of this committee in saying that boldly. Now, there have been delays and cancellations. It appears that airlines have heard the traveling public's frustration with that, but this Thanksgiving's travel weekend went off with minimal disruption.

More than 20 million passengers flew safely and got to their destinations. PSP was meant to save the air transportation system, not to be a guarantee of smooth flying for everyone everywhere. I look forward to hearing from our witnesses about how they are taking steps to prevent any further mass delays and cancellations while maintaining flexibility during the ongoing pandemic.

And once again, I join the Chair of this committee in saying that PSP was a resounding bipartisan success, and I am glad to have been a part of it. I yield back to you, Senator Cantwell.

The CHAIRWOMAN. Thank you, Senator Wicker. And again, thank you for your leadership on the issue. And again, I don't think anybody really has a concept of how fast the United States worked to make this happen, but it was very fast and really almost a two and a half weeks sprint of just working every day till we figured this out. So, we will now turn to our witnesses. We are going to start with you, Mr. Tretheway, for a more global view, so it is very appropriate that you have a big map of the world behind you, and welcome to the Committee.

**STATEMENT OF DR. MIKE TRETHEWAY,  
CHIEF ECONOMIST AND EXECUTIVE VICE PRESIDENT,  
INTERVISTAS CONSULTING INC.**

Mr. TRETHEWAY. Well, thank you very much for the opportunity to share my thoughts about the PSP. I am Dr. Mike Tretheway, Ph.D. University of Wisconsin in Economics, and Chief Economist of InterVISTAS Consulting. We are a global transportation and tourism consulting practice, and I work out of both our Washington, D.C. and Vancouver offices and have a home in Wisconsin.

I understand that industry representatives have been invited to provide evidence on specific impacts on the industry's workforce and recent operational issues. But I am not going to address those issues. What I would like to do is focus on international comparisons of what other nations did and how the U.S. compares to that. I have worked internationally for over 40 years and find that international comparisons can be very insightful.

In brief, it is my opinion based on my 40 years of experience that the PSP and the overall policy response of Congress with unprecedented, severe, and sudden impact of the COVID-19 crisis was ex-

emplary, and I would suggest it was best in class in the world. While every major policy dealing with a complex industry might not be perfect, the U.S. response met standards in eight key policy categories.

The consequence has been that the U.S. is emerging more quickly, as you have seen on the chart, more quickly from the crisis and better poised to maintain market forces and not Government regulation and directions to drive the industry in the recovery period in the coming decade. So I am going to briefly comment on each of the policy categories I identified.

First, the response was immediate. A comment just a moment ago from Senator Cantwell was that people don't have any concept of how fast the U.S. responded. I do. There are many nations right now that still haven't figured out their policy in the COVID market. So the response the U.S. provided, it was immediately. It did not take months and months.

Second, that response provided certainty and therefore was confidence building for both the industry and the traveling public. Third, it is my view that the response was there in the sense that unlike many other nations such as Germany, Congress did not choose a single champion airline to support through the pandemic and provide it and only it or largely it with generous support.

Congress stood ready to provide support to any and all qualifying airlines, airports, and other aviation supply chain businesses. Fourth, this policy was transparent. Congress' policy, the amount of support to be provided, the rules for access to that support were public and clear for all to see. In many other countries the amount of support, who would get it, and the rules are it still opaque. Fifth, the policy was focused on supporting economic and social connectivity and workforce retention.

In my view, this is one of the most important aspects of Congress' policy. The policy objectives were clear, to ensure the continuing economic and social connectivity of the Nation, and second to ensure the continuity of the aviation work force. This workforce takes years to train and over decades took to develop a strong safety culture. There was risk that a slow response, an impartial and imperfect response, would compromise retention of the work force.

This is in contrast to other nations where the focus was not on the key elements of connectivity and continuity of the work force. For example, Canada initially had no aviation specific program, only a general program available to any sector of the economy. A consequence of that is because it didn't focus on maintaining connectivity. Many Canadian communities lost all of their commercial air service.

Wage support was followed in a number of nations but is not the same as maintaining continuity of connectivity. Six, the support program was comprehensive in coverage of the entire aviation supply chain. Most other nations focused on their airlines, a few might have added in airports but ignored the rest of the supply chain. Congress's program covered everything, including air cargo, manufacturing of aircraft, the whole supply chain. Seven, and this is very important to me as a market economists, the policy was grounded in retaining competition and market forces as the primary drivers of sector activities.

The evidence is not only strong, but extremely strong that the benefits to the traveling public and aviation dependent businesses derive from market oriented policies in the U.S. I and many of my colleagues around the world in aviation economics are apprehensive that the post-pandemic era will find a playing field no longer to be leveled, with Governments having chosen specific champion carriers and provided significant support, and in many cases, direct Government intervention in decisions of these carriers.

Finally, the policy was designed to position the aviation sector for a more rapid recovery and for competing globally in the post-pandemic era. Many other nations, as I indicated, champion airlines were chosen. Many of the airlines elsewhere will survive, but with massive amounts of debt that will burden these carriers, result in higher fares, and reduce travel.

The U.S. program found an appropriate balance between direct support and debt so that the airlines and the whole aviation ecosystem will come out of this in a financially viable position for the long term. In sum, these criteria, in my view, are appropriate for assessing the U.S. policy response to the COVID-19 crisis. Several nations have done well on one or more of these criteria, but the U.S. is unique in achieving top marks in every category.

The PSP will enable the U.S. aviation sector to meet the current and future economic and social connectivity needs of Americans.

[The prepared statement of Mr. Tretheway follows:]

PREPARED STATEMENT OF DR. MIKE TRETHEWAY<sup>1</sup>, CHIEF ECONOMIST, INTERVISTAS CONSULTING INC.<sup>2</sup>

#### THE U.S. PAYROLL SUPPORT PROGRAM SUCCESSFULLY MET CRITICAL TESTS OF POLICY EFFECTIVENESS

December 13, 2021

I thank the Committee for the opportunity to provide my thoughts on the Federal pandemic Payroll Support Program (PSP) to protect the airline industry workforce, support the continuity of safe and essential travel, and ensure the industry's ability to remain viable to meet future air travel demand.

I understand that industry representatives have been invited to provide evidence on specific impacts on the industry's workforce and recent operational issues, hence I do not address these issues. I would like to provide comments on how the U.S. PSP compares to what other nations did. International comparisons can be insightful as different nations pursued different types of policies with different consequences.

In brief, it is my opinion, based on 40 years' experience with aviation economics (airline, airport, air navigation and manufacturing), that the U.S. PSP and overall policy response to the unprecedented severe impact of the COVID-19 crisis was exemplary, and I would suggest "best in class". While any policy dealing with a complex industry might not be perfect, the U.S. response met the standards of being:

- *Immediate;*
- *Certain, and therefore confidence building;*
- *Fair;*
- *Transparent;*
- *Focused on supporting economic and social connectivity and workforce retention;*
- *Comprehensive in coverage of the aviation supply chain;*

<sup>1</sup>Dr. Tretheway has a PhD in Economics from the University of Wisconsin. A former academic, he is co-founder of InterVISTAS Consulting. His area of expertise is Transportation Economics with 40 years global experience in air transport, rail and port economics. A biography is attached.

<sup>2</sup>The views I express in this report are those of the author alone, and do not necessarily represent opinions of InterVISTAS Consulting Inc.

- *Grounded in retaining competition and market forces as the primary driver of sector activities; and*
- *Designed to position the U.S. aviation sector for recovery and for competing globally*

These criteria are appropriate for assessing the U.S. policy response to the COVID-19 crisis. Several nations have done well on one or more of the criteria, but the U.S. is unique in achieving top marks in every category. Especially compared to many other nations, the PSP will enable the aviation sector to meet the current and future economic and social connectivity needs of Americans. The industry will also be positioned to compete globally and weather future challenges.

I briefly look at each criterion—but first, I wish to discuss the importance of aviation for economic, social, medical, disaster response and other connectivity. This is why a transition support program<sup>3</sup> for aviation was warranted.

### Importance of Aviation

Developing an aviation specific support program like PSP can only be justified if the industry is of broad importance to the Nation. Aviation is a critical infrastructure sector, not merely for the economy but for social purposes as well.

- *1.3 million direct on-airport jobs and above average wages.*  
Many organizations have put forward measures of the economic impact of aviation, both in terms of the number of direct jobs in the sector and its direct gross domestic product. I focus on job impacts, since preserving jobs were the key focus of the PSP. The U.S. Bureau of Labor Statistics reports that in December 2019 there were 750,000 direct jobs at U.S. airlines. Airports Council International—North America reports that in 2017, including airline, airport, ground support and other jobs, there were more than 1.3 million U.S. direct jobs on commercial airports. On average, aviation direct jobs pay above average wages.
- *Jobs in other sectors depend on aviation connectivity.*  
The economic impact of aviation is larger than on-airport jobs. Many U.S. economic sectors depend on aviation's connectivity. The ACI study identified roughly 4.4 million *direct* U.S. jobs dependent on visitors that use airports and spend \$250 billion. These visitor-based jobs include not only tourism jobs, but jobs dependent on individuals travelling for business, visiting friends and relatives, education, medical care, disaster support, etc. The wholesale and retail distribution sectors increasingly are dependent on rapid resupply as supply chains are challenged and the emerging e-commerce sector makes heavy use of air cargo. Economists also identify indirect and induced jobs in other economic sectors dependent on the spending of the airlines and airports. These are the “multiplier” impacts. While direct jobs are straightforward to measure (as these individuals are employed directly by airlines, airports, etc.), multiplier effects have to be “modelled” and the measures can vary, with some economists being skeptical of any specific measure. I do not put forward specific multiplier impacts but note that a) in general they more than double the number of jobs linked to aviation, b) two Nobel prizes have been awarded for development of the data and methodology for multiplier impacts, and c) the COVID-19 economic experience should make clear to everyone that when times are bad, multiplier effects are genuine—as each sector of the economy weakened, their suppliers suffered job losses of their own—as recovery begins, jobs grow in support sectors.
- *It's not just economics: Social, medical, disaster response, education as well as business depend on aviation connectivity.*  
While the aviation industry has tended to focus on its economic importance, there are other equally or more important impacts:
  - *Remote and isolated communities.*  
Commercial and general/business aviation provide essential connectivity to remote and isolated communities. These communities depend on aviation for

<sup>3</sup>It is important to distinguish different categories of support for businesses. *Bailouts* are payments to business whose business model and/or management has failed. That is not the case with U.S. airlines, airports and other aviation supply chain members who began to incur massive losses from the pandemic and government imposed travel restrictions. *Compensation* is payment to businesses to offset losses incurred by the business due to government decisions. *Transition support* are payments to businesses that are well managed and pursuing economically efficient business models, but were subjected to an unanticipated event that threatens their ability to continue to serve the market. More on these distinctions can be found in my report titled “Observations Regarding the Economics of Enterprise Bailouts,” available at <https://www.intervistas.com/observations-regardingthe-economics-of-enterprise-bailouts/>



nutrition, medical care, education, and social services, as well as selling products and services to the national and global economy.<sup>4</sup>

- *Medical connectivity.*

Commercial and private aviation transport patients (and their families), medical practitioners, essential maintenance technicians and essential medicines, personal protective equipment, and other supplies, etc.

- *Education connectivity:*

Air transport supports the movement of students and instructors. In person human interaction is increasingly being found to be essential to knowledge exchange and expansion.<sup>5</sup>

- *Disaster response.*

Both commercial and general aviation provide the immediate connectivity of supplies, rescue and medical personnel and medevac when disaster strikes.

- *The pick-up truck of remote locations.*

Aviation is a critical element of many businesses in remote regions. Helicopters play critical roles for electric power and pipeline systems. Many sectors of agriculture—including forestry management—depend on fixed wing, helicopter and remote piloted aircraft. Business aviation moves technicians and parts for urgently needed repairs and installation, . . .

- *Social connectivity.*

Saving the best for last, aviation is critical for social connectivity. This includes visiting friends and relatives, cultural experiences, the arts, and government administration. 100 to 150 years ago, maritime and rail transport were the Nation builders. Today, aviation is what directly connects people.

### Immediate

I now turn to my assessment of the policy. The COVID-19 crisis emerged suddenly. The first cases were found overseas in November 2019, and by the end of March 2020, the number of U.S. air passengers had declined by 90 percent, with the collapse contained in roughly a one-month period. (See Figure 1.) Unlike manufacturing sectors where unsold product can be placed in inventory (and financed) for later sale, aviation services are perishable and non-recoverable. In 2019, U.S. airlines spent roughly \$70 million *every day* on fuel, labor, aircraft, fees, and finance. Without incoming revenue from ticket sales and passenger activity, even those airlines (and airports) with strong cash positions would rapidly exhaust their financial resources.

What was more pressing was that aviation is a complex industry which has built an incredible safety knowledge base that is dependent on a highly trained and experienced workforce. Without some sort of financial support, in the face of a 90 percent collapse in demand, airlines would be compelled to lay off a large portion of their trained and experienced staff, and this indeed happened in many nations. Doing so immediately reduces national connectivity for economic, social, medical and other vital needs and undermines the ability to rapidly restore capacity.

The U.S. Congress reacted quickly to maintain both connectivity and to retain a vital workforce. There was no vacillation about the need to support aviation connectivity and its workforce. Few other nations in the world reacted as quickly. As a result, connectivity of their domestic and international air services fell precipitously. In contrast, the U.S. was able to retain an effective degree of connectivity and workforce continuity throughout the pandemic. No other nation responded as quickly with a broad aviation program focused on the goals of connectivity and workforce retention.

### Certainty and Confidence

The U.S. Congress not only reacted immediately, but it also provided sufficient support to the entire aviation sector to provide certainty that national connectivity would be sustained. This provided confidence that employees could retain their skill sets in aviation and not need to migrate to other sectors. Some nations eventually provided support to their aviation industries, but without the immediate certainty and confidence that the U.S. achieved. For example, Canada treated aviation like any other economic sector and did not develop an aviation specific program. The focus was on wages, a worthy goal, but without a policy to maintain connectivity.

<sup>4</sup> See the recent OECD International Transportation Forum Report <https://www.itf-oecd.org/connecting-remote-communities>.

<sup>5</sup> See for example: “New Harvard Research Identifies Business Travel as Driver of Economic Growth,” August 2020, <https://growthlab.cid.harvard.edu/news/new-harvard-research-identifies-business-travel-driver-economic-growth>

While eventually the Canadian level of support to aviation rose to levels per capita not dissimilar to the U.S., the lack of an immediate aviation specific program early in 2020 resulted in uncertainty for communities, carriers, and workers. The result was that some Canadian carriers ceased operating (*e.g.*, Porter Airlines), and a number of communities lost all scheduled commercial air service, leaving them unconnected for an extended period.<sup>6</sup> There were also financial capital benefits of the certainty and confidence created by the PSP. When there is uncertainty that individual carriers (and airports and support businesses) will be able to weather a crisis and return to service, it is difficult to raise private equity and debt for survival and resurrection.

### **Fair**

The U.S. PSP was fair in that it provided support for all eligible firms. Unlike the case of many other nations, it was not a program that chose a champion carrier and supported it with transitional funds, leaving other carriers to fend for themselves. Sometimes the support of the champion was subtle. *E.g.*, some modest general support programs may have been put in place, but the champion carrier received a different, much larger financial support package, often involving government equity investment in the champion carrier, but not in other carriers. Germany is only one of several cases where the champion carrier received substantial support, but other carriers received little or no support. Singapore, several Middle East countries, France and the Netherlands are other oft-cited cases. The champion carrier received substantial support and other carriers, such as low cost or ultra low-cost carriers that had provided substantial national connectivity did not. This implication is that in the recovery and post-recovery period, the playing field will not be level. I will comment further on this momentarily. This is not to say that there have not been issues with the U.S. PSP about how the support criterion apportioned grants and debt access among industry participants, but the U.S. Congress was fair in the sense that it did not choose winners and losers—this is left to the market.

### **Transparent**

Another key attribute of the PSP program is that it is transparent. The legislation was clear in specifying how much funding was available, which sub-sectors (airlines, airports, air cargo, business aviation) were to receive which amounts, what the criteria was for applicants and how much individual carriers, airports and other businesses actually received.<sup>7</sup> This is not to say that every element of the program is without controversy, but the rules were clear and for all to see. This was not the case in many other nations. In Canada, while meaningful support was eventually made available to carriers and airports, in many cases the amounts involved were matters of press releases from the carriers and airports. Delays in financing resulted because of issues such as whether carriers were going to refund non-refundable tickets and whether such refunds were to be financed by grants or not.

### **Focused**

The PSP was not developed as a bailout of failing firms.<sup>8</sup> It was a policy focused on providing transitional support for two key short-to long-term objectives. The first key objective was of continuity of air service for almost every community previously served. Service continuity was a requirement for the air carriers. This was to provide economic and social connectivity at a critical point in the Nation's economic, social, and medical experience. The second key objective was workforce retention of a highly skilled workforce, critical for safety, and which requires years of training and experience. Again, workforce continuity was a requirement. The experienced, safety-oriented aviation workforce is needed to support the recovery of air travel, and with the long lead times to develop necessary skills and experience, the continuity of the aviation labor force will pay great dividends to the Nation. It is my observation that few, if any, other nations articulated focused objectives for the aviation support programs. For them, the objective of continuity of airlines was stated, but the programs did not tie support to the more fundamental objectives of maintaining service and connectivity during the crisis. The consequence was that a) some employees sought employment elsewhere and either will not return to the

<sup>6</sup>To its credit, the Canadian government did recognize the importance of connectivity to remote and isolated northern communities and provided support for continuity of these services.

<sup>7</sup>The U.S. Government Accountability Office has provided a series of reports to Congress during the pandemic documenting the U.S. COVID-19 support policies and observations on their impacts. See for example, <https://www.gao.gov/products/gao-2210429>

<sup>8</sup>It is important to recognize three terms regarding support for businesses. See footnote 3.

aviation industry as recovery unfolds or will require time and expense to become qualified and refresh skills; and b) many communities lost their air connectivity.

#### **Comprehensive**

The U.S. PSP program was comprehensive in that it recognized that aviation is an eco-system involving not only the air carriers, but also airports, general and business aviation, independent maintenance providers, ground handlers and manufacturers. The entire supply chain needs to survive the crisis and be ready for the recovery. Post pandemic aviation economic and social connectivity and service to the Nation will only be as strong as the weakest link. I know of no other nation that articulated its aviation pandemic transitional support with a comprehensive understanding of the entire aviation eco-system.

#### **Retaining competition and market forces as the primary driver**

As a market economist I place great importance on economic decisions being made by the market and competition. The evidence is not only strong, but very strong of the benefits to the travelling public and to aviation-dependent businesses from market-oriented policies for aviation such as deregulation, privatization and liberalization. The 1978 U.S. deregulation policy was passed near unanimously by Congress and its rapid success became the model for the entire world. The U.S. reliance on private enterprise for airlines led many nations to privatize their carriers. The U.S. pursuit of liberalized air service agreements to allow market forces to prevail over government edicts on fares, service levels and even sandwich sizes have created unprecedented access to air connectivity for economic and social pursuits. I, and many of my colleagues around the world, are apprehensive about the post-pandemic aviation playing field being unlevel. In too many nations, massive government grants and equity investments in champion carriers but not others raise a question as to whether the post-pandemic industry will provide the same consumer and social benefits. The PSP was intentionally designed to maintain the market and all of its pre-pandemic carriers and airports. It did not use the crisis to impose government judgement of which carriers should survive. While it is now too late for other nations to pursue level playing field responses during the crisis, hopefully they will observe and heed U.S. 2020–21 leadership on the design of aviation policy.

#### **Positioning the aviation eco system for a more rapid recovery**

My last key point is that the PSP policy of Congress was well designed in positioning the aviation sector for a more rapid recovery.

- In many other nations, airlines and airports have survived but with massive new debt that will have to be serviced and retired. The PSP found a balance between direct support (linked to continuity of community connectivity and the trained aviation workforce) and debt.
- Outside the U.S., those airlines and airports with substantial increases in debt will suffer higher costs.
- The higher costs may result in higher fares, especially in those nations where the playing field was unlevelled in favor of champion carriers.
- The more balanced U.S. transitional support of its carriers may better position them competitively during the recovery and post-pandemic periods.
- Alternatively, carriers elsewhere will be more vulnerable to failure with their greater financial burden.
- Foreign carriers whose labor forces were dispersed during the pandemic will incur higher expenses to re-attract, train and requalify workers to an industry which in their cases will be viewed as now having greater uncertainty. The U.S. aviation sector has greater continuity and thus lower costs. This is not to say that there will not be case-by-case challenges in the U.S. industry during the recovery, but the U.S. industry is better positioned than almost all others that rely on market forces.

*Market recovery progress.* Comparing the current degree of market recovery of the U.S. versus other nations is complex. Nations differ in terms of current travel restrictions and processes. The relative shares of domestic versus international travel is also a factor as domestic markets are recovering more quickly while international travel faces continued and changing restrictions. Nevertheless, a few figures of the current state of affairs may be useful.

Figures 1 and 2 compare the recovery of traffic to 2019 levels for the U.S. versus Canada. U.S. passenger traffic U.S. is 77 percent that of 2019 as of the first week of December. Canada, which has a higher international portion of travel, is only at

58 percent recovery, and only a few months ago was at 10 percent recovery while the U.S. was well ahead.

#### Comparison of Daily U.S. and Canadian Passenger Traffic 2019-2021, Year to Date

Figure 1: U.S.

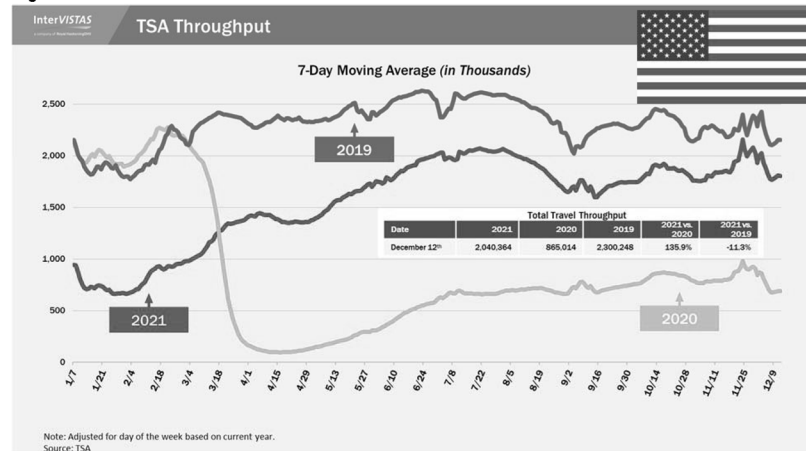
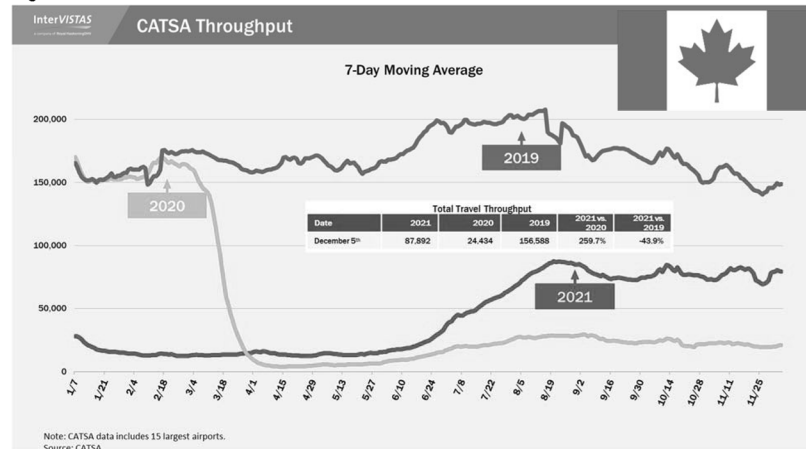


Figure 2: Canada



Sources: InterVISTAS comparisons based on TSA and CATSA daily numbers of passengers through security points.

The table below provides a comparison for a few other nations of *domestic* seat capacity in November 2021 versus the same month in 2019 of nations with large domestic markets.<sup>9</sup>

### Degree of domestic seat capacity recovery

U.S.	89%
Brazil	84%
China	74%
Japan	51%
Australia	19%

*Forecasts.* There are a number of forecasts available of commercial airline traffic and when recovery will take place.<sup>10</sup> While they differ somewhat, there are common findings.<sup>11</sup>

- Domestic markets will recovery more quickly, likely achieving full recovery to 2019 levels by 2024, possibly late 2023 for the U.S.
- International markets will recover more slowly, possibly delayed by one to two years, longer for regions with lower vaccine rates.
- While traffic is expected to recover *to 2019 levels* within the next 1–3 years, it will be longer before traffic returns to its *previous long-term trend*. But all the forecasts expect that air connectivity and traffic will continue to grow. Thus, infrastructure challenges that were present in 2019 will still need to be addressed.
- There will be differences in recovery rates of market segments.
  - “Visiting Friends and Relatives” travel is expected to recover strongly and quickly, as is leisure travel. Social connectivity is a priority for many families.
  - Business travel will take longer to recover, and some parts of business travel may recover weakly. Conferences and other knowledge and networking travel are expected to recover almost fully, while intra-corporate travel may recover only partially.<sup>12</sup>
- A recent study by Airport Council International—World identified that recovery rates will be slower for those individuals who did not travel at all during the pandemic. This identifies a challenge for the industry and for governments in providing clarity and consistency in border and health policy for air travel.<sup>13</sup>
- The U.S. will be one of the fastest markets to recover.

### Closing Comment

I close with the question I was asked to address: my thoughts on the issue of “the Federal pandemic Payroll Support Program (PSP) to protect the airline industry workforce, support the continuity of safe and essential travel, and ensure the industry’s ability to remain viable to meet future air travel demand,” I observe:

<sup>9</sup>Capacity recovery is higher than recovery of passenger numbers as load factors (percent of seats filled with paying customers) is down, but increasing in the U.S.

<sup>10</sup>Forecasts are available from, among others, Airports Council International—World, the International Air Transport Association, Boeing and InterVISTAS Consulting.

<sup>11</sup>All are dependent to a large extent on no new outbreak of COVID-19 variants that evade current vaccines and the continuation of social distancing measures on aircraft.

<sup>12</sup>A good discussion of the potential scenario for business travel recovery can be found in the report by IdeaWorks, “The Journey Ahead: How the Pandemic and Technology Will Change Airline Business Travel.” IdeaWorks forecasts that in the medium term, business travel is likely to only recover between 19 percent and 38 percent. <https://ideaworkscompany.com/the-journey-ahead-how-the-pandemic-and-technology-will-change-airline-business-travel-report/>

<sup>13</sup><https://aci.aero/events/asq-2021-global-traveller-survey-evolution-of-sentiment-and-behaviours-part-1/>

- The PSP was not focused merely on proving financial support for carriers. It was correctly focused on the key objectives of retaining the airline industry workforce and ensuring the continuity of economic and social connectivity. Other nations largely conceptualized their support programs as one of supporting carriers and worker incomes, rather than supporting connectivity and employment continuity.
  - Congress provided an *immediate* (relative to other nations) response to the COVID-19 crisis for aviation, creating certainty and confidence. This enabled the market to continue to function.
  - The PSP was designed to be a *fair* program for the entire aviation eco-system and all carriers and airports. Unlike several other nations the U.S. did not select and favor a champion carrier.
  - The PSP is a *transparent* program with clear rules, amounts, decision making processes and disclosure. This is not the case at many other nations.
  - The PSP maintained the aviation level playing field. It relied on and did not distort the *market* and competitive forces.
  - The PSP has positioned the U.S. aviation industry for a more *rapid recovery*, and a faster ability to restore financial resilience to support growth and future challenges the industry will face.
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## Biography



### Michael Tretheway

Chief Economist  
& Executive Vice President

Dr. Tretheway is Executive Vice President & Chief Economist with the InterVISTAS Consulting Group. He is a co-founder of the InterVISTAS Consulting Group and has served as its Chief Operating Officer.

Dr. Tretheway earned a Ph.D. in economics from the University of Wisconsin and served for 14 years as Associate Professor of Transportation and Logistics in the Sauder School of Business at the University of British Columbia. He was engaged as a Visiting Fellow at the Australian Bureau of Transport Economics and has taught aviation economics/management and supply chain management in the Americas, Europe and Asia.

He is frequently an expert witness in regulatory hearings, court cases, competition tribunal hearings and in arbitrations, with 100 engagements. He was a member of the Board of Experts of the United Nations World Tourism Organization. He has been an advisor to governments in North America (Canada, US, Mexico), Europe, Asia, Australia and New Zealand.

Years of experience

40

Years with InterVISTAS: 20

20

Mike has worked with over 100 airports ranging in size from megahubs, to regional hubs to small general aviation airports. He has been engaged by 25 airlines and by Boeing and Bombardier. In his consulting career he has been engaged by industry organizations and NGOs on all part of the industry. These include IATA, A4A, ACI, the World Economic Forum, the World Tourism Organization, the International Transportation Forum of the OECD, general and business aviation associations, manufacturers, a consumer group, as well as national, state/regional and municipal governments.

The continuity of the aviation spectrum is an important theme for him. His view is that the large airports depend upon the medium and smaller airports, just as large carriers depend on smaller carriers. All are part of regional/national/global connectivity, along with manufacturers, maintenance and repair, and aviation support services.

The CHAIRWOMAN. Thank you, Mr. Tretheway. Thank you so much. And I will remind our witnesses that if you can stick to 5 minutes, it would be so appreciated. We appreciate your comments, Mr. Tretheway, and we will now go to Mr. Parker.

**STATEMENT OF DOUG PARKER, CHAIRMAN AND CHIEF  
EXECUTIVE OFFICER, AMERICAN AIRLINES GROUP, INC.**

Mr. PARKER. Thank you. And I, like Ranking Member Wicker, I am tempted to cede my time because the Chair's comments were so consistent with mine. But like Ranking Member Wicker, I also would like to give my remarks, mainly because I want to thank the two of you and the rest of this committee.

We, at American Airlines, are deeply grateful for the pandemic assistance we received through the CARES Act and the Payroll Support Program. We are extremely appreciative of everyone who made it possible, including the members of this committee. You showed leadership at a time that it was needed most. And you demonstrated a commitment to our industry and our team members that made a lasting impact. So I would like to take a moment to say thank you and to assure you that the support of the U.S. Government extended to us was well worth it.

I want to state it succinctly and unequivocally, the Payroll Support Program has been an overwhelming success. American Airlines fought hard for the CARES Act and the subsequent extensions of PSP, and we did so in close partnership with lawmakers from both parties and in lockstep with our labor union partners. PSP shows what can be accomplished through bipartisanship and compromise. And all those who were involved in crafting the program deserve a great deal of credit.

When the CARES Act passed, we understood that receiving financial support from the Federal Government comes with an obligation to serve. It was an obligation we were ready, willing, and humbled to accept. And we are very proud of how our team has delivered. Thanks to PSP, we have the team in place that we need to run our airlines successfully. In fact, at American Airlines, we have as many or more pilots and flight attendants per scheduled crew block hour this year as we have had in years preceding the pandemic.

So with our team at the ready, we have been able to run a safe and reliable airline, and continue providing critical air service, including the small and rural communities. As I have outlined in my written testimony, American Airlines and all U.S. carriers are delivering on our commitments with an overall operational performance this year that is as good or better than before the pandemic.

Not only has American performed well, we have done so while growing back at an unprecedented pace. We grew an industry leading 82 percent from the first quarter to the second quarter of this year, and we are providing significantly more service to the flying public than any of our competitors. We took that aggressive approach because the central purpose of PSP was to ensure we were able to provide air service when travelers decided they were ready to get back to flying.

In addition to the strong year to date operational performance I mentioned, I am also pleased to say that American delivered a stel-

lar performance with the Thanksgiving travel period, and we are off to a great start in December as we look toward the upcoming holidays. I am extremely proud of how our team has stepped up as demand has rebounded. They have shown tremendous professionalism and dedication to the customers we have had the privilege to care for.

Now, like other airlines and numerous other businesses, we have experience about operational challenges in recent months, which we have worked to manage as deftly as possible and with the utmost care for our customers and our team. While various pandemic related factors have caused our operation to run tight when extraordinary disruptions occur, these events have been the distinct exception, not the rule.

A strong U.S. airline industry has been and will continue to be critical to the overall economic recovery from COVID-19. Because of your leadership, U.S. airlines are competing vigorously. Fares have remained low. And we are doing our part as an industry to support the ongoing economic recovery. Indeed, according to the DOT, the average domestic itinerary fare in 2019 was the lowest inflation adjusted annual fair on record. And fares have declined further yet in 2020 and 2021. So in summary, I am incredibly proud of how the American Airlines team has managed through the pandemic.

Early on, we agreed that this one day would pass, and what would matter most is how we treated each other, our customers, and those in our care. Looking back, I am extremely proud of the decisions we made and the values we used to guide us. And on a personal note, I have been humbled by the thousands of American Airlines team members who have thanked me for fighting for their jobs, so it gives me tremendous pleasure today to pass those thanks along to you.

So thank you for your support of our team, for all you have done to protect the vitality of our industry. I look forward to taking your questions.

[The prepared statement of Mr. Parker follows:]

PREPARED STATEMENT OF DOUG PARKER, CHAIRMAN AND CHIEF EXECUTIVE OFFICER,  
AMERICAN AIRLINES GROUP, INC.

### **Introduction**

Good afternoon. I'm Doug Parker, Chairman and CEO of American Airlines.

I would like to begin by thanking Chair Cantwell, Ranking Member Wicker, and the members of this committee for the opportunity to appear before you today.

The charge for today's hearing is to examine the impact of the Federal funding provided to U.S. airlines through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the subsequent extensions of the Payroll Support Program (PSP).

American Airlines is deeply grateful for the pandemic assistance we received, and we are extraordinarily appreciative of the efforts of policymakers in Congress and two administrations who made it possible, including many members of this committee. You showed tremendous leadership at a time when it was needed most, and you demonstrated a commitment to our team members that made a lasting impact.

On behalf of more than 100,000 American Airlines team members—85 percent of whom are members of a labor union and 25,000 of whom faced the stark reality of a furlough notice during the pandemic—I'd like to take this moment to say thank you, and to assure you that the support the U.S. government extended to us was well worth it.

Allow me to explain why.

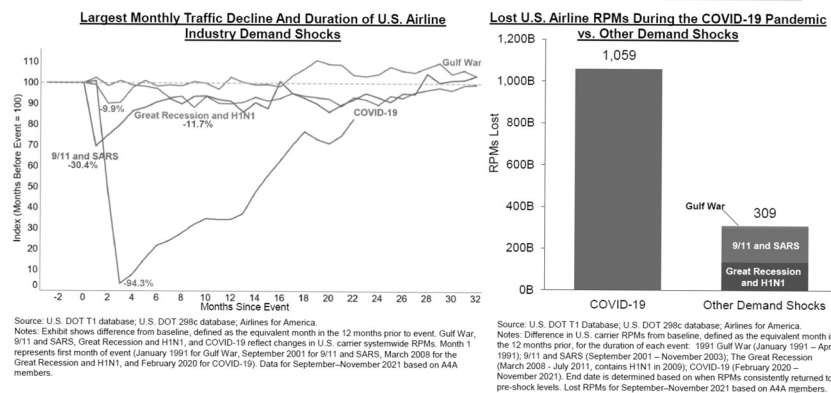


### The impact of COVID-19 on U.S. airlines

The devastation inflicted by the COVID-19 pandemic has been profound and universal, and the gut punch we took as airlines has been well-documented. However, nearly two years removed from the start of the pandemic, it is worthwhile to recall just how severe a crisis our industry faced.

Nothing in history has ever come even remotely close to negatively impacting demand for air travel like COVID-19. In fact, from the onset of the pandemic through November of this year, the impact of COVID-19 on U.S. airline demand has exceeded the combined effect of Sept. 11, the Great Recession, SARS, H1N1, and the 1991 Gulf War by a factor of more than three.

The Negative Demand Shock from COVID-19 Dwarfs The Impact From All Previous Airline Industry Demand Shocks Combined



For American, in the final week of March 2020, our passenger revenues were 96 percent lower than the same period in 2019, and our load factor was 14 percent compared to 85 percent in the same week of March 2019, even though we had reduced our capacity by nearly two-thirds.

In response to the unprecedented evaporation of demand, we took aggressive self-help measures like grounding aircraft, canceling flying, and implementing a major cost-reduction program. While these actions were necessary, they were not sustainable, and unfortunately, they were not enough to eliminate the potential for a massive number of furloughs across the industry.

It was in the midst of this unparalleled crisis that the Payroll Support Program, which would go on to save the jobs and protect the livelihoods of many thousands of workers at American Airlines and across the industry, was devised.

### The Payroll Support Program saved the airline industry by providing a lifeline for its workers

To state it succinctly and unequivocally: The PSP has been an overwhelming success.

I'm proud to say that American Airlines fought hard for the CARES Act and the subsequent extensions of the PSP. I'm even prouder to say we did all of it hand-in-hand with the leadership and members of this committee, in partnership with a wide swath of lawmakers from both parties, and in lockstep with our labor union partners. The PSP stands as a shining example of what can be accomplished through bipartisanship and compromise, and all those who were involved in the policymaking process deserve a great deal of credit for that.

It's not an exaggeration to say the program saved the airline industry, which Congress and the administration recognized as critical infrastructure that is as essential to the economy as it is unique. While there was relatively little debate at the time about whether the industry should be supported, there was significant debate about the form that support should take. Some suggested it should be provided entirely in loans, which we would have thankfully accepted to stay solvent, but most all of us would have survived by shutting down flying in April 2020, furloughing almost all of our teams, and waiting for demand to return to levels strong enough to justify restoring flying. As it turns out, that would have been sometime in 2021.

Fortunately, the support was ultimately structured as a combination of loans and grants, with the PSP as the critical component. It kept us flying by paying us to

pay our team. In exchange, we agreed not to involuntarily separate anyone or reduce pay rates, and we agreed to maintain air service to the communities we served prior to the pandemic. The program also set limits on executive compensation, added restrictions on stock buybacks and dividends, and gave the American taxpayers a stake in the industry so they would see the benefits of our recovery.

Because of the support U.S. airlines received, our team and our industry have been able to help prevent a hyper-stressed economy, shocked by the spread of a novel virus, from grinding to a halt. Throughout the worst stages of the pandemic, American Airlines continued leading the industry in number of U.S. communities served. We carried essential workers, including medical professionals, to the locations where they were most needed. We transported critical supplies, including PPE and vaccines, on flights around the country and across the globe. In fact, in March 2020, we launched our first cargo-only flights since 1984, and by the end of the year, American had carried 167 million pounds of goods on close to 5,300 cargo-only flights.

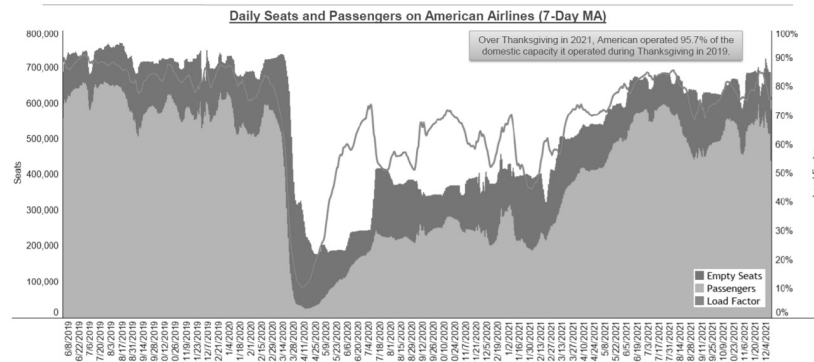
It's because of the assistance extended to us through the CARES Act and the PSP that we've been able to support a nation and a world in crisis. It's brilliant policy, written during a time of extraordinary uncertainty, and our entire industry remains incredibly grateful for it.

#### Fulfilling our obligation to serve as demand returns

As we made the case for the PSP, we understood that receiving financial support from the Federal government would come with an obligation to serve. It was an obligation we were ready, willing, and humbled to accept.

Demand for air travel came back swiftly in the spring of 2021 as COVID-19 vaccines became available and more widely distributed. Thanks to the PSP and just as intended, U.S. airlines were ready, and we sprang into action to serve the massive influx of customers returning to the skies.

As Designed, The CARES Act Enabled American To Quickly Restore Capacity In Advance of Demand Rebounding To Help Lead the Economic Recovery



Source: American Airlines operations data. Data through December 5, 2021.

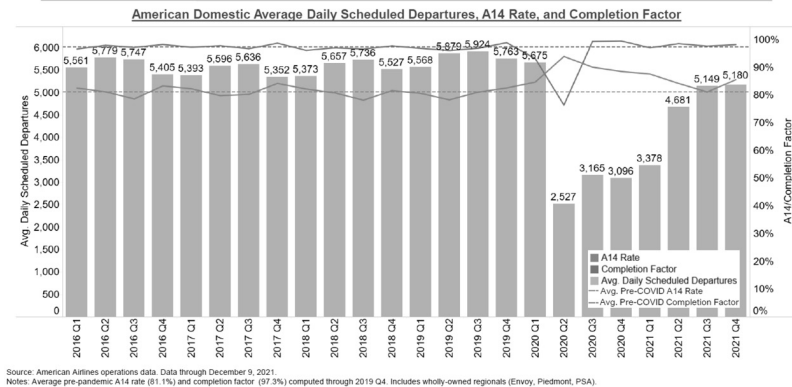
Notes: Consolidated operations, domestic and international. Seven day moving averages. Thanksgiving period defined as November 22 - December 2 for 2019 and November 19 - 29 for 2021.

At American, we grew our airline by a whopping 82 percent from the first quarter to the second quarter of 2021, providing significantly more service to the flying public than any of our competitors. We flew over 24 million customers in quarter one and 44 million customers in quarter two, which is about one-third more than our next-closest competitor in both cases.

This was an unprecedented ramp-up of our operation—the largest in our history, in fact. No airline has ever attempted to expand at the pace we did after a demand shock of the magnitude we experienced during the pandemic. We took this aggressive approach because the central purpose of the PSP was to ensure we were able to provide air service when travelers decided they were ready to get back to flying.

We knew we had an obligation to fulfill, and we are proud of how we have delivered.

Notwithstanding Its Fast Ramp-Up of Service, American's Operational Performance (A14 and Completion Factor) Has Met or Exceeded Its Pre-Pandemic Averages

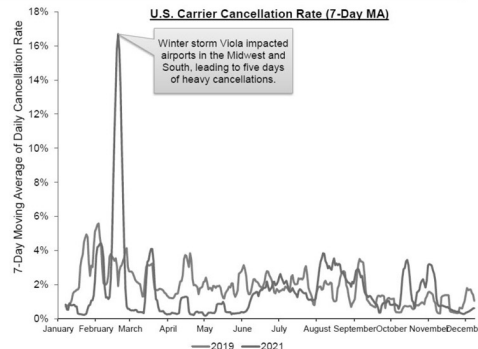


It's important to note that all of this was done with operational performance that was as good or better than before the pandemic. In fact, American closed the month of September with the best operational performance in our airline's history, 2020 notwithstanding. While flying the largest airline in the world, carrying more than 14 million customers, we recorded our most reliable September since the merger in 2013, based on completion factor, on-time departures, and on-time arrivals. More recently, over the Thanksgiving holiday period, American operated 95.7 percent of the domestic capacity we operated during Thanksgiving 2019, and we did so with stellar performance.

The story is the same across the industry. While there have been some high-profile challenges, the data shows that overall, U.S. airlines have been delivering operational reliability that is on par with or better than the years preceding the pandemic.

Despite the Rapid Increase in Passenger Demand, Severe Weather, The Need to Retrain Thousands of Pilots and Some Operational Challenges, Cancellation Rates in 2021 Have Remained *Below* 2019 Levels

- Year-to-date\* cancellation rates in 2021 have been 1.6% compared to 1.9% for the same period in 2019 despite isolated periods of above average cancellation rates due to operational challenges.
- Likewise, year-to-date industrywide on-time arrival rates (A:14) in 2021 have been 84.0% compared to 81.8% for the same period in 2019.\*
- Over the Thanksgiving holidays, American had a 99.3% completion factor in 2021 compared to 99.1% for the same period in 2019.\*\*

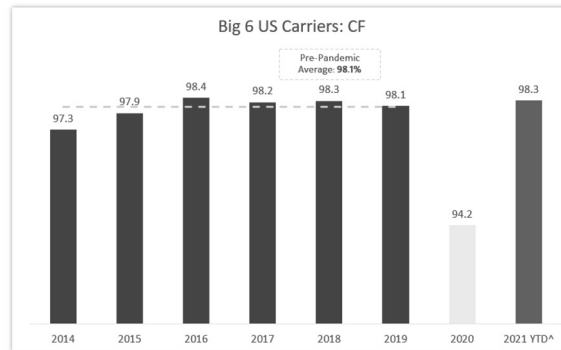


Source: Masflight  
Notes: Includes mainline and regional flying. U.S. carriers are Alaska, Allegiant, American, Delta, Frontier, Hawaiian, JetBlue, Southwest, Spirit, Sun Country, and United. \*Data from January 1, 2021 through December 8, 2021 compared to the same period in 2019. \*\*Thanksgiving holidays defined as November 22 through December 1 for 2019 and November 19 through November 29 for 2021.

This year, the combined completion factor of the six major U.S. carriers is consistent with pre-pandemic years, and we've delivered an on-time arrival performance that actually exceeds pre-pandemic years.

## Completion Factor

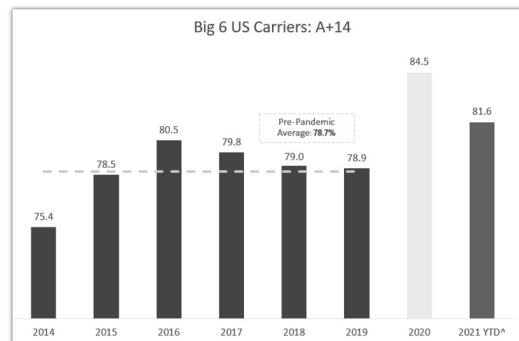
- For the Big 6 U.S. Carriers (AA, DL, UA, WN, AS, B6), 2021 CF performance remains similar to pre-pandemic years
- 2020 CF for the industry was impacted by close-in schedule pulldowns due to COVID-19



<sup>A</sup>Through 11/27/2021  
Combined data including ML+RG, Big 6 US Carriers: AA, DL, UA, WN, AS, B6

## Arrival Performance

- For the Big 6 U.S. Carriers (AA, DL, UA, WN, AS, B6), 2021 A+14 performance remains at levels higher than pre-pandemic years



<sup>A</sup>Through 11/27/2021  
Combined data including ML+RG, Big 6 US Carriers: AA, DL, UA, WN, AS, B6

U.S. airlines are meeting and exceeding operational expectations, just as we pledged.

I'm extremely proud of how the American Airlines team has stepped up as demand has rebounded. They've shown tremendous professionalism and dedication to the customers we've had the privilege to care for, and I know they've made millions of travelers' return to the skies the experience they've been waiting for.

### Managing operational challenges to deliver on our commitments

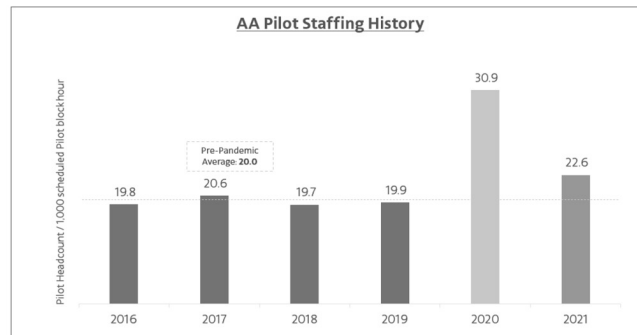
As has been the case across industries and throughout the global economy—with the ongoing supply chain crunch as a stark example—the return of demand for air travel has been intense. Like other airlines, we have experienced some operational challenges in recent months, which we have worked to manage as deftly as possible and with the utmost care for our customers and team members.

Thanks to the PSP, we have the team we need to operate the schedule we've planned. We've continued to welcome team members back to the company, and we are aggressively onboarding new hires.

To be more specific, American has as many or more pilots and flight attendants per scheduled crew block hour this year as we had in the years preceding the pandemic. This is the best measure of the adequacy of our crew staffing because it re-

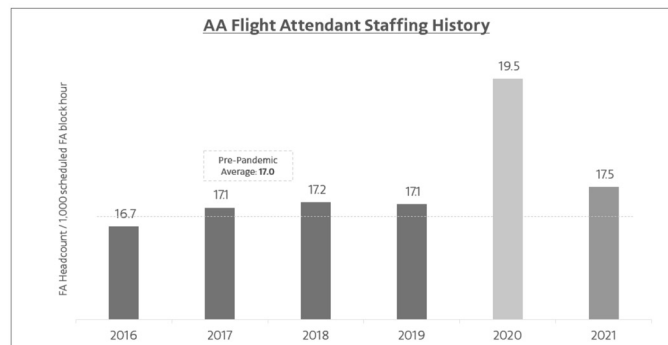
flects the number of active pilots and flight attendants who are eligible to fly, the number of aircraft we have available and scheduled for deployment, and the number of crewmembers we need for each flight based on the equipment and the destination.

### American has more pilots per scheduled crew block hour in 2021 than pre-pandemic



Metric: Pilot headcount per 1,000 scheduled pilot block hour  
Full year, AA mainline only  
Headcount includes all active pilots only, does not include long-term inactive pilots or pilots removed from the operation for specific temporary purposes (Special assignments, instructors, etc.)

### American has more flight attendants per scheduled crew block hour in 2021 than pre-pandemic



Metric: Flight Attendant headcount per 1,000 scheduled flight attendant block hour  
Full year, AA mainline only  
Headcount includes all active Flight attendants only, does not include short-term or long-term unpaid or paid leaves, Special Assignment, etc.

As the charts above illustrate, when it comes to having the team we need, we are in as good of a position now as in recent years, if not better. Nonetheless, there are pandemic-related factors at play that have caused our operation to run tight when extraordinary disruptions arise.

For our team members on the frontline, a significant share of their work as customer service professionals is now devoted to enforcing mask mandates and other pandemic-related policies. Not only is this a departure from the job they signed up for, but it's also not as rewarding. Airlines have required masks since early in the pandemic as an additive health and safety measure, and our industry strongly supported the introduction of the Federal mask mandate, but there's no denying that it has altered the day-to-day duties of many of our team members.

It's tough work because we're seeing customer emotions run high, and the industry has experienced an unsettling raft of passenger disturbances and assaults on-board aircraft and in airports. These incidents are not all related to masks, and the

overwhelming majority of our flights take place without issue, but the general level of disrespect, anger, and impatience our team has had to manage in recent months is simply inexcusable. It should not be part of their jobs.

Our industry has worked closely with the Federal Aviation Administration, the Transportation Security Administration (TSA), and others, to address and deter this type of unacceptable behavior, and we're grateful for the agency's vigorous efforts to ensure that passengers who act out while traveling by air are met with the serious consequences laid out in Federal law. We also support the recent announcement by the U.S. Department of Justice on prioritizing the prosecution of those passengers who commit Federal crimes on our aircraft.

Our team is resilient, but with that workplace environment as the backdrop, we have found a higher-than-usual reticence among our crewmembers to pick up additional trips or fly above their minimum-required hours during the pandemic. Unfortunately, this severely impairs our ability to recover quickly in instances of extraordinary disruptions to service, because recovery is so dependent on team members choosing to pick up flying above their minimum-required levels. We have adjusted our staffing models accordingly, but it's something we continue to grapple with as a company and an industry, and it contributed to the operational challenges we dealt with at the end of October.

In that case, we experienced an extraordinary disruption when we were hit with two days of unforecasted severe winds at Dallas-Fort Worth International Airport (DFW), our largest hub, leading to the closure of three of the five runways on which our operation typically relies. The resulting cancellations put many of our team members out of their regular flight sequences, a consequence exacerbated by the fact that the end of the month is also the end of the bid period, limiting the availability of crewmembers who have already reached their maximum flying time. While the cancellations were driven almost entirely by the situation at DFW, they were extended because we had difficulty getting crewmembers to pick up additional flights. It's likely not a coincidence that those difficulties came in the wake of one of our flight attendants being violently attacked by a customer who punched her and broke her nose.

We made the difficult decision that weekend to proactively adjust our schedule. We never want to disappoint those who choose to fly with us, so that decision was not made lightly. Our team got to work rebooking our customers who were impacted by the changes, and we were able to recover and resume normal operations by Tuesday.

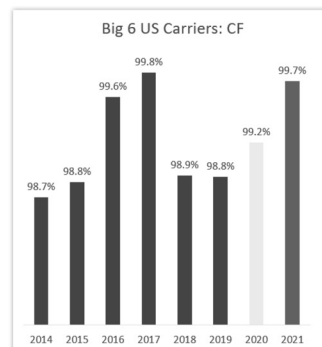
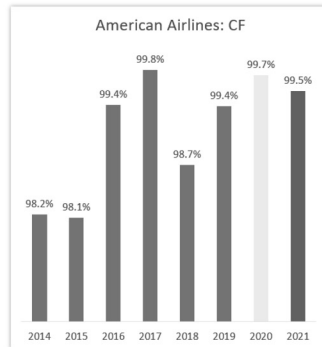
I provide these details to underscore that these events have been the distinct exception, not the rule. In our view, the reduction in desire to pick up trips is largely caused by events related to the pandemic and should gradually dissipate. In the meantime, while recovering from extraordinary disruptions has been more difficult, we've still delivered an overall operational performance this year that has met or exceeded our pre-pandemic norm.

As we began to focus on running an outstanding operation for the holidays, we developed incentive pay programs for peak travel periods to fortify our efforts to operate every flight on our schedule and to encourage flight crews to pick up additional work in the event of another extraordinary disruption. We provided extra pay for the vast majority of our frontline team members to pick up shifts during the Thanksgiving holiday, and we are providing 300 percent pay to flight attendants with no absences between Nov. 15 and Jan. 2, with similar programs in place for other work groups. The incentive pay contributed to our smooth operation over Thanksgiving, and we're confident that these programs will help us deliver a similarly smooth travel experience over Christmas and the New Year, as well.

Speaking of Thanksgiving, it's worth spending a moment on the details of the industry's excellent performance. On the Sunday after the holiday, 2.5 million passengers passed through TSA checkpoints—a pandemic record. And over the 10-day holiday travel window, 20.9 million total passengers were screened. From the Friday before Thanksgiving to the Sunday afterward, the big six U.S. carriers delivered the best completion factor since the same time period in 2017, with an on-time performance exceeding the Thanksgiving weekends of 2018 and 2019.

## Completion Factor

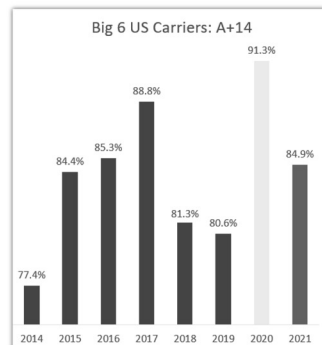
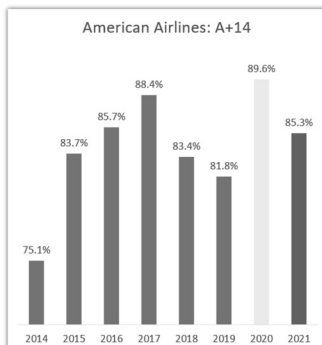
- 2021 Thanksgiving CF for the Big 6 is best since 2017



Data includes Friday before Thanksgiving through **Sunday** after Thanksgiving for each respective year  
Combined data including ML+RG, Big 6 US Carriers: AA, DL, UA, WN, AS, B6

## Arrival Performance

- 2021 Thanksgiving A+14 was well above 2019 and the second best since 2017 (excluding 2020)



Data includes Friday before Thanksgiving through **Sunday** after Thanksgiving for each respective year  
Combined data including ML+RG, Big 6 US Carriers: AA, DL, UA, WN, AS, B6

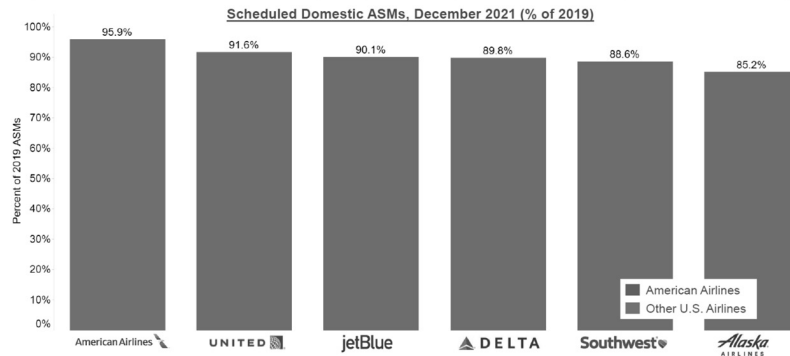
Today, American Airlines is serving an average of more than 500,000 customers on over 5,600 daily flights to more than 300 destinations across the country and around the globe. This is all a testament to the dedication, resilience, and skill of our frontline team, and proof positive of the success of the PSP.

### The PSP has enabled the industry's ongoing recovery

By now, we know that the recovery from the pandemic will be prolonged. It's certainly true for our business. But no matter how far removed we are from the depths of the crisis, American will continue to be guided by the obligation to serve that we accepted when we accepted PSP funds.

For one, we're flying close to the same capacity this month as we were in December 2019, not to mention more than our competitors. We are ready and eager to fly our customers where they need and want to go as they celebrate this holiday season.

During the End-of-Year Holiday Season, American Is Operating a Higher Percentage of Its Pre-Pandemic Domestic Capacity Than Any of the Other Large Network Carriers



Source: OAG schedule published December 2, 2021.  
Notes: December 2021 ASMs as a percent of December 2019 ASMs.

As for our team, not only have we excitedly welcomed back team members who were furloughed when the PSP lapsed, I am pleased to say that American hired more than 16,000 new team members across all our workgroups this year. This included more than 1,350 pilots, over 1,600 flight attendants, an additional 1,000 tech ops and maintenance professionals, and more than 2,000 reservations agents. We believe this positive momentum will continue into next year, as we've set a target of hiring an additional 18,000 team members in 2022. Each time we add to our ranks, it's like a dividend payment on the investment made in our team through the PSP; instead of building back from collapse, we're growing to provide more promising careers in good-paying jobs to hard-working individuals who are the lifeblood of our Nation's economy.

A strong U.S. airline industry has been—and will continue to be—elemental to the overall economic recovery from COVID-19. We've remained strong because of the support we've received, but also because of robust competition in the marketplace and fares that remain low despite historic inflation.

Even before the pandemic, fares were low. In fact, according to the U.S. Department of Transportation's Bureau of Labor Statistics, the average domestic itinerary fare in 2019 was the lowest inflation-adjusted annual fare since the bureau began collecting such data—and fares declined further still in 2020 and 2021. While prices are rising on all manner of consumer goods, airfares have declined to the lowest level since the late-1990s. Just a few weeks ago, the *New York Times* reported that while fuel oil—one of our main costs—increased 59 percent from October 2020 to October 2021, airfares went down by 5 percent during the same period. And November's inflation report showed the same pattern: Overall inflation reached a 39-year high, but airfares fell 3.7 percent. And to put the value of air travel in perspective, consider this: From 1979 to 2019, the price of a day at Disney's Magic Kingdom rose 10 times as fast as the price of air travel. Traveling by air on a U.S. airline remains a great value, and American consumers are proving as much by taking to the skies in growing numbers.

To those who may wonder whether this story would be the same without the CARES Act and the PSP, let me tell you my view: It most definitely would not. Fortunately, because of the foresight and commitment of our Nation's leaders, American is in a position to continue competing vigorously with our peers while we, as an industry, buttress the ongoing pandemic recovery.

### Conclusion

I am so proud of how our team has managed through the pandemic. Early on, we agreed that this would one day pass, and what would matter most is how we treated each other, our customers, our partners, and those in our care. As I look back now, I feel confident in the decisions we made during COVID-19 and the values we used to guide us.

Earlier in my testimony, I mentioned that I was appearing before you on behalf of American's more than 100,000 team members. As CEO, that is a responsibility I treasure. My message to you today is actually theirs, so I'd like to take a moment to tell you about a couple of them.



Kimberley Dorman is one of our amazing flight attendants, based at DFW. She had her first child right before COVID-19 took hold. Her husband, a veteran, is a self-employed real estate developer, so Kimberley carries the family on her health insurance plan. When faced with the possibility of furlough, Kimberley began to consider other options for insurance, but all were far more expensive and provided less coverage than her plan with American. It would have tipped her family into financial struggle. But instead, because of the PSP, Kimberley kept her job and her insurance, she was able to continue to provide for her family, and she returned to work from a leave of absence this spring.

I met Brookelle Stockton on one of my flights to D.C. in the fall of 2020. (In fact, it's possible some of you may have met her during your travels, too.) Of the four flight attendants working that particular flight, three had received furlough notices, including Brookelle. While she did end up being furloughed when the PSP lapsed—a period of time she describes as heartbreaking—fortunately, we know that's not the end of the story. She held off on applying for unemployment as she held onto hope for an extension of the PSP, and I actually ran into Brookelle at our training center this spring as she prepared to come back to the line. It was special for both of us to experience that full-circle moment.

These are just a couple of the American Airlines team members who have thanked me for fighting to save their jobs. On their behalf, I have the great honor of thanking you.

So, thank you for your support of our team members and for all you've done to protect the vitality of the U.S. airline industry, especially during the pandemic.

I look forward to taking your questions.

The CHAIRWOMAN. Thank you. Thank you, Mr. Parker. Mr. Kelly, welcome. Thank you for being here.

**STATEMENT OF GARY C. KELLY, CHAIRMAN OF THE BOARD  
AND CHIEF EXECUTIVE OFFICER, SOUTHWEST AIRLINES CO.**

Mr. KELLY. Thank you. Chair Cantwell, Ranking Member Wicker, and members of the Committee, good afternoon. My name is Gary Kelly, and I am very privileged to serve as the Chairman and CEO at Southwest Airlines, so thank you for inviting me to testify here on behalf of the more than 54,000 Southwest employees who directly benefited from the Payroll Support Program. And I can sum up the PSP in two words, it worked.

Our employees have endured unprecedented challenges over the last 2 years, from new Federal requirements to unruly passengers, but I couldn't be more proud of them for their resilience and their resolve. They are nothing short of heroic. And PSP secured their jobs and their pay and their benefits. So I want to start by expressing my heartfelt appreciation to you all and to Members of Congress, and certainly this committee.

In a bipartisan fashion, Congress recognized the severity of the COVID-19 threat and heeded the call for swift, decisive action, passing the PSP within weeks. Despite this incredible achievement, no one could have predicted what happened in the months that followed. Multiple waves of COVID cases, new COVID-19 variants, changes in Government policies, volatile demand for air travel, and record financial losses for every single airline.

Even with the turbulence that was brought on by the global pandemic, your commitment to protecting the livelihoods of hundreds of thousands of airline workers never wavered. And most importantly, you saw the PSP as a successful program worthy of not one, but two extensions. And for that, on behalf of all Southwest Airlines, I am eternally grateful. At Southwest, we take pride in being a maverick, including being about as well prepared for this crisis as any company, let alone any airline, can be.

And looking back at early 2020, we entered the pandemic in a strong financial position. We had over \$5 billion in liquidity. We had very modest debt. We had record low financial leverage and a low cost structure. As the pandemic unfolded, we took aggressive and appropriate self-help measures to remain solvent, eliminating discretionary spending, right sizing our flight schedule, and cutting executive compensation.

At the same time, Southwest has never achieved our low cost on the backs of our employees. We are 83 percent unionized. We offer industry leading retirement and health benefits. We are consistently ranked on Fortune's list of the world's most admired companies and Glassdoor's list of best places to work. And until 2020, our employees received profit sharing contributions each and every year since 1972, which is an unprecedented streak of profits of 47 years.

So for Southwest, the source of our strength and success is our people, and they have always been my top priority, and my number one concern is our employees' health and job security. And funds received through the PSP were only used for qualifying employees' salaries, wages, and benefits. We did not cut pay rates. We did not cut hours. We did not cut benefits. We did not lay off. And we did not furlough.

We actually have raised our employees pay. And my biggest source of pride is that Southwest has never had an involuntary lay-off or furlough in our 50 year history. Southwest is also the only major airline to maintain service at every domestic airport that we serve before the pandemic. And moreover, in the last 22 months, we launched service to 18 new airports.

It is also a testament to our people that we have been the best year to date DOT customer satisfaction ranking among marketing carriers and the highest net promoter score in the industry. By every measure, we lived up to the letter and the spirit of the PSP as Congress intended. Our operational performance during the week of Thanksgiving underscores our focus on reliability, and we knew the challenges of a busy holiday season and week might bring and implemented several enhancements to support our customers and our employees.

And in a week where we served over two million customers, we operated nearly 24,000 flights with a 99.9 percent completion rate and only 12 cancellations. Our DOT on time performance for the week was 88.3 percent, and on November 28, 2021's busiest travel day based on the TSA numbers, Southwest had the highest on-time performance in the industry.

So in closing, I am extremely proud of our company's record of taking care of our employees and our customers and the communities that we serve. As I have said to many in the past year, it was messy going into this pandemic, it is going to be messy coming out. But for as long as the pandemic persists, we will continue to be cautious and focused on reliability.

And I assure you that no matter what challenges presented to us next, taking care of our employees and our customers remain Southwest's primary goal. So thank you all again for your tremendous support during our darkest hours as a company and as an industry, and I look forward to answering your questions.

[The prepared statement of Mr. Kelly follows:]

PREPARED STATEMENT OF GARY C. KELLY, CHAIRMAN OF THE BOARD AND CHIEF  
EXECUTIVE OFFICER, SOUTHWEST AIRLINES Co.

Chair Cantwell, Ranking Member Wicker, and members of the Committee, good afternoon:

My name is Gary Kelly, and I'm privileged to serve as Chairman and CEO at Southwest Airlines. Thank you for inviting me to testify on behalf of the 54,000 active Southwest Employees who directly benefitted from the Payroll Support Program (PSP). I can sum up the PSP in two words: IT WORKED. Our Employees have endured unprecedented challenges over the last two years—from new Federal requirements to unruly passengers—and I couldn't be more proud of them. Their resilience and resolve are nothing short of heroic. PSP secured their jobs, their pay, and their benefits.

#### GRATITUDE

Let me begin by expressing my heartfelt appreciation to Congress and the leaders of this Committee. In March 2020, I joined my industry colleagues, as well as the Nation's airline union representatives, in urging Congress to act quickly by providing immediate liquidity to the airline industry. In a bipartisan fashion, Congress recognized the severity of the COVID19 threat and heeded the call for swift, decisive action, passing the PSP within weeks. Despite this incredible achievement, no one could have predicted what happened in the months that followed: multiple waves of rising cases, new COVID-19 variants, changes in government policies, volatile demand for air travel, and record financial losses for every airline. Even with the turbulence brought on by the global pandemic, your commitment to protecting the livelihoods of hundreds of thousands of airline workers never wavered. You understood the critical importance of our industry to the economy and the Nation's recovery. Most importantly, you saw the PSP as a successful program worthy of not one, but two extensions. For that, I'm eternally grateful.

#### BEING PREPARED

At Southwest, we take pride in being a maverick, including being about as well-prepared for this crisis as *any* company, let alone any airline. Looking back at early 2020, we entered the pandemic in a very strong financial position—with \$5 billion in liquidity, modest debt, low financial leverage, and a low-cost structure. By being financially conservative, we've always strived to be well-prepared for the unforeseen. Southwest is the only 1980s major carrier that has *never* filed for bankruptcy, even after 9/11 and the Great Recession. We responded to the pandemic with aggressive, appropriate self-help measures to keep the Company solvent: eliminating discretionary spending, right-sizing our flight schedule, and cutting executive compensation—including reducing my base salary. As the only airline with an all-investment-grade credit rating, Southwest could also access capital from the private markets. If the current demand environment holds, we should be able to pay off most of the debt we incurred during the pandemic within the next five years.

At the same time, Southwest has *never* achieved low costs on the backs of our Employees. We're 83 percent unionized. We offer industry-leading wages and great retirement and health care benefits. We're consistently ranked on Glassdoor's list of Best Places to Work and FORTUNE's list of the World's Most Admired Companies. And, until 2020, our Employees received profit-sharing contributions each and every year since 1972, an unprecedented profit streak of 47 years.

#### PUTTING PEOPLE FIRST

For Southwest, the source of our strength and success is our People. As CEO, they've always been my top priority, and my number one concern is our Employees' health and job security. Funds received through each round of the PSP were *only* used for qualifying Employee salaries, wages, and benefits. We did not cut pay rates. We did not cut hours. We did not cut benefits. We did not layoff. We did not furlough. We actually raised our minimum pay to \$15/hour effective August 1, 2021. This represents a wage increase of 711 percent for about 7,000 Employees. In fact, my biggest source of pride is that, as of today, Southwest has *never* had involuntary layoffs or furloughs in our 50-year history.

Southwest is also the only major airline to maintain service at every domestic airport we served before the pandemic. Our commitment to bringing Customer-friendly

policies and low fares to consumers does not end there. In the last 22 months, we launched service to 18 new airports. Consumers in these markets benefited from the “Southwest Effect,” a phenomenon observed by the U.S. Department of Transportation (DOT) in which our entry into a market drives competition up and fares down. We continue to provide outstanding hospitality. It’s a testament to our People that we have the best year to date DOT Customer Satisfaction Ranking among Marketing Carriers and the highest Net Promoter Score in the industry. By every measure, we lived up to the letter *and* the spirit of the PSP as Congress intended.

#### FOCUS ON RELIABILITY & RESILIENCY

Our operational performance during the week of Thanksgiving underscores our focus on reliability. We knew the challenges a busy holiday travel week might bring and implemented several enhancements to support our Customers and Employees. Southwest Employees executed those planning efforts with coordination and precision. In a week where we served over 2 million Customers, we operated nearly 24,000 flights with a 99.9 percent completion rate and only 12 cancellations. Our DOT on-time performance for the week was 88.3 percent and on November 28—2021’s busiest travel day based on TSA throughput—Southwest had the highest on-time performance in the industry.

In closing, our purpose at Southwest is to connect People to what is important in their lives through friendly, reliable, and low-cost air travel. After two difficult years, I’m so proud of our Company’s record of taking care of our Employees, Customers, and the communities we serve. As I’ve said to many in the past year, it was messy going into this pandemic and it’ll be messy coming out. And it has been, at times, when flight and passenger activities got ahead of our effective staffing. Yet we’ve made progress toward stabilizing our operations. Since the pandemic persists, we’ll continue to be cautious and focused on reliability. I assure you that, no matter what challenge is presented to us next, taking good care of our Employees *and* Customers remains Southwest’s primary goal.

Thank you again for your tremendous support during our darkest hour as a Company and an industry, especially through the enactment of the Payroll Support Program. I look forward to answering your questions.

The CHAIRWOMAN. Thank you, Mr. Kelly. Thank you so much for that testimony. We will now turn to Mr. Kirby. Thank you so much.

#### STATEMENT OF SCOTT KIRBY, CHIEF EXECUTIVE OFFICER, UNITED AIRLINES HOLDINGS, INC.

Mr. KIRBY. Good afternoon, Chair Cantwell, Ranking Member Wicker, and members of the Committee. I am pleased to be here today to discuss United Airlines’ response to the COVID-19 pandemic and the Payroll Support Programs’ assistance to companies like United. On behalf of all the United employees and our industry, I would like to thank Chair Cantwell, Ranking Member Wicker, and all the members of this committee, and the Federal Government for your support during the most challenging time in our shared history.

As I begin, I also want to publicly thank our 80,000 United employees who performed so admirably and worked so tirelessly throughout this pandemic to take care of our customers and each other. Our United team and the airports on board aircraft and all throughout our global network have been on the front lines of this crisis from day one and helped ensure anyone or anything, including medical equipment and vaccines, who needed to travel throughout the pandemic could do so safely.

The COVID-19 pandemic is the most disruptive crisis in the history of commercial aviation, with both the devastating human and economic toll. The quick response by the Federal Government with the rapid implementation of the PSP prevented what would have

been an unprecedented shutdown of air service that would have impacted the U.S. and world economy for years to come.

The PSP allowed us to maintain operational consistency, avoiding the challenges that shutdowns, mass, involuntary layoffs, and furloughs would have created. United supplemented the Federal support with our own unprecedented cost cutting and fundraising efforts. PSP also gave us the time and the bridge to the private capital markets, where we raised an additional \$23 billion in debt. At the same time, we were shoring up our finances, we were also taking early and aggressive action to mitigate the impact of the virus on our employees and our customers.

We led on safety throughout the crisis. We were the first airline, among the first companies to require masks last April and this August, we implemented our vaccine requirement while ahead of any Government directive for the sole and simple reason that we believed it was the right thing to do for safety. Today, we remain the first and only airline to successfully complete a vaccination requirement for employees.

We also leaned into our responsibility to keep the country and the world connected. We operated more than 130 repatriation flights, brought home more than 18,000 stranded Americans, booked close to 3,000 free flights for medical volunteers, and transported hundreds of millions of pounds of medical kits, PPE, and medical equipment. And United continues to fly vaccines around the world. We have already flown over 400 million vaccines since they were first ready for distribution.

Throughout the pandemic, United and many Members of Congress worked closely with our unions, and I want to recognize and thank the Air Line Pilots Association, the International Brotherhood of Teamsters, the International Association of Machinists and Aerospace Workers, the Association of Flight Attendants, and the Professional Airline Flight Control Association.

The PSP not only kept the airline running, but it also kept the economy moving during a time of great uncertainty. As customers began to fly again, we took a gradual approach to building back our schedule. We knew it would be challenging to try to bring flights back all at once and too quickly, so we made a conscious decision to gradually add capacity over time.

While this choice sacrifice short term profits, it allowed us to ensure a reliable service and to largely avoid any widespread operational impacts to our customers. But even in the depth of the crisis, we always kept an eye on the future for customers. We invested in technologies and enacted new policies to make travel easier and more enjoyable. We got rid of change fees forever for travel within the U.S.

We are investing in features like large overhead bins, seatback entertainment, and fast Wi-Fi, and our mobile app was the first to let customers check their destinations travel requirements, schedule COVID-19 tests, and upload and validate vaccine records using artificial intelligence. From an employment perspective, we have already hired more than 5,000 people this year into careers with high pay and benefits and expect to hire approximately 10,000 more next year.

And for our communities, United is the leading global airline in the fight against climate change. We are leading in sustainable aviation fuels, electric aircraft, and hydrogen aircraft, just to name a few. While the COVID-19 pandemic has been the most disruptive global crisis in the history of aviation, United is emerging as a leader and is a better airline for our customers and employees.

The Payroll Support Program was a vital aid when our industry and our employees needed it most. I appreciate the opportunity to appear before this committee and look forward to answering any questions you may have.

[The prepared statement of Mr. Kirby follows:]

PREPARED STATEMENT OF SCOTT KIRBY, CHIEF EXECUTIVE OFFICER,  
UNITED AIRLINES HOLDINGS, INC.

Good afternoon, Chair Cantwell, Ranking Member Wicker, and members of the Committee. I am pleased to be here today to discuss United Airlines' response to the global COVID-19 pandemic and the Payroll Support Program's assistance to companies like United. I would like to thank the members of this Committee, Congress, and the Federal government for helping our industry during one of the most challenging times in our shared history.

I also must take a minute to acknowledge the 80,000 United employees around the world who have worked tirelessly throughout this crisis to take care of our customers and each other. Our employees in the airports and in the air have ensured our customers who had to travel throughout the pandemic could do so safely.

The pandemic has been a once-in-a-generation crisis, and the scale of the human cost is staggering. More than 5 million people have lost their lives to the virus, and countless others have been affected in shared and deeply personal ways. It has been a trying time for all of us, and sadly United Airlines employees haven't been immune to the human toll of COVID-19. We mourn for all those we have lost and their families.

The COVID-19 pandemic is the most disruptive global crisis in the history of commercial aviation. In addition to the devastating human toll, at the beginning of April 2020, we saw the sharpest, deepest drop in market demand on record. We cut our domestic and international schedules by 90 percent and were burning as much as \$100 million per day.

The only comparison to the COVID crisis is the attacks of September 11—which resulted in the aviation industry's loss of a decade of job creation, productivity, investments, and technological advancements—and it was clear early on that this pandemic would have a much deeper, longer-lasting impact on our industry without support.

The quick response by the Federal government with the rapid implementation of the Payroll Support Program (PSP) prevented the type of losses the industry suffered in past major events. The PSP allowed us to maintain operational consistency, avoiding the challenges that mass involuntary layoffs and furloughs would have created. In addition, the PSP enabled us to maintain our workforce and protect the livelihoods of tens of thousands of United employees—keeping pilots and others current and at-the-ready to respond to a rebound in demand. The PSP also gave us the time and the bridge to capital markets where we raised \$23 billion in debt and equity that were crucial to our survival and ability to support the great careers at United, contribute to the COVID response around the world, and be prepared to support the economic recovery now underway. Quite simply, the PSP saved the industry while giving us the flexibility to not only think about how best to chart our recovery, but also to make meaningful, fundamental changes within our company so we could emerge on the other side of the crisis as a better, stronger airline. And that is exactly what we are doing today.

Importantly, we supplemented this Federal support with our own, unprecedented cost-cutting and fundraising efforts. We froze new hiring, suspended salary increases, cut costs across our operation, introduced new voluntary leave and separation programs, cut Officer salaries by 50 percent, cut CEO and President's base salaries by 100 percent and used various assets, including our MileagePlus loyalty program and aircraft, as collateral to finance more than \$23 billion in commercial debt. This is in addition to the \$3.2 billion of PSP notes that were provided by the U.S. government. In addition, we raised \$2.6 billion in equity, issuing 76 million shares.

Our recovery efforts started by taking early and aggressive action to mitigate the impact of the virus on our employees and our customers and as our industry always does, we put safety at the forefront. We were the first airline—and one of the first companies—to mandate masks for employees and the first to introduce customer COVID-19 testing and contact tracing.

We partnered with DARPA to study how effectively the unique airflow configuration on board an aircraft can prevent the spread of aerosolized particles among passengers and crew. And based on those results, we were the first and only airline to run our HEPA filtration systems during the entire boarding and deplaning process.

We launched a program called United CleanPlus<sup>SM</sup> that delivered an industry-leading standard of cleanliness, including partnerships with Clorox and experts from the Cleveland Clinic. And we were the first major U.S. airline to ask all passengers to complete a health self-assessment during their check-in process based on recommendations from the Cleveland Clinic.

Within our company, we have continually prioritized the safety of our employees and customers, including taking decisive action on mask and vaccine requirements. Some of the decisions were hard, but necessary. I personally sent letters to the families of every United employee who died from COVID-19. We must continue to do all we can to keep another United family from receiving that letter.

We did all we could to keep our business running safely and consistently, and still, we would not be in the position we are today without the support of the United States government.

One important step in maintaining our operational performance was close coordination with our unions, who stepped up to work on creative agreements to get us through the crisis, reduce the number of affected employees where possible, and set up the airline for a strong rebound. I want to recognize and thank our union partners, the Air Line Pilots Association (ALPA), International Brotherhood of Teamsters (IBT), International Association of Machinists and Aerospace Workers (IAM), Association of Flight Attendants (AFA) and Professional Airline Flight Control Association (PAFCA) for understanding the enormity of the challenge we collectively faced, for keeping our employees engaged, and for working with us to prevent furlough.

#### **Doing Our Part to Help Fight COVID-19**

United acted quickly not just to support our customers and employees, but also to do our part for the world. We are incredibly proud of the role that we played, which has brought us even closer to our mission of connecting and uniting people across the globe. We have been maintaining these vital air bridges and links between countries—Australia, India and Brazil to name a few—throughout the crisis, because the pandemic really brought home how those connections are vital to develop shared understanding, which is necessary to solve problems and address conflict.

To support the pandemic response, we activated our people and capabilities to operate more than 130 repatriation flights bringing home more than 18,000 Americans who were stranded abroad. We also booked nearly 3,000 free flights for medical professionals to support the COVID-19 response in New Jersey/New York and California. In the early days of the pandemic, it is safe to say, people who were flying were doing so because there was a critical need.

Our work did not stop there. Through a combination of cargo-only and passenger flights, United transported more than 401 million pounds of freight, including 154 million pounds of vital shipments, such as medical kits, PPE, pharmaceuticals, and medical equipment, and more than 3 million pounds of military mail and packages. And once the vaccines were ready for distribution, we sprang into action. United has flown approximately 400 million vaccines around the world, reaching many countries that were in desperate need of vaccines, including shipments to Guatemala and Ghana in just the last few weeks.

Throughout the pandemic, United has been committed to providing our unique resources and relationships to assist in those areas hardest hit by COVID-19. In India specifically, we operated dozens of flights with the majority of cargo being humanitarian supplies, including PPE, medical devices, medications and oxygen.

#### **Bouncing Back with Innovation at the Forefront**

While weathering the crisis and contributing to the humanitarian effort, United has also been focused on innovation and emerging from the pandemic as the world's best airline. PSP's support allowed us to keep thousands employed and help prevent a catastrophic impact to our company. This allowed us to take steps to change the airline for the better and to take a unique approach to rebuilding.

After dramatically cutting our flight schedule at the start of the pandemic, we knew it would be challenging to bring flights all back at once, so we made the decision to gradually add flights over time. While this choice sacrificed short-term profits, it allowed us to ensure a reliable service and to largely avoid the widespread operational challenges experienced by other carriers. By being open, honest, and transparent with our workforce about our decision-making process, United was able to retain most of our workforce with thanks to our union partners.

Even in the depths of the crisis, we continued to prepare for the recovery by investing in technologies and enacting new policies that help make travel easier and more enjoyable for customers. The United App and United.com have everything most travelers need to get ready, including verifying testing and vaccine records. Our Connection Saver Tool helps thousands of people make tight connections every day. And we have eliminated change fees forever for flights within the U.S., a policy that historically got in the way of delivering great service.

As an airline, safety has always been our top priority, and we successfully implemented our vaccine requirements for our employees early and before there was a government directive. This issue is now largely behind us and we are able to focus on taking care of our customers, which is particularly important going into the winter season when weather complications and holiday travel can cause disruptions.

By keeping our future in view since the start of the crisis, we've been able to bounce back better than we could have anticipated.

### **Envisioning a More Resilient Future**

It is important to remember the shocking scale of this pandemic on the globe and its deep effect on our industry. We are not completely out of the woods, and the emergence of the Omicron variant in recent weeks is a stark reminder of that. Nevertheless, we are moving forward toward a more resilient future, ensuring we continue to do right by our customers, employees, and investors. Despite sizeable financial obligations coming out of the pandemic, we are continuing to invest in advancing environmental sustainability; diversity, equity, improving the customer experience; and creating lasting and rewarding careers for our growing and diverse workforce; and job creation.

This summer, we announced a major purchase agreement that will have long-term positive economic impacts. United will order 270 brand new aircraft—the largest purchase agreement in our history and the largest by a single carrier in a decade. With this order, combined with our current orders, we will be adding 500 new airplanes to our fleet in the next few years. Aircraft orders, especially at this scale, directly fuel job creation, consumer spending, taxes, and many other drivers of economic growth.

Replacing smaller, older aircraft also allows us to make an expected 11 percent improvement in fuel efficiency and reduce carbon emissions per seat by 17–20 percent, compared to older planes.

Our efforts will yield impressive job creation. Through 2026, we expect to create 25,000 new careers, totaling thousands of openings at each of our seven domestic hubs. These union jobs have compensation above the Federal minimum wage and come with company-sponsored medical coverage, company-funded retirement programs, paid sick leave and vacation, and flight benefits. We are not interested in offering just a job. We want to provide a rewarding, long-term career—69 percent of the senior leaders I work with every day came up through the ranks in jobs like these.

In addition to these economic contributions, we are proud of our actions and transparency on diversity, equity, and inclusion. United firmly believes that DEI is key to a strong company culture and critical competitive advantage. Over the past decade, our focus has evolved from excellence in employee engagement and talent programs to a strategic approach that embeds DEI throughout our business and impacts the communities where we work, live and fly.

One development we are really excited about is the creation of our United Aviate Academy, a state-of-the-art flight-training program at Phoenix Goodyear Airport. We are seeking to train 5,000 pilots by the end of the decade, with the goal that half of the students will be women and people of color, all while maintaining our incredibly high training standards. The inaugural class, which began just last week, is 80 percent women and people of color.

I can also say, proudly, that United has achieved, and is committed to maintaining, near-perfect pay equity for employees of all genders and races performing comparable work across our U.S. operations.

Finally, we're taking bold action to help combat climate change by embracing a new goal to be 100 percent green by 2050, reducing our greenhouse gas emissions



by 100 percent. We are making significant investments to reach this goal and, importantly, to reach our goal without the use of traditional carbon offsets.

Our industry collaborations are cutting-edge and part of the reason we were named 2021 Eco-Airline of the Year by Air Transport World magazine. In September, we agreed to invest in and purchase 1.5 billion gallons of sustainable aviation fuel (SAF) from Alder Fuels, representing the largest publicly announced SAF agreement in aviation history. United is the world leader in the usage and support for the development of SAF, already having agreements or commitments to purchase nearly twice as much SAF as the known agreements of all other global airlines combined. Just two weeks ago, we operated the first ever airline flight with passengers to fly on 100 percent SAF.

We've also launched the first-of-its-kind Eco-Skies Alliance, a group of global corporations—including DHL Global Forwarding, HP, Inc. and Nike—contributing funds to purchase SAF to reduce their aviation-related impact on the environment.

All of these efforts are part of our ambition to do the right thing for the environment, our customers and our people.

#### **Conclusion**

The COVID-19 pandemic has been the most disruptive global crisis in the history of aviation. Thanks to the support of the U.S. government, the resilience of our teams, and the loyalty of our customers, United will emerge a stronger, better company. The Payroll Support Program was a vital aid when our industry most needed it, and enabled us to make the ground-breaking, innovative investments and commitments that I've described to you today.

I appreciate the opportunity to appear before this Committee and look forward to answering any questions you may have.

The CHAIRWOMAN. Thank you, Mr. Kirby. Thank you very much for being here. Mr. Laughter.

#### **STATEMENT OF JOHN LAUGHTER, EXECUTIVE VICE PRESIDENT AND CHIEF OF OPERATIONS, DELTA AIR LINES**

Mr. LAUGHTER. Good afternoon, Chair Cantwell, Ranking Member Wicker, and distinguished members of the Committee. Thank you for the opportunity to appear before you today and discuss the status of the U.S. airline industry during the COVID-19 pandemic. My name is John Laughter and I have the privilege of serving as Delta's Executive Vice President and Chief of Operations.

I have been with Delta for over 28 years, serving in several leadership positions. I look forward to sharing the measures Delta has taken to address the crisis by protecting the health of our customers and the safety and jobs of our people who have done an outstanding job throughout the pandemic. I also look forward to discussing our compliance with the Payroll Support Programs.

Currently, I am responsible for ensuring that we provide safe, reliable industry leading operations across the globe. I directly oversee Delta's global flying operations, maintenance services, and safety and security groups, over 22,000 Delta professionals. Delta and all of its employees are extremely grateful to this committee and the rest of the U.S. Congress for your support throughout the pandemic. The pandemic has reminded us all of the importance of cooperation and taking care of one another in our community.

I am so proud of how the Delta team pulled together for each other and for our customers during this time. In the early days of the pandemic, demand for air travel evaporated by nearly 95 percent, forcing Delta to take decisive action to preserve jobs without compromising on employee and customer safety. We parked or retired more than 650 aircraft and consolidated facilities at airports nationwide.

We cut executive compensation and more than 40,000 employees volunteered for unpaid leaves of absences. The Delta community truly came together during an extraordinarily stressful and difficult time. Delta people led the way in demonstrating our commitment to health and safety. We moved quickly at the onset of the pandemic to transform the industry standard of cleanliness to ensure a safe and comfortable travel experience for our customers and employees.

In the span of a few months, we implemented a rigorous cleaning regimen onboard our aircraft and in all of our facilities, abroad employee COVID testing program, the industry's first mask requirement, contact tracing on international flights, and other pandemic protocols that have protected the safety of our customers and employees. In the past year, we spent over \$25 million to administer more than 151,000 vaccines, not only to Delta people, but to friends, families, and members of the Georgia community and across the country.

As we continue to face challenges presented by COVID, we are committed to maintaining our tradition of excellent customer service. Delta has long run the most reliable operation in the world, and we have maintained that standard in the recovery. And I would like to be clear on this point, this year we are exceeding our operational performance compared to 2019 and lead the industry in on time performance and completion factor. We are in the process of hiring thousands of new Delta people and regrowing our network in a disciplined way that allows us to deliver on our commitments to our people and our customers.

The unmatched level of service culminated in the best customer feedback scores we have ever received, earning us the number one spot on the 2021 J.D. Power North American Airlines satisfaction study. I would like to once again thank Congress for the invaluable support the Payroll Support Program was to us.

To ensure that we are in full compliance with the terms of the PSP agreements, Delta established the PSP in CARES Act Compliant Steering Committee and CARES Act Working Group. These groups made up of our law compliance, H.R., and finance teams focused on adhering the PSP requirements to ensure these critical funds were used only for eligible employee's wages, salaries, and benefits could be properly accounted for and continue to ensure strict compliance with ongoing program restrictions.

Together with the extraordinary efforts of our employees, these PSP funds helped us save jobs. As we recover from the pandemic, we will continue to keep the health and safety of our customers and employees our top priority.

Thank you again for your support of the airline industry. And more importantly, thank you for your support of our people. I look forward to answering your questions.

[The prepared statement of Mr. Laughter follows:]

PREPARED STATEMENT OF JOHN LAUGHTER, EXECUTIVE VICE PRESIDENT  
AND CHIEF OF OPERATIONS, DELTA AIR LINES

**The Status of Delta Air Lines in 2021**

*Introduction*

Good afternoon, Chair Cantwell, Ranking Member Wicker, and distinguished Members of the Committee:

Thank you for the opportunity to appear before you today regarding the status of Delta's workforce, operations, and management of Federal funding as we continue to work through the COVID-19 (COVID) pandemic.

My name is John Laughter, and I have the privilege of serving as Delta's Executive Vice President & Chief of Operations. I am responsible for ensuring that Delta provides industry-leading, safe, and reliable operations across the globe. I directly oversee Delta's global flying operations, maintenance services, safety, and security groups—over 22,000 Delta employees that include pilots, mechanics, dispatchers, and aviation professionals who manage pilot staffing, training and standards, technical support, and regulatory compliance. In my 28+ years with Delta I have served as the Senior Vice President (SVP) of Flight Operations; SVP of Corporate Safety, Security and Compliance; and held various leadership positions in Technical Operations.

Delta and all its employees are extremely grateful to this committee and the rest of the U.S. Congress for your support throughout the pandemic. The CARES Act and subsequent relief packages included vital support for Delta's employees through the Payroll Support Program (PSP). COVID has caused an unprecedented public health and economic crisis. As the recently discovered Omicron variant has demonstrated, we continue to reckon with challenges caused by the pandemic, and we appreciate the opportunity to engage with you on these issues.

Today, as always, we remain focused on protecting the health and safety of our employees and customers, providing the best possible service, and safeguarding Delta jobs. At the onset of the COVID pandemic Delta moved quickly to transform the industry standard of cleanliness to ensure a safe and comfortable travel experience for our customers and employees—all while maintaining our industry-leading reliability and customer experience—and we continue to do so.

*How COVID-19 Has Impacted Delta Air Lines*

The pandemic continues to present an extraordinary challenge to Delta and other airlines. At the beginning of the crisis, travel restrictions and stay-at-home orders were effective at slowing the spread of the virus, but severely impacted demand for travel. In 2020, passenger volumes dropped by as much as 95 percent by the end of March, resulting in a pre-tax loss of \$12.4 billion for Delta over the entire year, the largest loss in our history<sup>1</sup>. While we have seen travel stabilize across the U.S., the Omicron variant of COVID has demonstrated the ongoing volatility of the pandemic. Countries that have recently lifted travel bans are reevaluating policies, impacting the recent increased demand for international travel.

**Delta Air Lines Responds to COVID-19**

*Delta Culture and Servant Leadership Rise to the Challenge*

In the early days of the pandemic, revenue and demand quickly evaporated, forcing Delta to take decisive action to preserve jobs by reducing our cost base without compromising employee and customer safety. We parked or retired more than 650 aircraft and consolidated facilities at airports nationwide. In March of 2020, our CEO announced he would forgo his salary and the salaries of Delta officers were reduced by 50 percent. To avoid involuntary layoffs, we offered voluntary early retirement and departure packages and voluntary unpaid leaves of absence. I am proud of the way the Delta community came together during an extraordinarily stressful and difficult time:

- More than 40,000 employees volunteered for short-and long-term unpaid leaves of absence at some point in 2020, and more than 17,000 Delta people volunteered to take early retirement or departure packages—all of which enabled us to avoid U.S. furloughs and save countless Delta jobs.
- As the operation slowed, most of our merit and ground-based frontline employees worked under reduced schedules for much of the year, providing vital savings that reduced our daily cash burn rate and positioning us for recovery.

<sup>1</sup> DAL 12.31.2020 10K (q4cdn.com)

- Our flight attendants, pilots, reservations agents, and other front-line teams provided an unmatched level of service that resulted in the best customer feedback scores Delta has ever received—earning Delta the No. 1 spot on the 2021 J.D. Power 2021 North America Airline Satisfaction Study.<sup>2</sup>

These measures, taken together, were vital to protecting Delta's future during the early months of the pandemic as we operated a minimal schedule to provide essential services for those who traveled.

This comprehensive approach is part of Delta's longstanding commitment to protect our people, customers, and the communities in which we live, work, and serve. It is also reflective of our culture of sharing sacrifices during difficult times, as well as sharing the benefits of success during good times. As a result of our employees' efforts and the PSP, we are proud that no U.S. Delta employee was involuntarily furloughed due to the financial and operational impacts of the pandemic.

#### *Measures to Prevent COVID-19 Exposure*

Delta has made the health and safety of our people and customers our No. 1 priority since the start of the pandemic—leading the industry with policies including: establishing rigorous cleaning and safety protocols on the ground and in the air; blocking of middle seats through April 30, 2021; facilitating contact tracing for inbound international passengers; and implementing mask requirements for all passengers.

Early in the onset of the pandemic, we partnered with the world-renowned Mayo Clinic, whose experts advised us on employee testing, strategies for cleanliness, and operational tactics to reduce the transmission of the virus. These efforts led to the establishment of our Global Cleanliness Division, which sets a new standard of cleanliness for our customers, known as the Delta CareStandard<sup>SM</sup>. In a first for the U.S. airline industry, we hired Mayo Clinic's Dr. Henry Ting as our Chief Health Officer to oversee our efforts and ensure they are based on rigorous scientific research. Dr. Ting is also responsible for leading our efforts to reimagine Delta's efforts to ensure the physical and mental health and well-being of our employees.

Operationally, we created a dedicated team of more than 100 Clean Ambassadors to oversee our Global Cleanliness Division's goal of increasing the number of cleaning crews and implementing the DeltaCare Standard at more than fifty airports.<sup>3</sup> We also partnered with the makers of Lysol and Purell to ensure each flight complies with our extensive preflight cleaning checklist and that all our planes include hand sanitizer stations and provisional Purell disinfecting wipes for each passenger. Additionally, we continue to electrostatically spray our aircraft interiors with high-grade disinfectant and use HEPA air filters to remove 99.99 percent of airborne particles on-board.

#### *Vaccines*

As part of our broader efforts to protect our customers and our employees, Delta partnered with Georgia to host the state's largest COVID vaccination site to support the state's vaccination program. Over 117,000 vaccines were administered at the site, located at Delta's headquarters. Overall, Delta has spent more than \$25 million to promote and administer a total of 151,000 vaccines to Delta employees and members of the public. We continue to offer COVID testing and vaccinations to our U.S.-based employees, free of charge. These efforts allowed the company to fully reopen our headquarters in June and have resulted in more than 90 percent of our employees being vaccinated.

Delta was also in a unique position to distribute the COVID vaccine on a global scale thanks to our extensive network, unmatched international airline partnerships, and proven ability to safely and effectively transport vaccines. As the first U.S. passenger airline to receive IATA's Center of Excellence for Independent Validators Pharma Logistics Certification at its Atlanta hub and headquarters, our full-service pharma capabilities included temperature-controlled warehouses, and all COVID vaccine shipments were transported with the highest priority and monitored throughout their journey by our unique Vaccine Watch Tower. Shipments occurred daily throughout the U.S. with 100 percent reliability. Our shared values of honesty, perseverance, and service to each other, our customers, and our communities have allowed us to safeguard Delta's future in this unprecedented time while helping others around the globe.

<sup>2</sup> 2021 North America Airline Satisfaction Study | J.D. Power (jdpower.com)

<sup>3</sup> Delta deploys dedicated cleanliness 'eyes and ears' at U.S. airports | Delta News Hub

## **Delta's Collaboration with The Federal Government**

### *Payroll Support Program*

The PSP enabled the airline industry to preserve tens of thousands of jobs that would otherwise have been lost. Delta's people, our families, and I cannot thank Congress enough for this support.

Delta has implemented several measures to ensure we are in full compliance with the terms of the PSP agreements. We established a PSP & CARES Act Compliance Program Executive Steering Committee and CARES Act Working Group led by the Ethics & Compliance team in the Law Department. The Working Group and Steering Committee are both cross-functional groups that bring together key stakeholders with responsibility for ensuring Delta complies with the requirements of this important Federal program. The Ethics & Compliance team structured the compliance program framework around the PSP obligations and restrictions applicable to Delta and our wholly owned subsidiaries. The team worked with key stakeholders to ensure appropriate processes and controls were put in place. The compliance program includes the following workforce-focused measures: i) tracking how Delta uses the PSP funds to ensure they go exclusively to payment of Wages, Salaries, and Benefits of CARES-eligible employees; ii) review of any involuntary terminations to ensure they constitute permitted terminations (such as terminations for cause); iii) monitoring reductions of pay rates and benefits for compliance with PSP requirements; and iv) review of highly compensated employees subject to Total Compensation restrictions. Early in the pandemic—and prior to the establishment of the Federal PSP program—we announced a goal to avoid furloughs entirely, a key goal of the PSP program. Thanks to the PSP support, our employees' extraordinary efforts, and Delta's collaborative culture, we were able to achieve this goal, despite the unprecedented economic impact of the pandemic.

While the CARES Act emergency relief for airline employees was welcome assistance, those funds alone were not nearly enough to sustain our business through the pandemic. As noted previously, demand for flights dropped by 95 percent over the course of a few weeks in March of 2020. As a result, Delta had a cash burn rate of \$90 million each day, which resulted in our 2020 operating revenue dropping nearly \$30 billion compared to 2019. Consequently, even with the significant relief offered through the CARES Act and subsequent measures, it was still necessary—and expected—for Delta to take additional measures to reduce costs and shrink its footprint. The incredible efforts of the Delta team and support through PSP resulted in an amazing \$10.8 billion reduction in operating expenses. PSP funding alone was simply not sufficient for Delta to maintain the scale and tempo of its pre-pandemic operations. Again, Delta is so proud that together with PSP and Delta workforce efforts, we came together to be sure not a single employee faced an involuntary furlough.

### *Delta Air Lines' Work with U.S. Agencies*

Delta worked closely with Federal agencies on several pandemic efforts. Developing face mask requirements was a key measure to limit the early spread of COVID. Delta worked closely with DOT to ensure the process worked for all passengers, including an exemption to facilitate travel by persons with disabilities that prevent them from wearing a mask. The process Delta developed was the basis of guidance the DOT subsequently issued to ensure all airlines are appropriately accommodating persons with disabilities.

Delta also worked with Federal agencies to implement contact tracing for international travel. In December of 2020, Delta became the first U.S. airline to partner with the Centers for Disease Control and Prevention (CDC) and the U.S. Customs and Border Protection (CBP) to establish a voluntary contact tracing program for customers traveling to the U.S. from an international location, adding one more important layer to our overarching efforts to ensure health and safety throughout the travel experience.

Finally, Delta worked closely with regulators to meet governmental requirements ensuring service continued to smaller communities while adjusting to new demand. For example, the CARES Act, and subsequent relief bills, included language to ensure that essential travel would continue uninterrupted. Delta was able to work with DOT to maintain scheduled air transportation deemed necessary by DOT.

## **New Challenges Created by The Return to Air Travel**

### *Returning to Travel*

Delta has been optimistic that travel would resume, but we still do not know when it will return to pre-pandemic levels. As travel demand begins to accelerate, and countries begin to reopen, we are taking the necessary steps to restore our ca-

capacity in a disciplined, thoughtful manner. We recently enjoyed a successful Thanksgiving, helping 3.6 million Delta customers travel from November 21 through 28, with more than 534,000 passengers transported on November 28 alone. Of the more than 32,000 flights Delta operated, only 16 were canceled.<sup>4</sup>

However, we expect, and are prepared for, an uneven, choppy recovery even as the virus is being contained. While domestic travel is improving to encouraging levels, it is still significantly below 2019 levels. The Omicron variant has created further uncertainty, and there is no clear consensus on when business and international travel will return. As travel demand begins to accelerate and countries begin to reopen, Delta is committed to restoring our capacity while ensuring the safety of our employees and customers.

#### *Working Towards the Future of Travel*

Delta is working quickly to increase staffing in Reservations and Customer Care, Airport Customer Service, Cargo, Flight Operations, and Technical Operations in support of customers' return to travel. The Reservations and Care team has hired 1,400 specialists who have been trained to address long customer support wait times during the pandemic. Along with this, we are hiring more than 6,100 Airport Customer Service Agents and more than 600 pilots. In total, we have hired more than 8,700 people across the business to support the return to travel in 2021. Delta also continues to look for ways to simplify the travel experience and help customers navigate travel. We are improving the Fly Delta app and delta.com to make quick changes easier without waiting in line at the airport or calling Delta directly. We have also extended the time-frame customers traveling in Basic Economy can make changes to their flights for travel occurring through December 31, 2021. (Basic Economy fares are typically nonchangeable and non-refundable).

#### *Delta Remains the Most Reliable Major Airline*

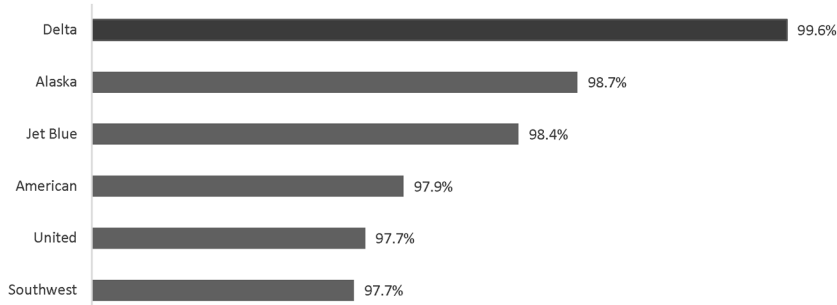
A positive customer experience is critical to Delta's success—customer loyalty is good for business, and that begins with ensuring we do our best for each customer. During the pandemic, when so many customers were changing their travel plans, Delta continued to honor valid refund requests when we cancelled a flight or made a significant schedule change. Delta approved over 7.3 million valid refund requests and issued more than \$3 billion in customer refunds between March 2020 and March 2021. We also provided travel credits to passengers with Basic Economy fares, which is not typically permitted. Further, Delta's travel credit extension allows for unmatched flexibility through December 31, 2022, for all tickets purchased or expiring in 2020 and 2021.

While we continue to face challenges, we are committed to addressing them and maintaining our tradition of high-quality service. Delta has long delivered the most reliable airline service in the world, and we have maintained that standard in the recovery. DOT data demonstrates Delta continues to run an industry-leading operation—Delta ranked No. 1 among our competitive set on key operating metrics, including completion factor and on time performance from January–September 2021 (see the addendum below). Our internal data indicates we continue to lead our peers through November.

Thank you again for your support of the airline industry which is vital to our Nation's economy and national security. I look forward to answering your questions.

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<sup>4</sup>Delta caps smooth holiday week with record-setting Sunday | Delta News Hub

**Addendum****Table 1: On-Time Performance***Year to Date thru September 2021***Table 2: Completion Factor***Year to Date Thru September 2021*

The CHAIRWOMAN. Thank you so much for being here. And last but certainly not least, Ms. Nelson, thank you for your voice in all of this. It has been a very important one. Welcome.

**STATEMENT OF SARA NELSON, INTERNATIONAL PRESIDENT,  
ASSOCIATION OF FLIGHT ATTENDANTS-CWA, AFL-CIO**

Ms. NELSON. Thank you so much, Chair Cantwell, Ranking Member Wicker, members of the Committee. I am a twenty-five year union flight attendant, and just five years into my career, I witnessed personal and national tragedy with the events of September 11, 2001.

As a Boston based flight attendant, I lost nine friends on Flight 175, the day aviation in our country came to a total stop. Within weeks, half of my flight attendant base was furloughed. The Federal Government response was a \$5 billion compensation for direct losses incurred across the whole industry as a result of the ground stop ordered by the Government, and I am quoting from the Air Transportation Stabilization Act of 2001.

It also included a loan guarantee program that the White House denied for United Airlines, even after employees agreed to significant concessions as a part of the condition of the loan. The result

of insufficient action from the Government was a string of bankruptcies across the industry. We were the bailout.

Our jobs were cut, our pensions were gutted. Those who remained shouldered massive pay cuts and many more hours on the job. Wall Street was ecstatic with the enormous cuts to labor costs. Workers were devastated. Consumers eventually felt the hit too as capacity was cut, seat size shrunk, and pricing became segmented with all kinds of fees.

There was no hiring for a long time, but the diminished jobs later made it hard to attract pilots, mechanics, and other aviation careers. So when air travel demand dropped overnight in March 2020, we refused to follow the old blank check for corporations bailout playbook, especially for airlines. We designed what we could later—what would later be called the Payroll Support Program and took it to Chairman Peter DeFazio in the House.

When the airlines asked him for help, he demanded that they talk to labor first, and that is what they did. American CEO Doug Parker called me on March 18, and I went to A4A headquarters where all of the CEOs were camped out and frustrated with the response from the days of meetings on the Hill. I was honest with them. I said the public is mad at you and feeling the sting of inequality on our planes. You are not going to get anything on your own. But if you work with labor and support our Workers First program, we can save the industry.

We didn't agree on every provision that night, but the basic terms of the program were set and the next day we started working together to get it done. Senator Cantwell and Senator Wicker, with your leadership, I cannot thank you enough. In less than a week, the PSP program became a part of the CARES Act, and our jobs were saved. I have to recognize the outstanding leadership of Leader Schumer as well. We kept our health care, our retirement, and kept paying taxes. We didn't stress unemployment lines or need coverage for costly COVID benefits.

The Workers First Relief Program saved millions of ancillary jobs connected to the industry and made it possible to restart our economy. Consumers haven't faced inflation in the cost of airline tickets because we were positioned to meet demand and companies were required to use the funds for payroll. The program helped workers, helped airlines, and helped consumers while capping executive pay, you are welcome, guys, and banning stock buybacks and dividends.

For the first time in American history, a relief program told companies exactly how they had to apply the relief, the required service they must maintain for the country, and ensured Federal dollars got directly to the people and to the taxpayers.

Some have questioned the use of the relief dollars in the wake of operational meltdowns in late summer and fall. This wasn't related to PSP. It was the result of first the lapse in PSP funding from October 1, 2020, to December 28, 2020, as we warned would happen due to the backlog in retraining, certification, and security credentials that are needed, and airlines planned operation based on pre-pandemic overtime hours, but workers were no longer willing to pick up voluntary overtime at the same rate because of combative passengers and COVID concerns.



But recognizing these issues, unions negotiated with management before Thanksgiving to put in place and financial incentives for crew to pick up time, and it worked. Airline performance was off the charts over the Thanksgiving holiday travel week.

PSP made it possible to meet demand. And we are not a bailout. But lately we have been punching bags. Flight attendants and aviation workers are saying, please make it stop. My written testimony provides a series of recommendations to address this, starting with clear communication and swift consequences for violent offenders.

I would especially like to call your attention to the U.S. Attorney General's memorandum calling for an interagency coordination to address criminal conduct on commercial flights. We urge the Department of Justice to ensure arrest and prosecution of disruptive passengers on the plane and in the airport. Failing to ensure consequences for passengers who prevent passenger service agents from doing their jobs by assaulting, intimidating, or threatening them on the ground only increases the likelihood of problems in the air too.

This pandemic has been brutal, and we are not through it yet, but no one should question the effectiveness of the Aviation Payroll Support Program. It was the most transparent program in all of COVID relief. It is being declared the best relief program put in place anywhere around the world and should be the model for future relief in all industries.

PSP not only addressed the crisis and made it possible for us to ensure we lose no time in getting back to the urgent issues we face prior to the pandemic, safety, security, worker and consumer rights, improving aviation jobs, diversity and inclusion, sustainability, implementing next gen technology, and so much more.

We are so grateful for the bipartisan efforts of this committee to enact PSP. It worked. Thank you for your continued oversight.

[The prepared statement of Ms. Nelson follows:]

PREPARED STATEMENT OF SARA NELSON, INTERNATIONAL PRESIDENT,  
ASSOCIATION OF FLIGHT ATTENDANTS-CWA, AFL-CIO

### **Introduction**

Thank you Chair Cantwell, Ranking Member Wicker and members of the committee for convening this hearing on oversight of the airline industry during the longest sustained and biggest crisis in the history of our industry.

My name is Sara Nelson. I am a twenty-five year union Flight Attendant and president of the Association of Flight Attendants-CWA, AFL-CIO (AFA), representing Flight Attendants at 17 airlines across the industry. We also coordinate closely with our partner union the Communications Workers of America, the Association of Professional Flight Attendants and all of the transportation union affiliates of the Transportation Trades Department, AFL-CIO.

We are grateful for the opportunity to testify about the Payroll Support Program (PSP), a program that was built by, and for workers—with controls on airline management. It is important to hear from Labor because this program was designed for workers and our communities. Creating a #WorkersFirst relief program avoided putting more strain on safety net programs, provided stability for millions of workers, saved millions of ancillary jobs connected to the industry, and made it possible to restart our economy. Consumers haven't faced inflation in the cost of airline tickets because we were positioned to meet demand and companies were required to use the funds for payroll. They didn't have discretion to divert the funds to other illusory costs and then gouge consumers while blaming inflation. The program helped workers, helped the airlines, and helped consumers.

For the first time in American history a relief program told companies exactly how they had to apply the relief, the required service they must maintain for the country, and ensured Federal dollars couldn't benefit executive compensation or rewards for Wall Street. We do not expect executives to talk about the benefits of capping their pay or banning stock buybacks and dividends. We do not expect executives to cheer the fact that inflation hasn't touched airline tickets and to the contrary ticket prices have dropped. Their investors don't want to hear any of this news that benefits workers, consumers, and our economy overall through a program that was built from the ground up. We are here to tell that story and applaud the bipartisan efforts to enact a relief plan with immediate and long-term returns to the public.

Some have questioned the use of the relief dollars in the wake of some operational meltdowns in late summer and fall. Staffing is above pre-pandemic levels if compared to the number of flight hours airlines are flying. But aviation workers are not as willing to pick up overtime due to the combative passengers and concerns around COVID. American worker productivity was higher than any developed country in the pre-pandemic world. This is also true in aviation, but it is not sustainable anywhere. Earlier airline operational meltdowns were the result of:

1. The lapse in PSP funding from October 1, 2020–December 28, 2020, as we warned would happen due to a backlog in retraining, certification, and security credentials, and
2. Airlines planned operations based on pre-pandemic overtime hours, but workers were no longer willing to pick up overtime at the same rate because of the conditions at work.

Recognizing these issues, unions negotiated with management to put in place financial incentives to pick up time. It worked. Airline performance was off the charts over the Thanksgiving holiday travel week. There was no operational meltdown. PSP made it possible to meet demand.

Without PSP, many airlines would have liquidated in the midst of a 97 percent drop in demand that happened nearly overnight. It is important to remember the conditions our Nation faced in March 2020 and the sustained harm affecting aviation around the world throughout the rest of 2020 and the first half of 2021. PSP made it possible to keep air transport infrastructure intact, invest in safety protocols, adjust company size to current realities through voluntary programs rather than forced layoffs, and reunite family and friends as the people were able to access the vaccine and spend on travel once again.

#### **We Couldn't Allow a Repeat of the Fallout from 9/11**

"Hold all other communications on pay cuts, base closures, and previously announced furloughs. United just called me. They're furloughing another 2,500 Flight Attendants. We need to deal with that first."

I'll never forget that call. It was 2003, and our union was six months into a 38-month bankruptcy at United Airlines that followed September 11th.

Nearly one in three United employees—30,000 all told—lost our jobs during that bankruptcy. Our pension was gutted. And those who remained took two massive pay cuts. When United came out of bankruptcy, nearly 45 percent of the savings the corporation showed Wall Street came off the backs of workers.

Wall Street was ecstatic. Workers were devastated.

That time was the formative experience in my career. And that's why our union worked with urgency to craft a relief plan that ultimately became the Payroll Support Program.

We refused to follow the old "blank check for corporations" bailout playbook, especially for airlines. Our union had spent recent years protesting stock buybacks that pay out Wall Street and top executives while our staffing levels were cut to minimums and we had to work more just to make ends meet. Twenty years after the events of September 11, 2001, we were still feeling the effects of austerity and cost cutting while Wall Street had become more emboldened to take the profits made from our hard work. Prior to the pandemic inequality was felt in our paychecks, quality of life, and the configuration of the seats and service on our planes. Consumers experienced these cuts too along with all kinds of ancillary fees. Austerity also meant job loss and years of no hiring. Initiatives to promote diversity and inclusion suffered at the same rate that mature workers felt the sting of 25, 30, and 35 years on Reserve status or little ability to control our schedules.

I know from personal experience: the people who benefit if airlines go under are corporate executives, bankruptcy lawyers, and corporate management consultants who under corporate bankruptcy law get to walk away with hundreds of millions in bonuses.

We knew it would be immediate devastation for two million aviation workers if we couldn't get relief, but there was no way we were going to agree to a bailout for airlines. That's why our program demanded the requirements of no involuntary furloughs, no cuts to hourly rates of pay, continued service to all of our communities and a ban on stock buybacks and dividends along with caps on the executive compensation even after the relief period was complete.

#### **Lessons from this Crisis**

While we believe PSP was the most successful program in all of COVID relief, we also know where it could have been more clear to protect workers. All workers lost pay during COVID because overtime hours were not protected. However, the program was intended to keep workers employed at a regular full time rate. While the law explicitly protected hourly rate of pay, it did not spell out a definition of full time work. In most cases, this rate is defined in the union contracts that protect 80 percent of the airline workers. However, Delta Air Lines unilaterally cut hours for non-union workers to stretch PSP dollars further.<sup>1</sup> We believe this to be a violation of the PSP, but it is certainly an instruction for any future relief program intended to protect jobs.

#### **We are not a bailout, but lately we have been punching bags. "Make it stop."**

We strongly oppose any suggestion that the Payroll Support Program (PSP) was a bailout for airlines. The PSP, championed by the Commerce Committee, was a lifeline for aviation workers and the most successful and transparent program in all of COVID relief. Headlines that mischaracterize the purpose and use of this workers-first relief program, designed to continue the payroll for airline employees, make an already very difficult and stressful job on the frontlines of aviation even harder and more dangerous. We are the face of the airline and the direct interface with the public.

The problem with aviation right now is the violence towards Flight Attendants and other aviation workers that has remained constant at record high levels during the biggest crisis our Nation has faced in 100 years. The last thing we need, especially before the December holidays after dealing with all of the stresses on the frontlines of this pandemic for two years, is a false narrative about the program. Unfounded controversy breeds contempt for aviation workers simply doing our jobs to keep everyone safe.

Throughout 2021, incidents of disruptive passengers and violent events against crew and passengers has been exponentially higher than any previous year in aviation. While the number of bad actors is relatively small, the rate of disruptions have been so pervasive Flight Attendants wonder every morning they put on their uniform whether it will be a sign of leadership and authority in the cabin to keep everyone safe, or a target for a violent attack.

Flight Attendants are aviation's first responders, charged with the safety and health of passengers and crew. For the past twenty years, since the tragic events of September 11, 2001, Flight Attendants have served as the last line of defense in aviation security. We know there are two fundamentals in aviation safety and security: 1) remove all distractions from safety sensitive work, and 2) leave all threats to safety and security on the ground.

The threat of a terrorist attack related to commercial aviation has not abated, but our vigilance and coordinated actions across government and aviation stakeholders has to date thwarted any planned attacks. If we allow disruptions in the cabin or distractions due to defiance of passengers to comply with crew instructions to become a regular occurrence, we are in jeopardy of missing cues of a coordinated attack or handing tools to those who wish to do us harm. We cannot be lulled into a place of accepting these distractions as a new normal.

Flight Attendants have one message for everyone who touches aviation and the lawmakers charged with oversight of our industry: Make it stop.

There is no doubt the issue of disruptive passengers is of paramount concern and requires all of us—federal and private sector workers, airlines, airports, regulators, and lawmakers to act with coordinated urgency across aviation to subdue this threat to aviation safety and security. Our union is very much on the record with defining this problem<sup>2</sup> and our recommendations to mitigate violent and disruptive events. In summary, we continue to call for:

<sup>1</sup>[https://www.afacwa.org/letter\\_senatecommerce\\_involuntary\\_reduction\\_hours\\_intent\\_caresact](https://www.afacwa.org/letter_senatecommerce_involuntary_reduction_hours_intent_caresact)

<sup>2</sup>[https://www.afacwa.org/unruly\\_passengers\\_survey](https://www.afacwa.org/unruly_passengers_survey)

**Recommendations:**

1. Clear communication on the rules from point of ticket sale and throughout the travel experience (airport signage, airport PSAs, and notifications from the airline) reinforcing the 'zero-tolerance' policy, the fines/jail time consequences, and the rules associated with alcohol consumption.
2. The DOJ must act with urgency to conduct criminal prosecution. Just ahead of the Thanksgiving holiday Attorney General Merrick Garland directed Federal prosecutors to prioritize prosecution of disruptive airline passengers. This was welcome news, but our experience is that it takes publicly reported jail sentences for this to serve as an effective deterrent.
3. Ban to-go alcohol and delivery of open container alcohol to the gates. Limit customers to purchasing one alcoholic beverage at a time. Airports and airlines should brief all airport employees at the start of each shift of our shared responsibility to keep intoxicated passengers from boarding planes in violation of Federal regulations.
4. Enforce the mask mandate consistently, starting in the airport. Model of compliance starting at the airport door. Make clear who is responsible to enforce at TSA and encourage all airport personnel to remind passengers of the rules and point to signage and announcements placed more frequently throughout the airport.
5. Consistent response and clear consequences. Increase coordination with law enforcement, airports, and airlines to act quickly in the airport to keep problems on the ground and respond effectively in the event of incidents reported in the air.
6. Government centralized list of offenders used to deny the ability to fly across all airlines on the day of an incident. Place travelers on central "banned passenger list" to deny right to fly for a period of time commensurate with the severity of the offense, recognizing all necessary due process to protect individual rights. Direct FAA passenger fines into a legal/medical fund for affected crewmembers, Passenger Service Agents, and Transportation Security Officers.
7. Airlines should utilize FAA guidance to respond consistently to disruptive and violent passenger incidents, including communicating thoroughly the role of Flight Attendants, agents, pilots, ground coordinators, and management in reporting the incident to law enforcement and internal company review. Workers must know both in advance and after any incident what to expect from the airline in terms of legal support and emotional assistance for any workers harmed in the course of a disruptive passenger event.
8. Require that all airport bars, restaurants, and shops post signage and issue verbal warnings to patrons who fail to comply with masking requirements and regulations related to alcohol consumption.
9. Relevant House and Senate Committees should work with urgency to enact legislation that expands FBI concurrent jurisdiction to include the jetbridge in order to ensure enforcement of Federal crimes for violence that occurs when the airplane door is open.
10. Make crewmember self defense training mandatory. The voluntary program currently run by U.S. Air Marshals working in the Transportation Security Administration should be included in required continuing qualifications training for crew and paid by the airline as intended by Congress following the events of September 11, 2001.
11. Increase staffing at the gate and on each flight. Almost every passenger is an infrequent traveler today. We need more frontline workers in the airports and on planes who are able to answer questions, identify problems early in order to de-escalate, or simply have backup from other workers when issues get out of hand or require physical restraint and a law enforcement response. Regional airlines are reporting a couple of aggressive passenger incidents per week and often there is a single Flight Attendant to face unhinged rages.
12. Current conditions increase the urgency for the FAA and DOT to implement the Flight Attendant rest rules mandated by Congress in 2018.

**CWA Calls on Congress to Help Enforce Protections for Passenger Service Agents Under Federal Law**

Frontline ground service agents have worked throughout the COVID-19 pandemic to provide essential services across airports in the U.S. Their work, helping passengers navigate systemwide flight cancellations and delays, evolving testing re-

quirements and enforcing Federal and airline protocols at the gate, ensured passengers started and ended their journeys safely and efficiently. During this busy and uncertain holiday travel season however, ground service agents are finding their duties interrupted by an unprecedented increase in assaults from violent passengers. Since January 2021, the Federal Aviation Administration (FAA) has recorded 5,553 incidents involving disruptive passengers across airports in the U.S.<sup>3</sup> These records however, only account for incidents involving flight crews, which means assaults against agents on the ground are going unreported and unaddressed. CWA is encouraged by the FAA's efforts to record and address assaults against flight crews but we are concerned that more can be done to enforce Federal protections for agents who are assaulted at the gates.

The Communications Workers of America represents 20,000 passenger service members working for American Airlines and wholly-owned regional subsidiaries Envoy Air and Piedmont Airlines. Over the past few months, our agents have experienced egregiously violent assaults that have had long lasting impacts on their physical, mental and emotional wellbeing. Our members have reported being repeatedly punched in the face, kicked, slammed against doors and counters and have even been spit on by passengers. The visible and invisible impacts these attacks have on our members should concern everyone.

The cause of these attacks vary but one common thread exists between these cases—the lack of enforcement by local, state and Federal departments creates opportunity for attacks to continue and to increase in severity. When incidents occur at the gates, local law officers are slow to respond, fail to properly document the incident by taking statements from witnesses and often do not detain the offending passenger.

Further, even where arrests are made, local prosecutors rarely file serious charges in these cases. For example, on June 28, 2021, a passenger tried to board a flight from Charlotte International Airport in a state of extreme intoxication. When an agent barred him from boarding the plane, the passenger violently attacked our member and a supervisor. Despite the clear evidence of the assault, the Charlotte Police Department arrested and charged the passenger with less serious offenses such as, resisting arrest, disorderly conduct and trespassing in the gate area. To the best of our knowledge, not a single passenger who has assaulted a ground service worker has been prosecuted under Federal law. This inaction signals to our members that their physical and emotional safety is not a priority.

Agents are exhausted by the little to no enforcement in cases that result in personal injury and emotional stress. Union representatives report the highest number of calls to employee assistance programs searching for ways to cope with fatigue, stress and fear caused by these incidents. Gate agents are a vital part of a multi-layered airline security and safety process at the airport and their importance can not be understated. Our members are the last line of defense before a disruptive passenger boards an airplane and causes disruptions in the air. Stopping assaults at the gate should be the highest security priority for members of Congress.

The U.S. Attorney General's office recently issued a memorandum calling for an interagency coordination to address criminal conduct on commercial flights. Our members were excluded from this guidance. As oversight in these cases is within the purview of the Departments of Justice, Transportation and Homeland Security, we believe that an interagency working group that makes clear the responsibility of Federal and local agencies in cases of assault at airport gates, ticket and reservation areas, and other on-the-ground airport locations is necessary. The interagency working group should clarify the specific agency roles and should establish a clear pathway for the reporting, processing, referral, and prosecution of assault cases. The interagency working group should include labor representatives of ground service workers. CWA has partnered with other unions representing passenger service agents to urge DOJ, DHS and DOT to urgently address this issue.

Millions of passengers are expected to travel during the upcoming Christmas and New Years holiday season. Right now, we have every indication that the trend of violent assaults and the lack of enforcement will continue without intervention. This Subcommittee can support our efforts to protect our members under Federal law by urging the Department of Justice to arrest and prosecute passengers who assault, intimidate or threaten gate agents either verbally or physically—preventing them from performing their duties to secure the aircraft while loading and unloading. Our members should expect a safe and just workplace—in fact, our entire aviation system depends on it.

<sup>3</sup>[https://www.faa.gov/data\\_research/passengers\\_cargo/unruly\\_passengers/](https://www.faa.gov/data_research/passengers_cargo/unruly_passengers/)

### **Payroll Support Program (PSP) Benefits Extend Well Beyond Furlough Protections**

This pandemic has been brutal and we're not through it yet. But no one should question the effectiveness of the relief provided to airlines in order to keep workers in our jobs, connected to our healthcare, and qualified to work. The economic impact of PSP helped workers and companies beyond the direct grant recipients. We recently received this message about a company in south Florida that was able to survive, maintain 850 jobs, and be in a position to hire more employees today simply because aviation worker payroll was maintained.

*"I just wanted to thank you on behalf of all of the families, including mine, that you impacted for the better across Aviation over the past two years . . . I profoundly remember sitting in our boardroom on March 10, 2020 talking about very difficult choices that we needed to make just to survive until the next month given the new and unforeseeable reality we faced. We had been in business for 2 decades and literally overnight we were confronted with what seemed to be an insurmountable task to survive Covid 19 impacts on global Aviation. As words such as shelter in place started to become common lingo the prospects for our industry and the millions of jobs tied to it seemed bleak to say the least. A long story short, due to people like you fighting on behalf of all of us and our families we have emerged stronger than ever and with more jobs and better salaries for our entire team. Thank you on behalf of all the ancillary businesses and the millions of dependents that you fought for in the darkest hours."*

Maintaining jobs, certification and security credentials puts us in a stronger position to address today's aviation security issues. I'm proud to share this thank you note that could also be addressed to every member of this Committee who worked to make this program law. Our economy and our planet will benefit from this program for decades to come.

The International Transport Workers Federation commissioned a study that will release findings in the coming months. As an affiliate of the federation, I have seen the draft report that shows U.S. airlines need to spend \$256 billion dollars between 2020–2025 for fleet renewal given the age of their fleets. Saving the airlines by saving people first also makes it possible now to support aerospace and manufacturing jobs, transition to newer fuel efficient aircraft and sustainable fuels, and remain in place to immediately support our military with initiatives like Operation Allies Welcome.

PSP made it possible for us to get back to addressing many of the issues we had prior to the pandemic: safety, security, worker and consumer rights, diversity and inclusion, sustainability, implementing NextGen technology, and so much more.

### **Conclusion**

We thank Congress, and especially the bipartisan efforts of this Committee, for enacting the Payroll Support Program. It worked. Now let's focus on a safer workplace for the people on the frontlines of aviation and a collaborative effort to end the pandemic.

Thank you for your continued oversight.

The CHAIRWOMAN. Thank you. Thank you, Ms. Nelson, and thank you for raising two important issues for us. I have worked with Senator Durbin on making sure the Department of Justice does address those issues. It is intolerable and I hope the Department of Justice will prosecute those cases.

Second, I think it is safe to say if there are 100 members of the U.S. Senate, there were 100 different opinions exactly how this program worked, but in the end, people made a compromise and worked together to get something done. So thank you for mentioning that. This hearing is part of an official report that we are going to do so we won't get to every question today.

There will be questions for the record, too. So if something, you know, isn't asked today, we will be following up. But there are a couple of things to cover now. We have talked about all the positive aspects of PSP. There are a couple of things people want to know about the hiccups along the way.

Obviously, last July and August, we ran into some things. I think that was on my chart, we were way above everybody else in returning to service. But we sent out letters asking airlines who had problems to tell us what those were about. If you are one of those airlines and you want to comment, would you give us a comment on that? And then also on refunds, if we can just get a quick answer from people.

I am assuming that all airlines believe that if you were someone who wanted to travel during that period and your flight was canceled and then something happened where you didn't want to travel, that you could get a refund. And so if you could just also give me a comment on that. So do you want to start, Mr. Parker?

[Technical problems.]

Mr. PARKER.—and the end of October, we had, American had a serious operational issue. It was driven by an extraordinary event, winds at Dallas-Fort Worth of all places that shut down three of the five runways, our largest hub. When that happens, over two days, we end up with airplanes in the wrong place, people in the wrong place.

So that was that was the driver of the vast majority of the cancellations. But we—in this environment, even though we are adequately staffed, it gets characterized—it gets unfortunately characterized—I mean it is probably characterized as we don't have enough people. As I have said in my testimony, we have more pilots per block hours, flight attendants per block hours than we have had in the past.

In this environment, unfortunately, though, it is difficult to get people to pick up extra time is what we are finding. So—which is what we needed at that time. And that was the case. It is largely related to what Ms. Nelson said about some of what is going on on the aircraft as related to COVID, but we just didn't have—we don't have the ability to recover as quickly.

Now, fortunately, those large events don't happen very often. But when they do, at least for us, we have had it much, much harder to recover than we had in the past, so it extended longer than it would have otherwise. It was a seriously disruptive event that would have resulted in hundreds of cancellations on its own. The fact that it took 2 days longer, we were troubled by, but that is the reason why we really do have difficulty versus prior to the pandemic right now.

I think that will pass by the way. But this environment we're in right now, it is a different job than people have been working. We have called people back from leaves that were on leave that didn't—that weren't ready to be called back from leave. So people are doing a great job, phenomenal job showing up, doing their jobs, doing it right.

But we need, you know, extra hours working by the minimum hours, is hard to find. So that was our case. As to refunds, of course, we agree exactly with what you said. And indeed, we at American issued \$3.2 billion of refunds in 2020, in three quarters of 2020, and our revenues over the last three quarters of 2020 was \$7.5 billion.

We issued nearly as much in refunds as we had in revenue, or half as much rather over the three quarters.

The CHAIRWOMAN. This is in refunds versus a, you know, a voucher or something?

Mr. PARKER. Yes, absolute—cash refunds, \$3.2 billion. So yes, we took the position that you stated, which is, if we cancel a flight, of course, the customer's dollar is refunded, we issued those in cash.

The CHAIRWOMAN. OK. Others?

Mr. KELLY. My report is very similar, and it is a matter of getting adjusted to I think, you know, this pandemic reality that we are all dealing with, and we just need to make sure that we don't reschedule the airline relative to the people resources that we have, and we have made a number of adjustments in that regard. But much for the same reasons that Doug was describing there.

Yes, refunds—the refunds are obviously required when we cancel the flight. Refunds are required within 7 days of the need for the refund, and we are totally in compliance with that.

Our refund rate in 2020 was double what was normal, even though the revenues were a fraction of what they were historically. So I feel like, you know, we have taken very good care of our customers in that regard.

The CHAIRWOMAN. OK, I am going to have to get the rest of you for the record, because my time is up, but I do want everybody to address that issue, including the airlines that aren't here. And if they can, you know, give us answers in writing for that would be great. Senator Wicker.

Senator WICKER. Thank you very much. Let me ask about air quality. Mr. Laughter, in your testimony you say, "we continue to electrostatically spray our aircraft interiors and high grade disinfectants and use HEPA air filters to remove 99.99 percent of airborne particles on board." Is this new or were those HEPA filters there all along?

Mr. LAUGHTER. Thank you, Senator, for that question. Those are HEPA filters that are part of an aircraft circulation system, and I would assume that all modern airliners have those same systems.

Senator WICKER. OK, so they were there to start with?

Mr. LAUGHTER. That is correct.

Senator WICKER. And you have partnered, I believe, with Mayo Clinic?

Mr. LAUGHTER. That is correct.

Senator WICKER. Perhaps other airlines did something similar with the top experts in the world on health care. What did they tell you about the quality of air with respect to the virus as compared to, say, a theater, a church, a concert hall, perhaps a hearing room? What did they tell you?

Mr. LAUGHTER. Senator, you are right. We did partner with some science experts such as the Mayo Clinic, and part of the discussion on the HEPA filters onboard the aircraft was to understand what that air turnover rate was and how the air quality onboard the aircraft would compare to other facilities.

I can't speak to this room or any theater, but I think we all generally agree now that the cycle of the way air turns over in a pressurized air cabin and the filtration system is superior to many indoor spaces that you can be.

Senator WICKER. OK. Who else from the airline industry would like to speak to that? Mr. Kirby?



Mr. KIRBY. Yes, thanks. Thanks for the question, Senator. And you know, at United we partnered with the Cleveland Clinic as our expert partner, but we also partnered with DARPA and the Department of Defense back in May of last year.

That was a great story about why is United Airlines airplanes flying circles out over the Atlantic Ocean. And it was because the Department of Defense was testing the air flow on airplanes. And the conclusion of that is that expectively anywhere that you are going to be indoors, the airplane is the safest place that you can be indoors. It is because of the air filtration.

Senator WICKER. Safer than a theater? Safer than——

Mr. KIRBY. Far safer than a theater. Safer actually than an intensive care unit because we have HEPA-grade filters, but we filter the air 20 to 30 times an hour in a typical ICU is 2 to 3 times an hour. Our aircraft are a remarkably safe environment. The takeaway that I remember most is that being next to someone on an airplane, sitting next to them is the equivalent of being 15 feet away from them in a typical building.

Senator WICKER. Now let me ask you this, Mr. Kirby. Do you think your airlines better than Mr. Laughter's, Mr. Kelly's, and Mr. Parkers?

Mr. KIRBY. Well, of course, I do. But I think we have all done the same thing for safety.

Senator WICKER. Let me ask, Mr. Kelly on the air quality, and Mr. Parker, would both of you briefly comment on that and would we ever, do you think, be able to get on an airplane without masks?

Mr. KELLY. Well, I would echo my colleague's comments on the quality of the air. The statistics I recall is 99.97 percent of airborne pathogens are captured by the HEPA filtering system and is turned over every two or 3 minutes. We use UT Southwestern and Stanford School of Medicine, so we just add to this prestigious list. But yes, I think the case is very strong that masks don't add much, if anything in the air cabin environment. It is very safe and very high quality compared to any other indoor setting.

Senator WICKER. Mr. Parker.

Mr. PARKER. I concur. The aircraft is the safest place you can be. It is true of all of our aircraft. They all have these HEPA filters and the same airflow.

Senator WICKER. OK. Ms. Nelson, will we ever be able not to wear masks in them?

Ms. NELSON. I think that that is probably for the medical community to decide rather than me, but what I will add is that the studies that were done that have been referenced were also done with a mannequins who were sitting straightforward with masks on, not removing them, not eating at any point in time.

So, it is important to recognize that the safe, controlled environment on the plane is a layered safety protocol, which includes the sanitation of the aircraft, includes the service procedures, and includes the HEPA filtration that are not on all aircraft, by the way, and it includes everyone wearing the masks.

Senator WICKER. So, the filtration system is different from airline to airline or——

Ms. NELSON. From aircraft to aircraft. So not all aircraft have the HEPA filtration.

The CHAIRWOMAN. Older—older planes may not—

Ms. NELSON. The flights that you take to Mississippi, for example.

Senator WICKER. They are the best.

Ms. NELSON. They are the best. They are the best.

Senator WICKER. Mr. Kelly that is what you told me.

Mr. KELLY. On your Southwest flight.

Ms. NELSON. OK, on your Southwest flight.

[Laughter.]

Ms. NELSON. I don't want to get in the middle of that. But what I will tell you is we absolutely look forward to the day that we no longer have the mask requirement, and we are simply trying to get through this pandemic and have had to enforce this to keep everyone safe. Not everyone on our planes have had access to the vaccine yet, either.

Senator WICKER. Thank you, ma'am, and thank you, Madam Chair.

The CHAIRWOMAN. Yes. Senator Schatz.

#### **STATEMENT OF HON. BRIAN SCHATZ, U.S. SENATOR FROM HAWAII**

Senator SCHATZ. Thank you, Madam Chair. Thank you, ranking member. Thank you to all of you for being here. Really appreciate it. And we have all come through difficult times. We are probably not quite done with all of that, but I do appreciate every single one of your leadership.

Let's start with Ms. Nelson. I know you elucidated in your testimony, but if you could for the Committee, just summarize what are the key recommendations that you have for passenger safety and for cruise safety going forward? And tell us what we should tell Pete Buttigieg to get on top of?

Ms. NELSON. OK, so the biggest issue is making sure that we are very clear about what the consequences are if someone is acting out. So it is very—we are very heartened to know that FAA and DOJ are working together now, sharing information, and we are moving forward with criminal prosecution.

When we got the fines and penalties in place in early 2000 and then that was implemented and this was reported out through the media, by 2008, 2009, events of air rage incidents on planes was going down in the U.S. as it still going up around the world. So we know that those consequences are a good deterrent. We also need to be very clear from the time that people get into the airport until they leave the airport again on the other side of their trip about what the rules are, what the consequences are, and what we will do if they don't—they don't comply.

We do need more enforcement in the airports because we are not seeing that happen, and it is unclear who is responsible for that at TSA and how consistently that is happening. We need to ban to go alcohol. This is a major issue. And alcohol is being pushed on passengers now today more so as we are in the pandemic than before. This started with to go alcohol because of pandemic serving procedures, and they determined that this was a moneymaker, and they are pushing it now in the airports.

And that is unacceptable because it is at the expense of our safety. So we would hope that that would stop. And those are the key items. We also just want to make sure that there is attention on the issues at the gate as much as they are on the plane, because 50 percent of the events our members tell us they were able to identify there was a problem in the gate.

If we had clear attention on that and had law enforcement response, we would cut down on half of the events on the plane right there.

Senator SCHATZ. As someone who flies as much as a flight attendant, all of those are my personal observations as well, anecdotal as they may be. Mr. Kirby, I want to, first of all, thank you for your leadership on the climate issue.

Mr. KIRBY. Thank you.

Senator SCHATZ. You said on a panel this year, we have had a couple of conversations about climate, and you have said some tough stuff about offsets. And so earlier this year, you said there are a fig leaf for a CEO who wants to write a check, check the box, pretend they have done the right thing. I tend to agree.

I know this is a little bit of a love fest, but I think it is important for us to talk about offsets. I get aviation is hard. You are in the business of using jet fuel to move people around the planet. And so as we make our climate transformation, you may be some of the laggards and not because you don't desire to move, but because we don't really have an alternative to jet fuel.

So could you talk about A, what you think about offsets, and B, what is the future of transportation as it relates to climate action?

Mr. KIRBY. Well, thank you, Senator. They are related. And as you know, as many of you know, this is a personal passion for mine, and United is trying to make a real difference in the world on climate change for aviation. We are hard to decarbonize industry, but it is important that we keep flying people.

You know, one of the casualties of COVID was the loss of connectivity around the world. When we have thousands of people flying to another country every day, back and forth, those bridges help bring us together, and they got torn apart during COVID. So we need to keep flying but do it responsibly. Sustainable aviation fuel is the number one thing for this industry, and we need your help, your support. In the Build Back Better bill there is a portion of it.

Regardless of what happens with the overall bill, the blenders tax credit that is the most important thing that can happen to really build that industry. That is going to be big for us. On your point about climate or about carbon offsets, traditional carbon offsets, I have been passionate about this for 30 years and I have hated it because the fact of the matter is most of them aren't real.

They are planting trees that were going to be planted anyway or not cutting down trees that are not going to be cut down anyway. But even if that isn't the case, if we took, this comes from Yale, if we took all the space on the planet where you could plant trees and planted them all with trees, it is less than 5 months of mankind's emissions and it is a one shot solution.

And because of that, we will not make a dent in climate change if every corporation—this isn't unique to aviation—if every corpora-

tion is focused on the easy answer, let's plant trees, in order to solve climate change. We need real things like sustainable aviation, fuel carbon sequestration.

If we had more time, I would talk about that, as you know, but we need real solutions like that. This is a solvable problem. It is not easy. We can solve it, but we got to be real about what the answers are.

Senator SCHATZ. I have two questions, for the record. The first will be about minimum seat size, and the second will be about an in-flight video that used to be in every seat back coming into the State of Hawaii to basically educate people. I know under the Commerce Clause of the United States Constitution, we can't prevent people from coming to the State of Hawaii, but we can tell people how to be a good guest.

And right now, that is a clickable option, which nobody clicks, and particularly bad guests are not going to be the ones that click. I have tried to work with FRA to get this to be mandatory content. I will be reducing my request in writing to you. Thank you.

The CHAIRWOMAN. Thank you. Senator Blunt. Senator Klobuchar had been on the screen, so we are going to go to her afterwards if she is available. But Senator Blunt.

**STATEMENT OF HON. ROY BLUNT,  
U.S. SENATOR FROM MISSOURI**

Senator BLUNT. Thank you. Thank you, Chair. Mr. Kirby, when—we may see how far this question goes with others, but when you were getting ready to get back to significant numbers of passengers in the air and in the airport, what were the things you were the most concerned about that you didn't control?

Mr. KIRBY. You know, one of the things we did that was unique at United in April of last year, we thought the pandemic might last a couple of years, and because of that, we put a team together that really their goal was to identify land mines of things that if this lasted for a few years, and mostly there were small things like badging at airports, you know, the badging office, make sure they were appropriately staffed.

The things that we worried about the most were really the unanticipated because we had a list of hundreds of things we could put through all of those. The challenges that we have had have been—we have had challenges too. We have avoided big operational disruptions. But the challenges have mostly been around things that happen from vendors that support all of us.

So there were fuel shortages in the West this summer, airports that—that wasn't even on our list, and we had a long list, as an example. But those kinds of shortages with people that we depend on, infrastructure that we depend on and kind of took for granted that wasn't ready to come back at 100 percent as soon as we were.

Senator BLUNT. Mr. Laughter, do you have anything on that question?

Mr. LAUGHTER. I would only add that similarly, as we were getting ready for the return, we formed a team of operational readiness. And part of what we were looking at is, is what other pieces of the aviation puzzle we should we just be having the same con-

versation with, and that included several Government entities such as the FAA, air traffic controllers, CBP, and TSA.

And largely as we did that coordination, we found that they were having similar conversations. So a lot of those were the things that we went through, in addition to some of the supply chain issues Mr. Kirby mentioned.

Senator BLUNT. Well, Ms. Nelson, on that same topic, were there things from a flight attendant perspective that you would have expected to be ready when you got back to numbers of passengers? And you mentioned already the concerns about putting people on the plane that it is obvious in the airport they shouldn't be on the plane. Any other things like that you have seen?

Ms. NELSON. We—our biggest issue right now, actually, is this pushing of alcohol in the airport and then the inconsistency with the enforcement so that people are not really sure what to believe. Part of the problem that we have seen is that as people are boarding at different airports, some of the patchwork of policies around the Nation about what people should be doing has led people to believe that—they don't know what to believe. And keeping people in a constant state like that is really unsettling.

And so I would liken it to when we have a delay and we have got all the passengers on the plane, in the times when we are giving regular updates about what is going on and we are being honest with people, they leave that plane smiling and happy. When we don't do that, they are very angry, and that is what we have seen during the pandemic with the different policies and the different communications. And that has been—I think, added to the issues at the airport.

Senator BLUNT. Alright. Thank you. Mr. Parker, you mentioned earlier that you thought you had the right number of people, but you didn't have the right number of people at the right time. Why would that be people—the right number of people, if everybody's well and showing up?

Mr. PARKER. Right number if we don't have any enormous disruption, if we don't have a significant disruption. In those events, you know, we need people to want to pick up additional trips and to work more than just their minimums. That is the situation. Very rare that it happens, but it happened to us in late October. But that is really the situation.

And in normal weather events, this isn't about—it doesn't have to be perfect weather. We have enough people to run the airline, we have enough people run the airline, and in any sort of, you know, hurricanes or anything like that we can handle.

But when we had this un-forecasted situation in Dallas, we as—it is very difficult to get people to essentially not only volunteer for work, but to be there to pick up additional trips when needed.

Senator BLUNT. Now this may be more of a societal question than just an airline question, but did you have more people—do you think people are more willing to take extra time before the pandemic than after the pandemic?

Mr. PARKER. Oh, absolutely. And again, but again, I am not trying to make a statement about our people. I am saying it is largely related to the pandemic, I believe. Again, some of the things Ms.

Nelson talked about makes it hard for flight attendants to want to be—to go to work when they have to.

But also, yes, it is—there is a global pandemic going on. So it is—anyway, our team is doing a great job. We just find it harder in those circumstances than it has been in the past.

Senator BLUNT. Mr. Kelly, I see Ms. Nelson shaking her head, yes. Did you see the same—do you have the same situation 2 years ago? Would you have had people more eager to sign up for overtime than you would—

Mr. KELLY. Yes, it is a very different environment. And I don't talk to a CEO without having, you know, similar experiences shared. So it is a difficult hiring environment. As we all know, there is a lot of people out of the work force. And then, I think even within, Doug mentioned earlier, just having people returning from leaves.

Three weeks makes a habit. They are out for a long time. They may not be interested in working as much, as an example. Sarah mentioned the same thing. So yes, I think we are all experiencing that. Absenteeism is higher. We have more people on leave. Attrition is a little bit higher. So for most categories, it is not that they are remarkably different.

But when you add them all together, yes, it is just a different working environment. We are adjusting to it. And I think one of the things that we are anxious to do is restore flight activity within our network where it was before. And obviously, one of the supply chain constraints we have is just getting people on board to do that.

Senator BLUNT. Thank you. Thank you, Chair.

The CHAIRWOMAN. Yes. Senator Klobuchar.

**STATEMENT OF HON. AMY KLOBUCHAR,  
U.S. SENATOR FROM MINNESOTA**

Senator KLOBUCHAR. Thank you very much, Senator Cantwell. I am here chairing a hearing on antitrust and innovation, so I am pleased to be on remotely. Why don't we start with you, Mr. Kelly? You talked about in your testimony how Southwest maintained service to all the domestic airports that you serve before the pandemic. Could you talk about how the PSP helped Southwest achieve this?

Mr. KELLY. Absolutely. Thank you, Senator, great to see you. I think it was simply being able to keep all of our airplanes, keep all of our people, and then be in a position where we can respond to demand as it returns. So during the pandemic, in the darkest days when revenues were down 95 percent, obviously we didn't need to be flying a lot of empty airplanes around, so we reduced our flight activity there.

But we had opportunities to add—with available aircraft, we had opportunities to add more new cities, and we are delighted to see that we had a lot of good opportunities to do that. They were more leisure oriented because business travel still lags dramatically what it was pre-pandemic. But I think PSP required—provided the funds to be able to sustain that.

Senator KLOBUCHAR. OK, excellent, thank you. Mr. Parker, you and I met yesterday. We talked about just overall the workforce

shortage issues. And talk about in a minute here, including airplane mechanics, what do you think we need to do in Washington to improve that?

Mr. PARKER. Well, thanks, Senator. Yes, it is—we have a number of jobs like these mechanic jobs, pilot jobs that are great jobs that unfortunately are—we could do a much better job of providing—as a country, making it easier for people to get the training necessary to do those jobs.

And we certainly would like to work with you more on that. I think all of us have ideas on things can be done. But this is a workforce issue that is ripe to be addressed and one that I know that if we work together, we can get addressed.

Senator KLOBUCHAR. Excellent, thank you. Mr. Laughter, Senator Blunt, he just spoke, he and I lead the bill on—led the bill for a while on Brand USA, which is really important to allow our country to advertise in other countries.

Obviously, the pandemic has—and allowed us to partner with the private sector to do that and not at the expense of taxpayers, but to great gain for tourism. Could you talk about, despite the pandemic, how hard this has been, how important international travel is to our country in terms of not just the airlines, but really our entire tourism network?

Mr. LAUGHTER. Well, Senator, thank you for that question. I would say it is extremely important, and it is this segment of our business recovery that is lagging the most. So we are excited to see and very encouraged by the changes to our border opening.

And I think that that going forward is one of the most important things that we can do, is ensure that we keep the border open, we keep the process for crossing the border simple, and we work on making it consistent and easy within whatever those requirements are, be it vaccinations or tests or things like that. So I think, you know, that piece of our international business recovery is key.

Senator KLOBUCHAR. Alright, thank you. And now maybe you can comment on Brand USA later on the record, if anyone else wants to do that because it's pretty important to the tourism industry. Everyone—anyone want to join in here? No one? OK. Hi, Senator Grassley. I am on live in the commerce hearing. Do you want to say hello?

[Laughter.]

Senator KLOBUCHAR. Now I will turn to Ms. Nelson. Ms. Nelson, you referred to the flight attendants as you sometimes sadly can be punching bags when there are disruptive passengers. Could you quickly give your ideas on how you can get at that? And what are some of the policy changes you think would help?

Ms. NELSON. Yes. Thank you, Senator Klobuchar. So we definitely need clear consequences. So we are happy to see that DOJ is taking this as a serious step and the instruction from President Biden to do that. We also need to address any of the issues that are contributing to this, such as alcohol, which is—our members tell us is about 60 percent of the incidents.

So we are trying to cut the to go alcohol in the airports. And we need clear communications throughout the entire process, so—and coordinated response from law enforcement and FBI so that we have consistent response at the gates and those consequences can

be levied. So these are the holes that we are trying to plug, and I do want to recognize that we have been working with the airlines on this and there have been absolute advancements by working together.

We have announcements from the pilots, we have announcements at the gates, and everyone is understanding that the entire airline ecosystem has this problem, not just flight attendants, not just gate agents, but we need to do more.

Senator KLOBUCHAR. Alright. I really appreciate it. Thank you, everybody, and we will respond—we will need—Blunt and I will want answers on the Brand USA because it has been a huge priority for the tourism industry. OK. Thank you.

The CHAIRWOMAN. Thank you, Senator Klobuchar. Senator Fischer.

**STATEMENT OF HON. DEB FISCHER,  
U.S. SENATOR FROM NEBRASKA**

Senator FISCHER. Thank you, Madam Chair, and thank you to our panel for being here today. Inflation is up 6.8 percent year over year, accelerating at its fastest pace in almost 40 years. Americans across the country are feeling the pain of increased costs of goods, with higher prices, from a carton of milk to a gallon of gasoline. As airline executives, what inflationary factors are most concerning to your companies as we move into 2022, and will these factors impact airfare? Why don't we start with you, Mr. Parker?

Mr. PARKER. Thank you. The large one for us is fuel. It is our second largest expense in American. Our wages actually aren't done—don't have enormous inflationary pressure because we have 85 percent union jobs, and our people are very well paid. But we certainly are seeing fuel costs increases. It is a commodity that is volatile, but certainly the last couple months that increase is going to have a significant impact on our cost structure, and at some point that will result in higher fares.

Senator FISCHER. Mr. Kelly.

Mr. KELLY. I would echo Doug's comments and just say that as we are recovering and trying to get our schedule back to maximum efficiency as we were close to it pre-pandemic, if you will, there is a lot of opportunities to drive down—we are fixed cost industry, so there is a lot of opportunities to drive down our unit cost. But until that time, we will have some inflationary cost pressures. You know, maybe just a little bit different comment is, you know, we are seeing wage pressure across the board with front line employees, and we are competing with other sectors, especially for airport workers.

So inflation is real. It is a concern. At the same time, if you look at airfares, the inflation adjusted airfares have been trending down for decades and certainly been trending down since 2014. So we are doing our best to hold the line in terms of airfare inflation.

Senator FISCHER. And we appreciate that they were trending down, but I believe now they are going to be trending up. And how long do you think that will last?

Mr. KELLY. Well, obviously we compete. So I am not speaking for the industry, but we are low cost, we are low-fare, we don't charge bag fees, we don't charge change fees, so we are going to do our best to be America's leading low-fare carrier going forward.



Senator FISCHER. OK. Mr. Kirby.

Mr. KIRBY. I would echo what both these gentlemen have said. Fuel is our highest, our most volatile, and most susceptible to inflation. Another one that I would add is airports. You know, a lot of airports had lower revenues as there were fewer flights around the country, and so some of the airport and fees for air navigation are going up.

Those are probably the highest in a percentage increase, and we would hope—we are working to and hopefully will get ways to moderate those because it is the last thing, obviously, we and our people need.

And then the third one is what Gary said which is, you know, all of the support services around aviation are feeling pressure, whether it is everything, whether it is people to fuel airplanes, or security, airport workers in restaurants, and all of that is, tends to flow through to us, whether they have the contractual right or not.

People, our vendors will say we are either going to go out of business or you are going to pay us more because we simply can't hire people. So it is mostly about hiring people in those kinds of jobs.

Senator FISCHER. Mr. Laughter.

Mr. LAUGHTER. I would first say thank you again to Congress and the U.S. taxpayer for getting us in the position that we are today. And I would just want to emphasize the point of returning to our full scale is being the best thing that we can do to combat these inflationary pressures. I think that as I mentioned earlier, getting international open, keeping it open, and continuing to restore our full network is going to be the number one thing that we can do.

Senator FISCHER. When you look at the energy costs that you are facing here, fuel costs, and when you are looking at pressure and trying to have enough employees as you are building up your flights again, how is that going to affect your economic outlook for 2022?

Mr. LAUGHTER. Well, so for Delta, we continue to hire. We have hired about over 8,000 people this year, and that is a key part of getting back to that return that we are talking about.

We, at my company, see our recovery continuing through 2022 and into 2023, and that—I think the question there will be when do the international markets fully reopen? But we see continued up—you know, we do, we have a new variant out there that we are keeping an eye on. And I think that long term, though, we continue to regain that scale through the course of 2022.

Senator FISCHER. Mr. Laughter, it was recently announced that Delta is going to be ending a daily service between our capital City of Lincoln and Minneapolis on January 10. I would like to be able to have a conversation with you about that or some written questions for the record, please.

Mr. LAUGHTER. Absolutely. I welcome that.

Senator FISCHER. Thank you.

The CHAIRWOMAN. Thank you. It is my understanding that Senator Hickenlooper is going to be next. Senator Baldwin has deferred to you very graciously.

**STATEMENT OF HON. JOHN HICKENLOOPER,  
U.S. SENATOR FROM COLORADO**

Senator HICKENLOOPER. I am always in deeper debt.  
[Laughter.]

Senator HICKENLOOPER. Appreciate that. Thank you all for making time. I know how busy you all are, and I know what challenging years you have had. Mr. Kirby, I thought I would start with you just because you have had such a busy year, partnership with Boom Supersonic, based in Colorado, which is—will allow United to procure supersonic aircraft using sustainable aviation fuel.

And then you were on that first flight from Chicago to D.C. with 100 percent sustainable aviation fuel in one engine, which somehow seems out of balance to me to this day. And then also your investment in the middle of just a week ago or less than a week ago in hydrogen electric engines for regional aircraft flights. Hey, I commend you for the initiative that you are showing.

But recognizing the damage done by COVID and the pandemic, how will airlines like United be able to continue to pursue climate ambitions amidst, you know, the economic recovery? Is that something that should be of great concern?

Mr. KIRBY. Well, thank you, Senator, for the kind words. We are excited—we are excited to be part of that innovation on the other side of the COVID and looking to the future. And my answer to how can we do it is, we don't have a choice. We have to do it, first and foremost because the right thing to do for the planet. But at some point also either our customers, our shareholders, our regulators, the legislative branch are going to force us to do it because it is the right thing to do.

And this industry, because it is hard to decarbonize, needs to start making the seed investments to build that foundation. It is the reason that I think the bill—the blenders credit is so important. To me, doing for aviation, what we want, what we need to do is run the same playbook that we ran as a country, as a globe for wind and solar 20 years ago.

Wind and solar were uneconomic 20 years ago, but here there were credits, there was support, there was certainty for the industry, drove massive investment, they came down the cost curve, built economies of scale. It is now cheaper to produce power with wind, and solar than it is with fossil fuels. We need to run that same playbook.

We know the playbook that works and what is—the current blenders tax credit, you know, really will drive the kind of investment that we need because we need—we estimate \$250 billion of investment to get the global aviation industry to a 10 percent start. This will be what kick starts and drives the start of that private investment to make that happen.

Senator HICKENLOOPER. And I know from previous conversations with Mr. Parker, Mr. Kelly, that they share your sentiments in this regard. Mr. Laughter, I will start earlier with the discussion of discontinued flights. Grand Junction is about 300 miles west of Denver, 280 miles west of Denver, and you have been flying there for decades, from Salt Lake City to Grand Junction, Colorado. They re-

main 90 percent full. It is a critical route for Grand Junction. It fits into their economic package in a variety of ways.

Just what—I have always been told airlines want to become an essential part of a local economy. It really is a key travel hub to access to a number of Western cities that, you know, it has been used 24 years, over millions of customers. And just in the last—this year alone, we have had 80,000 customers flying on that route.

And yet they heard there were recently announced, very recently announced that that flight is going to be discontinued. What economic conditions are you considering in terms of making these decisions? And what should State officials, how can we create an environment where this doesn't happen?

Mr. LAUGHTER. Well, Senator, thank you for the opportunity to talk about that. The one area that we are seeing a labor shortage, and I think it is short lived, is in our regional pilots. And so as the major airlines are hiring pilots and because of the fact that in 2020 there was a gap where there was much lower flying, which sort of disrupted the training pipeline and the captain upgrade in the regional world, that is sort of impacting us at this point.

And so as we look out, we aren't able to serve every place that we would like to. And so I do think that that is short lived and we see recovery happening in 2022. And so as always, these cities, we desire to serve them, and so I think it is part of our continual analysis to see when we can get back in there. And we have resumed service to some places that were suspended during the pandemic.

Senator HICKENLOOPER. Great. Well, I will tell the people of Grand Junction to exhibit a little patience. That doesn't usually work very well with our local officials, but I will give it my best, my best shot. I will yield back time to the Chair. Thank you. Thank you all.

The CHAIRWOMAN. Senator Thune.

**STATEMENT OF HON. JOHN THUNE,  
U.S. SENATOR FROM SOUTH DAKOTA**

Senator THUNE. Madam Chair, Thank you. And thanks to all of you for agreeing to testify today as the country continues to grapple with supply chain challenges. I appreciate the opportunity to discuss the recovery that U.S. airlines have had from the major disruptions of travel last year, when the pandemic emerged. And I think a lot of it was due to the success of the Payroll Support Program, which has kept airlines running and their employees working even travel numbers plummeted. As Thanksgiving travel numbers indicate, the industry starting to see a pretty strong recovery in domestic air travel, and I am hoping that we will see that similar recovery in the international air travel next year as vaccination campaigns continue and the world becomes more accustomed to handling these new coronavirus variants.

As the strong recovery progresses, I want to continue to emphasize the importance of considering rural communities, which have felt a disproportionate impact from pandemic related service reductions as longer-term service decisions are made. Mr. Kirby, could you describe how United is working with codeshare partners to maximize service in smaller markets?

And then I will ask this of Mr. Parker when he concludes his answer, if you could provide some examples of innovative approaches your airline has taken to form partnerships with other carriers or communities to ensure stability in service?

Mr. KIRBY. Well, thank you, Senator Thune. And it follows on, you know, to the previous, past question. There has been a looming pilot shortage for the last decade in the United States, and going through COVID, it became an actual pilot shortage. So all of us, particularly our regional partners, simply don't have enough airplanes to fly.

We have almost 100 airplanes effectively grounded right now, regional aircraft, because there is not enough air—there are not enough pilots to fly them. Which means, we just can't at the moment fly to all the small communities that we would like to. It is really about not having enough pilots. I am a little less optimistic that that situation is going to reverse itself in the near term unless we do something to increase the supply of pilots.

At United, we have bought and have our first Khan Academy called Aviate Academy with our first class start on Monday of this week with 30 people, 79 percent of them diverse, also another opportunity. These are 30 people that have no flight experience that are going to get the opportunity to become pilots.

And if they pass all the certification and all the tests, can become commercial airline pilots at the end of the program. We are going to need a lot more programs like that. The country is going to need thousands of pilots.

Senator THUNE. Is that a function primarily of just more aggressive recruiting?

Mr. KIRBY. No, it is really a function of—the problem to become a pilot, particularly the 1,500 hour rule, is you need to spend \$150,000, and that is typically not eligible for Government loans like other, you know, if you want to be a doctor, a lawyer, you can get loans and go to school.

If you want to be a commercial airline pilot, you can't do that, even though your career earnings are higher, and we need those people. So creating ways that they can finance and fund their ability to get the requisite training is really the foundation, and I think it is the only way we are going to solve this problem for small communities, because I expect it is going to get worse before it gets better. We have to have a higher supply of pilots and we just don't have enough today.

Senator THUNE. Alright. Well, I know we would all be interested in things that we could do to help and provide incentives to fill that pipeline, refill that pipeline. Mr. Kelly—or Mr. Parker, I am sorry.

Mr. PARKER. Yes. And services to small communities is incredibly important to American Airlines. We serve some 230 cities in the United States. Obviously, a number of those are smaller communities, and places like Sioux City and Rapid—Sioux Falls and Rapid City are important to that. So, and we would like to serve more, frankly, over time. But again, at this point in time I agree with, you know, where Scott is.

We at American have not yet—well, we have—we serve the same number of cities we did prior to the pandemic. We have terminated—we have lost some service to three cities, but we have

added three others. So, but it is an issue, it is going to be an issue for our ability to serve if we can't recruit enough pilots, you know, the regional airlines.

But again, I believe we can get that solved, but that is certainly an issue that we are concerned about going forward. It hasn't affected American yet. As to ways to make it even better, as you asked, alliances that we have established that American with other airlines like Alaska and JetBlue make it more likely for us to be able to serve smaller markets because we just connect people to more places.

So all of our business is about connecting people and connecting dots, and the more ways we can do that through either alliances or on our own mettle, we are looking to do all the time.

Senator THUNE. Good. And very quickly, and this has been alluded to already, if you could touch on utilizing sustainable aviation fuel to further reduce your emissions. I am concerned about ICAO's carbon emissions modeling for SAF, which penalizes American farmers because of its treatment of induced land use changes versus the DOE's more favorable and I would argue, accurate green model. What are your airlines doing to increase the use of, and I know it has been talked a little bit—touched on already, but I guess, can you commit to utilizing homegrown biofuels?

Mr. PARKER. Yes, sir. Again, that is the answer to getting us to carbon neutral is safe aviation fuels, and we are all dedicated to doing just that.

Senator THUNE. OK.

Mr. KELLY. Yes, I would agree, and in fact, you know, the targets that have been established are very ambitious and it is going to take a sea change from where we are to achieve that, and we need to cast a very broad net in terms of raw materials to produce it. So we would be very supportive of that.

Senator THUNE. Yes. Mr. Kirby.

Mr. KIRBY. Well, Senator, I think it is important that we get on a level playing field with road fuels, which we are not today. A lot of incentives that exist for that, not for fuels. But I also think it is a globe—at some point it is going to have to come to grips with our sustainable fuels need to come from sources other than just farm food. So, you know, municipal solid waste, Woody biomass, whatever it is, you may be even power to liquids. We are going to have to come to grips with that too.

Senator THUNE. Yes. OK. Good.

Mr. LAUGHTER. And Senator, I would just echo these comments that we have ambitions and goals to increase our use of sustainable aviation fuels. We need it produced on the scale that will support this industry and we look forward to partnering with you and Congress on that.

Senator THUNE. Good. Thank you. Thanks, Madam Chair.

The CHAIRWOMAN. Thank you. Senator Baldwin.

**STATEMENT OF HON. TAMMY BALDWIN,  
U.S. SENATOR FROM WISCONSIN**

Senator BALDWIN. Thank you, Madam Chair. I want to start off where Senator Thune started off with regard to the need for additional pilots. In my home State of Wisconsin, we have a lot of small

communities that are served by regional aircraft. And Mr. Kirby, a United Express air carrier, Air Wisconsin is based in our state. They fly the 50 seat aircraft. And statements that you made last month at the Skift Aviation Forum about markets that rely on these 50 seaters greatly concerned me, as you can imagine.

Now, I am working on legislation that would make flight education and training programs more accessible to a broader range of students, precisely by increasing the amount of student loan aid available for individuals who are enrolled in an accredited program, all to ensure that we are going to have a strong pipeline of pilots to fly to small communities and everywhere that travelers want to go.

So I know there is a counterpart that's been introduced in the House of Representatives. We are just trying to put the final touches on it right now for Senate introduction. But would you agree that such a proposal would encourage more people to become pilots, and what more is United doing to recruit and retain pilots?

Mr. KIRBY. Yes, well, thank you, Senator. And for what it is worth, some of those markets are going to get ungauged to bigger airplanes. But small cities that are entirely relying on a 50 seat service are at risk unless we create a bigger supply of pilots. So I apologize, I am not familiar with the specifics of your bill, but the idea of increasing the supply of pilots is really important, and the Government has a huge role to play in helping us do that.

At United, we have tried our self-help measure of using our Aviate Academy as a way, and we intend to train 500 new pilots a year. It is not just about creating the next generation of pilots, it is a safer program. It is much more like you are up to going to pilot training at the Air Force or, you know, the Navy where you learn not just to fly, you fly aerobatics, you fly in complicated airspace, it improves diversity, so there is a lot of great things we can do.

But there is a real opportunity for this. And these are great careers. I mean, a captain at United Airlines, and we have over 200 widebody airplanes. The captains on those airplanes make \$400,000 with great benefits, I mean, there is not many careers left like that in the United States.

So we just need to help people get onto the first rung of the ladder, get through the rigorous training process so they have enough certification to start at an airline and then they can make their careers. But we are all on board with doing anything we can to increase that supply and to help do that.

Senator BALDWIN. Great. I want to switch focuses now to one area where I think the industry has a great opportunity to emerge from the pandemic much better than before, and that is the topic of travel for individuals with disabilities.

I recognize that air travel has been anything but normal since the early days of COVID-19. But in looking at disability related complaints filed with the Department of Transportation, there seems to have been a significant increase in complaints filed in 2021 as compared to 2018. And so a question for each of you to answer, what are—what is your airline doing to address disability related complaints? And why don't we start with you, Mr. Parker.

Mr. PARKER. Thank you. It is certainly an issue that we are working very hard to address. It is a difficult situation on aircraft, of course, and it has been. We are all working very hard to do everything we possibly can. Interested in working and continue to work with you on other things that might be done.

We at American, for example, while we know we are not doing as well as we can, we are encouraged by the fact that the number of—due to a lot of effort, the number of wheelchair damages that we have had are down 40 percent over the last year. So, again, by no means are we where we need to be, but we are intensely focused on being the best we can in this regard.

Senator BALDWIN. OK. Mr. Kelly.

Mr. KELLY. It think, you know, here in the short term our primary focus is on wheelchairs training, in reducing the damage, and also working with wheelchair manufacturers to see what can be done to harden wheelchairs. They are just not built to be loaded into their aircraft bins and transported.

So I think there is opportunities there. And like Doug reported, we are definitely seeing our claims coming down, which is obviously very welcomed. More futuristic, we are working with manufacturers or intend to work with manufacturers in terms of bathroom access on board the airplane, which is obviously a big challenge and especially on narrow body airplanes. But those are the two primary things that we are working on.

Senator BALDWIN. Mr. Kirby.

Mr. KIRBY. We also have been very—it is a high priority for us, and focused on wheelchairs, and have had a significant reduction in wheelchair damages, wheelchair complaints. Like Gary said it is tough because, you know, the wheelchairs just aren't built—in spite of that, we are focused very hard on that.

We are doing a lot of other things for people with disabilities. We were the first airline, for example, to get our website and our app for blind, for user blind—for the visually impaired to be able to use it. There is a lot of things like that—we have a whole team and I coincidentally met with that team this past week on all the things we can do to improve the world for disabled.

And a passionate group because for most of them it is personal. They are either disabled themselves or have family members that are disabled. And having a team like that to advocate for, you know, it is probably one of the best things that we can do internally to make sure we drive the kinds of changes, identify what the issues are, and then drive change.

Senator BALDWIN. Mr. Laughter.

Mr. LAUGHTER. Senator, I would add that wheelchairs and assistive devices are a focus for Delta, and we certainly are working toward zero. That is our goal. We have also created an advisory board on disability, which is made up of Delta customers who volunteer their time from the disability community and to help us throughout the travel where they make travel more accessible.

Senator BALDWIN. Great. Thank you for your indulgence. I will submit one additional question for the record, just relating to the fact that in airports, people with disabilities often rely on folks that you have contracted with to help with mobility in the airports, and I have some specific questions about that.

The CHAIRWOMAN. Thank you. Senator Moran.

**STATEMENT OF HON. JERRY MORAN,  
U.S. SENATOR FROM KANSAS**

Senator MORAN. Chairwoman, thank you very much. Thanks to our panelists for being here. Let me start where Senator Thune led, which is with rural communities. Both American and United are significant suppliers of air service across our state.

Essential air service is a significant component of the ability to do that. I think it was you, Mr. Kirby, that talked about the cost of training and educating a pilot. And I assume that—are the revenues insufficient to cover the costs of pilots in those smaller towns, is it harder to cover?

And then my question becomes, is essential air service a method by which we could better compensate the airlines for service that is less financially rewarding, if that is the case?

Mr. KIRBY. Yes, Senator, thanks for the question again. And it is really important. Our bread and butter is flying to those small cities and connecting the world. We really want to—we don't want to take any of the cities off the map. And the issue, though, is not really about economics.

If it is, it is about economics for individuals who are deciding on their careers when they get out of college or when they are wherever and deciding, do I go to law school or do I go to another, you know, become a commercial airline pilot. And historically, we have never been involved in training pilots because a lot of them came out of the military or through other sources. And now the demand that we have for pilots simply exceeds the supply. So we are starting our Aviate Academy, we have begun to start training pilots.

But I don't know that we are going to be—you know, it is not what we have historically done. Our goal is to train 500 pilots a year. That is, you know, we are going to be hiring 2,000 to 3,000 a year. So it is even a small percentage of what we are hiring at United. And so I think we probably need something broader.

You know, I, you know, as much as we like getting EAS money when we fly to markets, I would much rather take those funds and put them into the infrastructure to create training for pilots and to build a robust pipeline that makes it easy for people with an aptitude and a desire to be a commercial airline pilot to get the training, to get the skills that they need.

You know, I would like to focus on giving them better training than they have gotten in the past so that they come out more like a military trained pilot than somebody who, you know, hasn't been through that path. And I think there is an opportunity to make our system safer, better, create great jobs, and fix the supply problem.

But the supply problem isn't going to get fixed in the short term because it takes time to get through the process to become a commercial airline pilot.

Senator MORAN. So resources to support pilot education and training is your request?

Mr. KIRBY. Correct, yes.

Senator MORAN. Mr. Parker, anything?



Mr. PARKER. No, I agree. It is making more markets—EAS markets would take a scarce resource and move it to different markets. But the real point here is there is just not enough resources.

Senator MORAN. My question was, are there essential air service resources that could be devoted to creating the revenue necessary to educate pilots, not creating more essential operations?

Mr. PARKER. OK. Yes, I would agree that diverting to pilot training would be a great idea.

Senator MORAN. I got to run that by my communities, but it is a huge component to Kansas. We, other than Alaska, probably are the most essential air service state in the country and we appreciate the service you provide. Let me ask—well first of all, let me indicate to Ms. Nelson that I am a frequent flier and I have lots of contact with gate agents and with flight attendants.

My experience pre and post COVID has been almost without exception nothing but tremendous care, compassion, professionalism by those who serve in those capacities. And I want to thank you and those you represent for the manner in which they have conducted themselves, certainly to me, but more importantly, to the flying public in very difficult and challenging times.

Ms. NELSON. Thank you so much. Appreciate that so much, Senator Moran. And we love that you fly with us. And also, I would just note, I want to add to what was said here, the more that we can show the public that these jobs are for everyone in it, that they are for women, that they are for people of color, and then that we can give them the means to be able to get that training to get to it, we can actually increase the number of people who are willing to do this work. So I just wanted to add that as well. And thank you so much for your comments. We will share that with our members.

Senator MORAN. I am very complimentary. And I would again offer as others have done so any way that we can assist. I don't know anything about to go alcohol. I didn't know that was an option, but nothing is going to change my behavior—

[Laughter.]

Senator MORAN. Now that I know—

Ms. NELSON. Glad that you clarified that.

Senator MORAN. Alright. I am happy to try to help assist to reduce the friction that can occur as a result of that.

Ms. NELSON. Thank you so much.

Senator MORAN. I appreciate, Mr. Laughter, the opportunity I had to visit Delta Airlines in Atlanta a few weeks ago. And I raised a couple of topics, although I mostly came there to listen, learn, but I checked with my airports. I would highlight for you the opportunity that Wichita, ICT, considers to fly to Salt Lake City, and would welcome that—it seemed like there was interest, but I would welcome any further conversation. I also want to thank you for the passenger lounge, the premium passenger lounge that you intend to build within the new airport in Kansas City. And why are you laughing? That is not for me.

[Laughter.]

Senator MORAN. But I am glad that you have chosen to assist in our new airport and its comforts and amenities. In addition to

that, Southwest, I saw in the business journal, *Kent City Business Journal*, is going to pursue its sustainability efforts in Kansas City.

And again, we welcome that further connection between Kansas City and Southwest. One of the bills that the Chairman of this committee was very helpful in seeing was passed is a bill that I introduced to provide assistance, the Aviation Manufacturing Jobs Protection Program designed to provide assistance to the workforce within those industries, those businesses that manufacture airplanes and its components. And I again thank the Chairwoman for her help in that accomplishment.

But I want to make certain that it is known that the ability to build new airplanes is not just a manufacturing issue, it is an airline issue. And I would like to, if you wouldn't mind confirming that, assuming that that is true, what it means to you to be able to continue to access new aircraft, often built in Kansas.

Mr. PARKER. Right.

The CHAIRWOMAN. And if you could answer quickly because he is over time—you can see that the subject of this hearing and your being here, which I think actually is the first time that we have had many of you here in almost a decade, that you can see that this committee has a lot of aviation issues, and I want to make sure all our colleagues get questions.

Senator MORAN. I am sorry, Chairwoman. I didn't realize I was over time.

The CHAIRWOMAN. I know, but that is because I know how much you care about this issue, so—

Senator MORAN. You were saying nice things about the Chair too.

The CHAIRWOMAN. Right, exactly. How manufacturing—

Mr. PARKER. I will try to do it real fast for all of us—

The CHAIRWOMAN. Yes, thank you.

Mr. PARKER. Because I am sure we are all going to say the same thing. It is critical to us. Of course, we have to have airplanes. We appreciate your work in getting support into those companies. They needed it like we did, and they are crucial to what we do, so thank you.

Mr. KELLY. Ditto. And I would just add that it is also a very significant part of our sustainability plan, which is to continue to modernize our fleet. The MAX is 14 percent more fuel efficient than the previous generation, so very important.

Senator MORAN. For the record, I would ask your plans in regard to the MAX, but I will take that for—in testimony.

The CHAIRWOMAN. Thank you, Senator Moran, and thanks for working on the aviation manufacturing jobs bill with me, and I appreciate your leadership on it. And I do think it got money out to people in Kansas, particularly one of the big suppliers. So, Senator Markey.

**STATEMENT OF HON. EDWARD MARKEY,  
U.S. SENATOR FROM MASSACHUSETTS**

Senator MARKEY. Thank you, Madam Chair. According to CBS News, the airline industry still owes fliers upwards of \$20 billion in refunds, which is simply unjust and immoral. That is why Senator Blumenthal, and I sent a letter to the Airline Industry Trade

Association yesterday demanding once again that every airline provide immediate refunds for canceled flights during the pandemic.

We have now made this appeal over and over again, yet the airlines refused to do the right thing. Will each of you commit to providing refunds for all tickets that were canceled due to the pandemic, regardless of whether you canceled the flight, or a passenger canceled in order to protect the health of a family member? Will you commit to refunding this money, yes or no? Mr. Parker.

Mr. PARKER. Senator, we have refunded \$3.2 billion of cash refunds in 2020 alone. We did that for every flight that we canceled. For flights—

Senator MARKEY. I am talking about the flights that passengers canceled because of their justifiable concern about the pandemic and the impact it was having on the air. Will you refund that fund—will you refund that money to passengers?

Mr. PARKER. You know, what you are asking about is a case where someone has bought a nonrefundable ticket, condition one. Condition two, the flight actually flew. So in which case, in that case we did make the extraordinary—as conditions—

Senator MARKEY. Will you refund to passengers the money that they spent on a ticket that they canceled because they were afraid of the COVID risk to themselves or—will you refund that money, yes or no?

Mr. PARKER. In the case of a customer who bought a nonrefundable ticket, and the flight went and still didn't want to go, what we did is say, well, we are not going to force you—we are not going to make you have it be nonrefundable and keep your cash. We will give you a credit to use in the future to fly when you are comfortable flying, and that is where we are on those.

Senator MARKEY. And will you—have you removed an expiration date on that ticket so that they can take it whenever they want in the future?

Mr. PARKER. In our case, we are up to March 31st, 2022, right now on the expiration. We moved that as the pandemic—

Senator MARKEY. Will you commit to making it unlimited in terms of the expiration date? Will you commit to doing that?

Mr. PARKER. We want to make it—we want to—we want people to fly. I would encourage people to fly. We have moved the date as—

Senator MARKEY. Again, I am still not getting the answers from the industry. The passengers want the money back and you are not saying you are going to give it to them. And at a minimum, they just want a voucher that they can use whenever they want to. They shouldn't have to worry that in order to get the cash that they have being used, that they have to jump on a flight in the next 3 months when the pandemic is now rising. And they shouldn't even have to worry about that.

You should be giving them the voucher now so that they know they can use it for as—whenever they want, in whatever month or year that they want, whenever they feel safe with their family member. And you are still telling us today you will not give those families that kind of a guarantee. And that is unfortunately industry wide in terms of what the practice is.

And I am just telling you for passengers in our country, they want fairness. They want to know that they are going to be treated in a way which is respectful. And I will also add this OK, the same thing is true with the fees, \$30 for one bag, \$40 for a second, \$150 for a third. Does it really cost \$150 to put a bag on a plane? That is a rhetorical question, because obviously the answer is no. So time is brief, and I just want Ms. Nelson just to make this point.

I am shocked that some of the CEOs here today have suggested that we no longer need mask mandates on planes. Ms. Nelson in the face of omicron, children under five who still cannot be vaccinated, thousands of flight attendants who protect us every day and that we still allow unvaccinated people on planes to fly in our country, do you believe that we should be lifting the mask mandate for people who are on planes in our country?

Ms. NELSON. I believe that the Government has taken a very responsible approach to this and is moving the mask mandate as we have more information about the pandemic. And we agree that it should continue to stay in place. It is a workplace safety issue. Although I will be very clear that we do look forward to the day that we can vaccinate the entire world and get on with this and not have to have the mask mandate.

We do need a consistent message, though, and it troubles me to hear different messages. And I would hope that we would all stay on the same message that we are going to follow the medical experts and we are going to do what is necessary to keep everyone safe.

Senator MARKEY. Yes. Well, right now there are tens of thousands of people flying who are unvaccinated today on planes in the United States, and it is unfair to people who are vaccinated to have them sitting next to them with their masks off. It would be wrong. It would be immoral to ever take that position. People are petrified the airlines won't even reimburse people who have canceled the flight because they are afraid to fly because they could be endangering themselves or their family members with coronavirus. And from my perspective, it is absolutely unacceptable.

Ms. NELSON. Senator Markey, I would also just add that we have heard from around the world that the confidence in air travel, because of what has been communicated, the controlled circumstances including everyone having to wear masks is why people have confidence in buying their air tickets today.

Senator MARKEY. And we should continue to build that confidence. And I just want, just to finish up with you, Ms. Nelson, I just want to make it clear my support of the need to do more to put an end to passengers who threaten and assault flight attendants in our country. It is absolutely an epidemic and we have to take the strongest possible action at the Federal level in order to put it to an end. Thank you for your leadership on that issue.

Ms. NELSON. Thank you so much.

The CHAIRWOMAN. Thank you, Senator Markey. Senator Blackburn.

**STATEMENT OF HON. MARSHA BLACKBURN,  
U.S. SENATOR FROM TENNESSEE**

Senator BLACKBURN. Thank you, Madam Chairman. And thank you to each of you for being here today. As you can see, there is a wide range of issues that people are concerned about. Mr. Kirby, I want to come to you first. In November, *Bloomberg* published a piece on how United Airlines is leading the charge on implementing President Biden's unconstitutional vaccine mandate.

U.S. District Judge Mark Pittman stated that you expressed, and I am quoting, "skepticism and apparent disdain for any religiously motivated exemption request." So what we are finding out, and I have got a Tennessean that is in this group, I represent the State of Tennessee, that there are individuals that were denied, that all of your religious exemptions were denied.

So we are also finding out about their pay having been cut at the time that that exemption was filed. So before they filed the exemption, did you inform these workers that they were not going to be paid even if they applied for a religious exemption?

Mr. KIRBY. Well, thank you, Senator. And first, we did implement a vaccine requirement at United Airlines. We did it in August before there were any Federal, State, before there are any requirements from anyone, one direction or the other.

We did it purely as the right thing to do for safety, and I am happy to explain why if you would like, but we did it purely for safety and did it well before any Federal requirements. We, I think you got some perhaps incorrect information. We accepted about 80 percent of the religious requests. So 80 percent of the religious requests were accepted.

Senator BLACKBURN. OK, but the other 20 percent that you did not accept, were they made aware that they would not be paid even though they were working while their request was being considered, that they would not be paid when that was denied?

Mr. KIRBY. So we notified people—anyone whose request, the 20 percent who did not get a religious exemption, we gave them notification and gave them approximately 35 days from that date to get vaccinated if they wanted to, and they were fully paid for that entire time. And to my knowledge, almost all of them chose to get vaccinated—

Senator BLACKBURN. OK, so how many people are, how many employees were fired because of this, and then how much money did they lose? Do you want to clarify that for the record?

Mr. KIRBY. So we got 99.7 percent of our employees vaccinated, which for a workforce in the United States of just under 70,000, means that about 200 people chose to leave the company.

Senator BLACKBURN. About 200, OK. Alright. Well, it seems like you are all talking about needing employees, so it seems like you also would be able to find a workaround on this for people who either have had COVID, don't want the vaccine, or cannot take the vaccine. I have talked to so many people who medically have been advised to not get vaccinated because they have a complex medical issue.

So it seems like you all could find a workaround on this. I want to talk to each of you about what is happening with 5G implementation because we had six former Chairs of the FCC that sent a let-

ter to Chairman Rosenworcel and the NTIA's Acting Administrator regarding their concerns with the FAA's decision to delay 5G implementation.

And at the end of the letter, the Chairs, and I am quoting, "encourage all stakeholders to work together toward a speedy resolution of the issues in this band and to ensure these surprises do not become a recurring feature of American spectrum management in the future. The recent decision undermines America's efforts to remain a leader in 5G." And of course, we are looking at what is happening with China, with their Belt and Road Initiative, with great power competition.

And so we are quite concerned about this. Mr. Laughter, I want to come to you on this, because it is my understanding that Delta has invested heavily in 5G for security. So we would hope that you all are looking for a path forward to work not only with us, but with regulators on the deployment of 5G and making certain that it is not delayed.

Mr. LAUGHTER. Well, Senator, thank you. And I can't speak specifically to any investment in 5G. I do know that the safety concerns with aircraft and aviation are very real. And I also know that there is a solution here. We have seen it in other countries as they have implemented 5G, and with a combination of power adjustments and location, we could absolutely solve this and live in a world where there is 5G available.

Senator BLACKBURN. There are 39 countries that have implemented 5G and have had no issues that we are aware of. Have any of you, any of you on the panel, experienced any issues or problems with 5G?

Mr. KELLY. No, but I think if you were to ask us what our number one concern is here in the near term, it is the deployment of 5G because the FAA has issued an airworthiness directive that would significantly impact our operations once it is deployed on January 5.

So that is the essence of the concern. It is not an airline concern, per se. The FAA is uncomfortable with the safety risk. And as a consequence, the impact on our operations to mitigate that would be a significant setback.

Senator BLACKBURN. Seems like we could find a workaround on this. I am over time, but I appreciate that, and we will continue the conversation on the issue. Thank you, Madam Chair.

The CHAIRWOMAN. Thank you for bringing that issue up. Senator Blumenthal.

**STATEMENT OF HON. RICHARD BLUMENTHAL,  
U.S. SENATOR FROM CONNECTICUT**

Senator BLUMENTHAL. Thanks, Madam Chair. Welcome to all of you. Thanks for being here. I think like all my colleagues here, I am very happy to be flying again. And within the past month or so I have flown, I think all of your airlines. And I don't need to tell you that there are a lot of Americans who are still unhappy.

And the reason they are unhappier is the continued fees and charges for checked bags, carry-on bags, all kinds of other things that they used to receive for free and are charged now without any parent relation to the cost of what they do. So I have led introduc-

tion of the Airline Passenger Bill of Rights, and I would be happy to talk about the details.

It essentially speaks to problems related to overbook planes, delayed flights, lost luggage, in effect protects consumers against those charges and fees and cancellations and delays that they feel violate their essential rights. I would like your commitment that you will support a bill of rights. It may not be exactly what I proposed. For example, my bill would essentially crack down on airlines using weather as an excuse for delays and cancellations that may be the airline's fault.

And not a moral fault, but if there is lack of planning, the one who bears the burden ought to be the airline, not the passenger. It would also provide—require airlines to provide ticket refunds and alternative transportation for flights that are delayed 4 hours or so.

Again, clear enforceable rights. Maybe not exactly those provisions, but I hope that you are familiar with the basic provisions of the bill. Will you support that measure? Let me just ask you, beginning with you, Mr. Parker.

Mr. PARKER. We obviously care deeply about our customers. We want to make sure that—we, like you, want to make sure that our customers are taken care of. We would like to not have to even have it legislated. We think we do a nice job, but certainly will—certainly we are certainly willing to work on—certainly willing to work with you.

Senator BLUMENTHAL. I apologize for interrupting but my time is limited.

Mr. PARKER. Alright. Certainly want to work with you, sir.

Senator BLUMENTHAL. Mr. Kelly.

Mr. KELLY. I think what—you know, the industry was deregulated. What we are in favor of is competition and we are pro-consumer. We do not charge bag fees, we don't charge change fees, we don't charge a fee to use your frequent flier, we don't charge carry-on bag fees.

Senator BLUMENTHAL. So I assume you would want a level playing field, you will be supporting that bill of rights?

Mr. KELLY. We would simply like the opportunity to compete. And that is the way we compete. If our competitors want to charge those fees, they have the right to do that under deregulation, and we would support that going forward.

Senator BLUMENTHAL. Will you work with me on a bill of rights?

Mr. KELLY. We are very pro-consumer. What I think would be very helpful is full disclosure and transparency and that kind of a requirement across the board, not just for airlines but also for online travel agencies, I think would be very welcomed.

Senator BLUMENTHAL. Good idea. It is part of the bill of rights. Mr. Kirby.

Mr. KIRBY. Thank you, Senator. And we are really proud at United of changes that we have made to improve the customer experience. Thank you for flying again. I am doing a lot of flying. It is great to be out seeing people again. But we are really proud of everything—you know, permanently eliminating change fees during the pandemic. We copied a good idea that our friends in Southwest had had for a long time. Huge investments in the product. Huge

investments in customer service. Our net promoter scores are at a level we never even thought possible in the next decade.

And that is really important. And we are focused on trying to win customers by quality and give them choices. And so I don't think we will agree with everything you have in the bill. We are certainly happy to work with you. I would tell you one thing that is important is our complaint rates from online travel agencies are about 10 times as high as they are internally.

It is because when we—when we interact directly with the customer, we try to tell that we are trying to be as transparent as possible about what is happening. But that is not true at third parties when they sell tickets on airlines.

And anything we can do to get the same level of transparency through third parties as we have ourselves, we would be very happy to help you with.

Senator BLUMENTHAL. Thank you.

Mr. LAUGHTER. Senator, I would add that we are also pro-consumer and look forward to adding to things—

Senator BLUMENTHAL. You are pro-consumer and pro-competition—

Mr. LAUGHTER. Pro-consumer and pro competition and look forward to continuing things like eliminating change fees. We have made very public our ambition to make Wi-Fi free for all on Delta, and we are working toward that goal, and we would certainly want to work with you and talk to you further about this.

Senator BLUMENTHAL. Ms. Nelson, I would ask you this question, but I just want to preface by saying, first of all, I really appreciate your strong support for the PSP. I am very proud to have worked with you on it. I think the flight attendants, in fact, are the unsung heroes of this pandemic, literally.

Every time I get on a plane, I thank the flight attendants and I thank the pilots because they have been on duty working at the forefront, and I hope that they will be supported by a bill of rights as well.

Ms. NELSON. They will, and we are very happy that we can talk about these things because of the PSP. You made it possible for us to continue to talk about how we can improve the industry as opposed to going into a long, dire cost-cutting scenario like we did after 9/11. So thank you very much.

Senator BLUMENTHAL. Thank you. I will just close by saying I am proud to have supported that \$54 billion. I tried to help lead the effort, but I think it creates a trust on your part that you will be forthcoming, and I hope you will work on a bill of rights.

And I hope, also I will just ask this question for the record, would you tell me how much in your estimate you owe in refunds for canceled flights during this period? Obviously, my colleague, Senator Markey and I have written to you about this question. He mentioned \$20 billion in total. I would like to know what amount, if any, you owe for those canceled flights during that period.

The CHAIRWOMAN. Thank you. Thank you. Senator Cruz.



**STATEMENT OF HON. TED CRUZ,  
U.S. SENATOR FROM TEXAS**

Senator CRUZ. Thank you, Madam Chair. Welcome to each of the witnesses. As a number of Senators have observed last year, what Congress did with regard to the aviation industry was critical, and it was unprecedented. We allocated over \$54 billion to keep the American aviation industry strong and healthy.

I was the Chairman of the Aviation Subcommittee at the time. Each of the CEOs on this panel and Ms. Nelson, I have spoken to all of you many times. Each of you went on a great length making the case that maintaining our pilots, maintaining our flight attendants, maintaining our personnel in aviation was critically important.

We fast forward to where we are today, and we find ourselves in a different circumstance. And the behavior of airlines has not been uniform. I am proud to say the two airlines based in Texas, Mr. Kelly's airline and Mr. Parker's airline, I think have been exemplary, particularly concerning vaccine mandates.

Both of you have made public commitments that you will not be firing your employees because of failure to comply with the vaccine mandates, and I thank you for that. Mr. Bastian has likewise made that commitment at Delta. The outlier here is United. And Mr. Kirby, United's behavior on this issue, I have to say, has been deeply disturbing. I am a frequent customer of United. I live in Houston. I have got over a million miles on United.

There are over 14,000 United employees in the state of Texas, and the way United has treated its employees is in marked contrast to your competitors sitting here. Your competitors have said they will stand with their employees. United has not made that same commitment.

How many pilots has United fired because of failure to comply with the vaccine mandate?

Mr. KIRBY. Well, Senator, I am happy to talk to all about the rationale for why we did it. We did it for safety.

Senator CRUZ. I have a limited time, so my question is how many pilots have you fired?

Mr. KIRBY. I believe it is 6 out of 13,000.

Senator CRUZ. And how many pilots have you placed on unpaid leave?

Mr. KIRBY. I think it is about 80.

Senator CRUZ. OK. How many flight attendants have you fired?

Mr. KIRBY. I don't know the number. In total, it is about 200 employees.

Senator CRUZ. Well, I will tell you, I spoke this morning to the Airline Employees for Health Freedom that said they had over 2,000 United employees who had been placed on unpaid leave because they sought exemptions from the vaccine mandate.

They said that included 331 pilots.

I will also note that I have been literally inundated with United employees complaining about United's callous disregard for the rights of the pilots. One of the messages was for a pilot who flew for United for more than two decades, who applied for and received an exemption from your vaccine mandate on religious grounds and was subsequently placed on leave with no pay and no benefits, including no medical insurance.

Now his wife, who relies on her husband's insurance, has had to postpone a necessary surgery with no idea when she will be able to reschedule because she has no idea when her husband would be able to fly again. And you are simultaneously enforcing a non-compete so this pilot can't even go work for your competitors.

Another message I received from another pilot, a constituent self-described proud Texan, flew for the Air Force for almost three decades, including missions in Asia, now finds himself on indefinite unpaid leave with a denial of all benefits to include medical, dental, vision insurance, disability travel privileges, crew member access to jump seat, denied access to his retirement savings.

This morning I spoke with a 10 year flight attendant for United.

A woman name is Adriana Ubali, who is a single mom, a Hispanic single mom from Texas who you fired. She received her termination notice tied in a trash can to her front gate.

I have a letter here, Madam Chairman, from Ms. Ubali describing the disgraceful treatment she received at the hands of United. I ask unanimous consent this record to be entered—this letter be entered into the record.

The CHAIRWOMAN. Without objection.

[The information referred to was unavailable at time of printing.]

Senator CRUZ. Just recently, you are being sued by your employees for mistreating them, for violating their terms of employment. Just recently, the Fifth Circuit Court of Appeals Judge James Ho, someone I know very well, an exemplary jurist, wrote an opinion in which she described the likelihood of your employee succeeding on the merits as the claims against you quote, "appear compelling and convincing at this stage."

And I want to read what Judge Ho wrote about United: "Title VII forbids employers from retaliating against employees who attempt to exercise their statutory rights." Yet United CEO Scott Kirby told employees in a company town hall meeting that quote, "very few religious exemptions to the vaccine mandate would be granted" and that anyone who even attempted to request one would be quote, "putting their job on the line." I saw that video and it is a disturbing video.

He went on to note, this is again Judge Ho writing, "the District Court thus concluded that United's mandate reflects an apathy, if not antipathy, for many of its employees concerns and a dearth of toleration for those expressing a diversity of thought through both its policy and its official statements to employees." United has demonstrated a "callous approach to and apparent disdain for people of faith."

Why is United's conduct disregarding the rights of your employees so different from the conduct of your competitor airlines, which are protecting the rights of their pilots and flight attendants and not firing them or putting them on unpaid leave for exercising their religious liberty rights?

Mr. KIRBY. Well, Senator Cruz, again, we did this for safety. We believe it saved lives. I think that is my number one obligation is safety, particularly running an airline.

Senator CRUZ. You have an obligation to your customers?

Mr. KIRBY. My number one obligation is safety, including to our customers—

Senator CRUZ. Are your competitors unsafe?

Mr. KIRBY. I think that the world is safer for us. I made the decision for United. I will let my competitor speak for themselves. I made the decision for United that getting everyone vaccinated would save lives and—

Senator CRUZ. Mr. Kirby, I will tell you—my time has expired, but I will tell you this. I fly United, I fly almost every week. Almost without exception, when I am on one of your flights, I get stopped by a pilot or a flight attendant, often multiple pilots or multiple flight attendants who say thank you for fighting for us. Your employees are being mistreated and it is disappointing. Your company is better than this and what you are doing is wrong.

The CHAIRWOMAN. Senator Peters.

**STATEMENT OF HON. GARY PETERS,  
U.S. SENATOR FROM MICHIGAN**

Senator PETERS. Thank you, Madam Chair. And thank you for all of you for being here today. Before I ask my questions, I just hope everybody in this country actually gets a vaccine. I am absolutely tired of this pandemic. I am tired of what we are dealing with. We have a tool that works. It is safe, it is effective.

And if people take a vaccine, we can get through this. No one has a right to spread a disease around and get other people sick. Get a vaccine. Please, let's focus on that. But anyway, let me get back to my questions here. Mr. Laughter, clearly, it is essential that the economy can provide good paying jobs for everybody who wants one.

The aviation industry offers an awful lot of really great opportunities for folks to earn a good living, support their families, and oftentimes they don't need a college degree in order to get these great jobs. And we have to make sure that future generations are able to take advantage of those opportunities that are out there. I understand that Delta is pursuing a skills first hiring approach that is based on candidates not having or not based rather on folks having a 4-year degree.

Could you tell this committee more about the Delta program and how we can open up even more careers in the aviation industry, perhaps providing skills training? And fact, in the Build Back Better plan, there are significant investments in skills training. I understand their jobs that are available for people.

We need to fill those jobs, but some specific skills training is absolutely critical. Clearly, you are leaning into that. If you could tell the Committee how we could be of help would be great?

Mr. LAUGHTER. Well, Senator, thank you for that opportunity to talk about jobs, opening the aperture, and creating more and more opportunity at Delta across many different parts of the company.

You know, the place that is easiest to talk about is what we are doing with our own internal pilot program, it is called Propel, and it is specifically driven to allow not only internal candidates to express—internal non-pilot candidates to express desire to learn to fly and to be part of our pilot group. And along with that comes various guidance and mentoring and direction into different programs, but it also partners with colleges and universities across the country.

And its goal is again to open the aperture and to make aviation, particularly technical careers, more available to others. We have recently changed as many of our jobs as we could from college degree required to preferred, and that in and of itself removes a hurdle for many people. So lots of different opportunities to do that across the system.

Senator PETERS. Well, that is great. We would love to work with you as we try to expand that throughout a variety of industries as well to create opportunities for people. Mr. Parker, in your written testimony, you noted that airfares have declined to the lowest level since the late 1990s, which is certainly an example of prices dropping and enhancing value for your customers.

And as we think back what this, what we had to do in order to keep the aviation industry going during the pandemic with the Payroll Support Program. Clearly, I would think without that program, it would have been devastating to the industry and probably would have perhaps led to further consolidations in industry, less competition, and perhaps even rising prices.

Could you talk a little bit about how important that program was, and did it indeed help keep prices down for consumers?

Mr. PARKER. Absolutely. Thanks for asking. As I stated in my written testimony, while there was a lot of support for the airline business right at the start of the pandemic, there was a suggestion that perhaps we should just get it in loans. And as we wrote in our testimony, had that happened, we would—obviously we would have taken it as companies. But the right thing for us to do when given loans is to make sure we are doing everything we can to be sure to repay those loans.

With no demand, I can't speak for everyone, but I am certain most all of us would have shut down our airlines, furloughed everyone, waited for demand to return. As it turns out, that was probably going to be after the vaccines came out in early 2021, before we started flying again. It would have been cataclysmic to employment. It would have been cataclysmic to our companies.

I don't know how long we could have survived just spending nothing and producing no revenues. But there would have been obviously a huge problem for the country as well. Because instead PSP was used as the program instead of loans, because we were paid to pay our people, because we made commitments to continue service to every market, we made commitments to not furlough, to not voluntarily separate anyone, we kept the airlines flying, and as demand has returned, we are here.

So unlike other businesses where you see inflation, that are not able to actually meet demand, so prices rise, we are actually—we have more supply than there is demand still, and as a result, certainly for, you know, without business customers, et cetera, what you are seeing is prices falling and it is—anyway, it has had that effect.

Prices are absolutely down. I don't know where they would be if we were flying an airline industry still without PSP, but with certainty, because we have it, fares are much lower than they would have been otherwise.

Senator PETERS. Well, that is great to hear, and our focus has to be to continue to help American families keep costs down, reduce

their costs. And just one final question related to Mr. Kirby. Earlier in the hearing, you mentioned that airports' financial health has ramifications for air carriers and the cost of airfares.

As all of you know, we passed a significant infrastructure package that will make investments in our airports. Could you comment as to how those investments will also impact hopefully the cost to—lower costs to consumers going forward and why we need to make those investments to lower costs?

Mr. KIRBY. Well, thank you and thank you for the bipartisan effort to pass the infrastructure bill. It is really important to the whole country, not just aviation, to the whole country, and our competitiveness around the world. But as you know, many of our airports have not had significant investments. We haven't built new airports.

I think Denver is the last big new airport that we built 20 something years ago in this country. We are not going to start building new airports, but we need to update the infrastructure at those airports. You fly, you know, here in Washington, you go out to Dulles, there is a temporary terminal that was built to be temporary 30 something years ago.

And that is not the right thing for our economic competitiveness for our status as a nation. So we are excited to have these investments in airports like Dallas or Chicago, O'Hare, and lots of others as a way to modernize and improve the system.

Senator PETERS. Well, thank you. I appreciate that list of airports. Include Detroit next time.

[Laughter.]

Senator PETERS. Thank you very much. Thank you, Madam Chair.

The CHAIRWOMAN. Senator Young. Hold on, Senator Young. I don't know that we have your audio. Try again.

**STATEMENT OF HON. TODD YOUNG,  
U.S. SENATOR FROM INDIANA**

Senator YOUNG. Can you hear me?

The CHAIRWOMAN. Yes.

Senator YOUNG. Can you see we can see me?

The CHAIRWOMAN. We can see you and hear you.

Senator YOUNG. Fantastic. My apologies. So gentlemen, I will begin with a 5G aviation issue. Indiana was an early adopter of 5G, and new next generation wireless services will result in significant benefits for my state. We need to make sure that any event or claim that will slow the deployment of 5G is based in sound science and facts.

We have countries around the globe that are using the same spectrum as the C-band for 5G, and we aren't seeing any issues with aviation. We need to reconcile the aviation concerns contained in a single study with what is actually happening on the ground in the real world.

So I ask each of our four airline executives to kindly answer me yes or no to this response. If you can't answer yes or no, we will have to follow up later. But it is my hope you will answer yes or no. Mr. Kelly, will you commit to work to resolve the issue that I have just discussed as quickly as possible, yes or no?

Mr. KELLY. Yes. And again, this is an issue that was raised by the FAA——

Senator YOUNG. Thank you, sir. Mr. Kirby, will you commit to resolve this issue as quickly as possible? Yes or no, sir?

Mr. KIRBY. Senator, this is the biggest and most damaging potential issue facing us. We want nothing more than to work to a solution.

Senator YOUNG. Yes. Alright. I will take that as a yes. Thank you. Mr. Parker, yes or no? You have heard the question?

Mr. PARKER. Yes. With the emphasis on the fact that, please, Senator, that it doesn't result in constraining air travel.

Senator YOUNG. We will discuss later. Mr. Laughter, yes or no?

Mr. LAUGHTER. Senator, yes. I would say, as Mr. Kirby said, the biggest issue facing us right now. We need to work together to resolve this.

Senator YOUNG. Excellent. Thank you so much, gentlemen. Turning to the Payroll Support Program. As many of us know, in April 2020, passenger traffic for U.S. airlines plummeted over 95 percent compared to the prior year. That is quite the spiral. At that time, we had no idea what the pandemic had in store for us, and over the next year and a half, we took the action we needed to in short order, in a bipartisan fashion to help the U.S. airline industry employees keep their jobs.

Payroll Support Program, or PSP, was what we pulled together to solve this unprecedented situation and ensure our airline employees stayed on the payroll and to ensure the airlines that are a central piece of our transportation system were able to stay above water and make it through this devastating situation.

We are sitting here in December 2021, coming off a period of highly successful Thanksgiving air travel. And I think it is safe to say the PSP was a very effective response to this unprecedented crisis. The program helped the U.S. airline employees get through the toughest months and years in the industry's history. We are seeing those dividends pay off.

As Americans choose to return to normal life and travel for business and personal reasons, they are going to find U.S. airlines and airline employees there to help them get from A to B.

Can each of you discuss, in summary fashion, PSP's impact on your respective airline, and how the overall industry would be different today if this program had not been established?

Mr. PARKER. Sure. Senator, Doug Parker. First off, thank you for your support, your bipartisan—your help in creating bipartisan support was integral to getting it done. Without it, I do—I don't know what would have happened to our industry.

It would have been cataclysmic. We wouldn't be flying nearly what we are flying today. I think we wouldn't have been flying hardly any—very much at all during 2020. And you saved a business industry, and I think it made an enormous impact on our ability to keep this economy moving, so thank you.

Senator YOUNG. Thank you, sir.

Mr. KELLY. Senator, just to add my thanks as well. And yes, the PSP did what it was designed to do. It preserved jobs, and those jobs enabled us to continue serving our customers and our communities. Demand is now back, and we are in a position where we can

take people where they want to go. So it has been a huge success, and again, very, very grateful for your support.

Senator YOUNG. Thank you.

Mr. KIRBY. Senator, it was enormously successful and thank you and thank you to everyone on a bipartisan basis that supported it. The industry wouldn't, not only—we wouldn't exist, anything like it does today, had this not happened. And it is not just about the industry, it is about all the millions of jobs that we support that are dependent on connectivity and aviation and getting people from point A to B. And so this was not only about saving the aviation industry, it was about saving an industry that is a critical cog of the U.S. and the global economy.

Mr. LAUGHTER. And Senator, I will add my thanks to the Congress in the U.S. taxpayer for making sure that we were able to preserve tens of thousands of jobs and make sure that we are in a position to recover in the airline industry and keep things moving as the economy recovers.

Senator YOUNG. Thank you, gentlemen. Chairman.

The CHAIRWOMAN. Thank you. Senator Sinema. Is Senator Sinema available? Senator Scott.

**STATEMENT OF HON. RICK SCOTT,  
U.S. SENATOR FROM FLORIDA**

Senator SCOTT. Thank you, Chair Cantwell, and thank you for holding this hearing. I would like to start with Mr. Kirby. I want to follow up with what Senator Cruz brought up. Do you respect your employees' religious beliefs?

Mr. KIRBY. Absolutely.

Senator SCOTT. You think it is, do—so here is what I am hearing. I am hearing the same thing in Florida. You have got a lot of people that work for your company many, many years, and they have been placed on unpaid leave after being granted a religious exemption to the vaccine mandate.

Title VII of the Civil Rights Act prohibits employment discrimination based on religion, yet your companies place employees who declined to receive the COVID vaccine based on their sincerely held religious beliefs on unpaid leave. So, number one, if you respect their religious beliefs, how can you just put somebody out of work?

On top of that, do you believe you are currently in compliance with Title VII of the Civil Rights Act?

Mr. KIRBY. So first, Senator, I think it is important to explain our policy, actually, which is we have offered everyone an accommodation where they can still work in an area where they are not interacting with customers and people frequently. So for many—we have had about 2,000 employees that have either a medical or religious exemption.

The majority of those are working in positions like agent on demand, where they work virtually, on the ramp, where they are outside and don't work with other customers. And we are letting people do that. They have to test and there is a bunch of strict requirements around testing. So we are doing that.

The exception to that is in places where they are with other employees, and they are with customers. So customer facing roles. Other biggest area are pilots and flight attendants, and we will let

them take one of the other jobs. But if they want to be pilots or flight attendants, and the flip side of this equation is safety is our number one priority. We absolutely respect their religious rights, but safety is our number one priority.

And if you are going to be sitting in a cockpit with someone, and not just in the cockpit, if you are going to spend 4 days with that person traveling to and from the crew bus at night and having breakfast with them and dinner with them, the safety of the employees that they work with also comes to bear and comes to mind.

And so that is the reason. And we look forward to the day when the COVID pandemic is enough in the rearview mirror that everyone can return to work vaccinated or unvaccinated. But until they can do that safely and safely, for all the employees, that is the accommodation that they have—they can't work in those customer facing jobs like pilots or flight attendants, and that we absolutely are compliant with all the legal requirements.

Senator SCOTT. So why couldn't you just make them test every day? I mean, other companies are doing this. I mean, you are not the only company doing this. It is not just the airline industry. I mean, you can buy, you know, tests pretty cheaply now.

Mr. KIRBY. Yes, Senator. It is not about expense. It really is about safety. And you know, aviation has a history of being, I would say, two standard deviations better on safety than any other industry. And at United, that is core to our DNA, and we just don't compromise on safety.

When we had an issue with our 777, 52 widebody airplanes with an engine issue, we voluntarily grounded the entire fleet. I mean, that is a massively expensive decision to make, but we did it for safety because it is the right thing to do. And that is our, not just our North Star, it is the only star that guides us on our vaccine policies is about safety.

And there is—testing is good, but it is not as good as someone being vaccinated because you have a point in time, even if you even if you are testing every day, where you can infect someone else before you show up positive. And these are people that were with each other literally for days in a row.

And because we don't compromise on safety, those—we have done everything we can to find opportunities for them, but those kinds of places where they have to be around other customers and each other for multiple days, we are not allowing that because of safety.

Senator SCOTT. Have you ever lost your job?

Mr. KIRBY. I have.

Senator SCOTT. And how did it feel?

Mr. KIRBY. I was really angry.

Senator SCOTT. All of us up here, we are fiduciary to the taxpayer. We gave your industry \$54 billion, and we didn't do it for every industry. There are a lot of small businesses that didn't get a dime. And you guys did. You got a lot of money.

So, can each of you tell us, are we going to get a return? Are the taxpayers of this country, when you think about you guys all entered into an agreement with the U.S. Treasury. Are we going to make money of this investment because we are a fiduciary, that is our job?



Mr. KIRBY. I guess I will start since I am on the mic. I think the country is already getting the return. The return is less a financial return of buying a stock and having it go up. The return is about what we do for the U.S. economy, what we did for humanitarian relief efforts carrying hundreds of millions of vaccines, supporting relief efforts at the beginning of the pandemic, bringing 13,000 refugees home from Afghanistan, repatriating 18,000 Americans that got stranded overseas. The return is what we do for the economy.

Senator SCOTT. Did you get paid for that, those flights?

Mr. KIRBY. Some of those we did. But many of them—most of those flew, especially the, you know, repatriation flights and things flew at losses because there weren't enough passengers.

A lot of those were just commercial airline passengers, and we have lost—it is hard to add up billions of dollars in the last year and a half doing those kinds of things. But what you did was allowed us to keep flying and keeping those airlines alive. We weren't making money on them. But the support that we got from Congress, and thank you for it, allowed us to keep those bridges intact and we could do it because you were helping fund it.

Senator SCOTT. Mr. Parker.

Mr. PARKER. Yes, and I would just remind you that the \$54 billion was 30 percent in loans, so that is being—that will be repaid.

The reason is 30 percent of loans because it was an analysis done by the Treasury Department at the time that said 70 percent of what was given to us could be directly saved in a combination of reduction in unemployment, reduction in Medicare, et cetera, and plus what the U.S. Government would have to spend to actually move people around.

So I feel, I would welcome a post audit of this. I think the U.S. Government has done extremely well. I am proud of that. We owe that to the taxpayers. But I would encourage the Committee to ask for a post audit of that. I think you will be very pleased with the results.

The CHAIRWOMAN. Thank you—Senator Rosen. Senator Rosen.

**STATEMENT OF HON. JACKY ROSEN,  
U.S. SENATOR FROM NEVADA**

Senator ROSEN. Thank you, Chair Cantwell, Ranking Member Wicker, if you are there. I can't see anyone on the camera today, so thanking you both, but we really thank you for holding this important oversight hearing of the U.S. airline industry. I appreciate all the witnesses for being here today. As Chair of this committee, Subcommittee for Tourism, Trade, and Export Promotion, I have worked to find bipartisan pathways and solutions to bring travel and the travel and tourism industry back to its pre-pandemic prosperity.

I have been especially proud of the collaborative work this committee has done to help workers in those industries. And before I get to my questions and since we are on the topic of air travel, I want to recognize yesterday's renaming of the Las Vegas airport, which I am now so proud to be able to call the Harry Reid International Airport.

It is one of the busiest airports in the world. It is a gateway to Nevada's tourism economy. It is a wonderful way to honor, mentor

and friend, a former Senate Majority Leader, Harry Reid. But I would like to really talk about how the airlines are going to prepare to meet the increasing demand for air travel, which I am glad to say is coming back. So in July of this year, Reno Tahoe Airport, the second largest airport in Nevada, faces a severe shortage of jet fuel available for aircraft flying out of the airport.

This was potentially catastrophic. It is an issue that could have adversely impacted tens of thousands of travelers coming to and from Nevada, and we risk delays in vital cargo coming to our state—since learning that jet fuel shipments are based on travel trends from the previous year to decide how much jet fuel and space they need to purchase in order to meet the current demand.

The 2020 demand was artificially low as we dealt with the unpredictability of a global pandemic, and we all know that air travel was completely halted in some instances. As such, the data and air travel trends for 2020 is not a reliable gauge for predicting air travel in 2021 or the jet fuel that will actually be necessary to meet these increasing demands. Fortunately, my office, in partnership with the airport in the impacted airlines, we did work together to manage the situation.

However, I believe we have to be better prepared and to face a similar situations going forward if we are trying to base anything on those 2020 numbers. Normally, you can rely on a past year's data, but in this case we might be better to rely on 2019 data versus 2020. So to the airline representatives today, could each of you please briefly discuss what your airlines are doing to ensure you have sufficient jet supply fuel to meet demand for travel in 2022, which may very well significantly increase or exceed the travel in 2021?

And can you discuss a little bit about how you make predictions for future air travel demand generally now, given the 2020 was a statistical anomaly? So Mr. Kelly, we can start with you and go on to Mr. Parker, Mr. Kirby, and then Mr. Laughter, please.

Mr. KELLY. Thank you, Senator, and great to see you. And we very much appreciate your help last summer. That was definitely a very stressful situation. Well, I think, first of all, we appreciate your help and working with the FERC to try to address what is obviously a deficiency in the way the pipeline and allocations are performed.

So that may require a legislative fix, quite frankly, so we will need to continue to work on that. But all of us do predictions of future traffic. We produce schedules. Our schedule is published out through June the 4th, as an example, in 2022, so we know by location how many flights we will have, what kind of fuel requirements we have. We have a team of people that goes out and procures the necessary quantities by location.

Not all airports have pipeline access. And in that regard, trucks are the primary means of bringing fuel in. And then we also work on storage needs, as far as jet fuel goes, on an airport by airport basis. We have talked this afternoon about personnel shortages across the country in various sectors, and we all read about truck driver shortages. So it is definitely something that is a concern.

We factor those kinds of constraints into our planning and try to make sure that we don't commit to fly more than what we can sup-

ply. Over a long period of time, I am concerned about the pipeline capacity for this country. It is not growing and yet the country is growing, so we clearly will need jet fuel supplies to meet our needs to grow in the future. We will need distribution of capabilities to meet those needs as well.

Senator ROSEN. Thank you. I appreciate it. Madam Chair, I see my time is up, so for the remaining, Mr. Parker, Mr. Kirby, Mr. Laughter, I will appreciate an answer to this in writing so that we can be sure that we help you do whatever we can to meet the needs, future travel needs for everybody across this Nation. Thank you.

The CHAIRWOMAN. Thank you, Senator Rosen. Let's try Senator Sinema. See if this works this time.

**STATEMENT OF HON. KYRSTEN SINEMA,  
U.S. SENATOR FROM ARIZONA**

Senator SINEMA. Hello—Chair and thank you to our witnesses for joining us today. Can you hear me, Chairwoman?

The CHAIRWOMAN. Yes, we can.

Senator SINEMA. Thank you. As the coronavirus pandemic threatens aviation jobs across the country, Congress's bipartisan effort to pass the PSP saved aviation jobs and ensured that essential travel continued during the pandemic.

So the PSP, which was first created under the CARES Act in March 2020, provided vital financial assistance to our domestic airline industry and prevented massive layoffs throughout the aviation sector. The PSP program was an example of Congress working in a bipartisan way to ensure tens of thousands of aviation employees would keep receiving their paychecks, and that American travelers would have air service available when they were ready to return to travel.

So I appreciate that you are holding this hearing to review the PSP program and to ensure that the recipients of Federal assistance met the program's requirements to maintain their payrolls and use Federal funds efficiently and effectively. So my first question is for Mr. Parker and Mr. Kelly, your airlines, American and Southwest, are the two largest carriers in Arizona's largest airport, Phoenix Sky Harbor?

So, Mr. Parker, you can go first. Please describe the impact of the PSP program on American Airlines stopping in Arizona and flight options for Arizona traveler.

Mr. PARKER. Thank you, Senator, and thank you for your help in getting us to this point. It is impossible to understate how important PSP was to air travel and to what we would have ended up having for the people of Arizona.

Our hub in Phoenix would have almost certainly, without PSP, with a loan program as a PSP program, back in May, April, May 2020, we would likely would have shut the hub down completely, and Arizona wouldn't have air service, or at least for American Airlines, as we did everything we could to save money in a time of no demand. And I don't know when it would have started back up.

They would have likely been, as things have played out, it will likely been not until the vaccine a year later. So again, it is impos-

sible to overstate the impact it had. And thank you again for all you did to help get us here.

Mr. KELLY. Senator, I am not sure I can improve upon what Mr. Parker just said. So it definitely put us in a position of strength. And I am very grateful for all your leadership and support. And obviously, you know, taking care of our people is a top priority. So again, thank you very much.

Senator SINEMA. Well, thank you. You know, my next question is for Mr. Kirby. Earlier this month, United opened the United Aviate Academy, a State of the art pilot training center at Phoenix with your airport. How will this training center bring economic opportunity to Goodyear and provide flight training opportunities for individuals from communities that have been traditionally under-represented in the cockpit?

Mr. KIRBY. Well, thank you, Senator. And we have talked a lot today in this hearing about the need to create a new pipeline for training pilots. And so we are excited to have—to be the first U.S. airline to have our own training academy for pilots there in Arizona.

And what we are going to do—our first class started this week of 30 students. None of them had flight experience before today, and they will get training, and they will get the opportunity to have training that is very similar to what military training is, where they will fly aerobatics and they will learn much, they will fly in crowded airspace. They will have a very robust training program.

That group of people is 79 percent people of color. Today at United Airlines—or women and people of color. Today, at United Airlines, only 19 percent of our pilots are women or people of color, and to the best of my knowledge, we have the highest level of any airline in the country. That is because there have been historical barriers to entry for women and people of color. There just aren't pilots—as many pilots out there.

So we are going to create and be able to start training the next generation of pilots. We are going to be able to train them better. But we are also going to be able to have a diverse group of people and we expect to be putting 500 new pilots through that facility every year. We are excited about it.

I hope it can become a template for other—for the rest of aviation, but also for other jobs around the economy to create training programs where people can get careers and have careers, you know, which helps rebuild the middle class in this country.

Senator SINEMA. Thank you. You know, my last question will be for Mr. Parker. In November, the CDC instituted new measures to allow for more international travel, and the CDC measures require airlines to keep passenger data for the purpose of contact tracing, which can be shared with public health officials if necessary.

What are your thoughts in the current process for data collection and contact tracing and are there changes to those requirements that we should consider?

Mr. PARKER. Thanks, Senator. We are happy to comply. Again, if it is helpful to the CDC, we are happy to collect the data and we have been doing so. I don't know that we have any rec-

ommendations for more. We collect what we are asked to collect, and we will continue to do so.

The CHAIRWOMAN. Thank you, Senator Sinema. Is Senator Lummis available? I don't know if she has joined us remotely. If not, we will go to Senator Luján.

**STATEMENT OF HON. BEN RAY LUJÁN,  
U.S. SENATOR FROM NEW MEXICO**

Senator LUJÁN. Thank you, Chair Cantwell and Ranking Member Wicker for holding this hearing today and thank you to our panel of witnesses for joining us. Like most places across America, air travel is vital to New Mexico. It is a key component of our transportation system, whether it is keeping families connected, tourism that drives our economy—we have seen an increase with film production in our state. Netflix, NBC Universal recently opened up some studios, acquired the largest soundstages.

New Mexico is seeing an upswing with a growing economy as well. And as we have seen a return to better numbers since the pandemic first really took a hit to the airline industry, seeing these numbers grow back to 82 percent of what pre-pandemic levels were for Thanksgiving and 87 percent now in anticipation with growth going into the end of this year and into next year is where my question begins.

I voted to fund the Payroll Support Program with the understanding that supporting airline travel would help my constituents stay connected to the world and bolster tourism and economic opportunities back home.

So my question for each and each of you is just yes or no. Compared to pre-pandemic levels, has your airline fully restored service schedules for your flight routes to and from New Mexico? Mr. Parker.

Mr. PARKER. We have. We serve Santa Fe, Albuquerque, and Roswell. We paired back some routes during the pandemic. We have restored all of them. We have actually recently added a route from Santa Fe to LAX.

Senator LUJÁN. And Mr. Kirby?

Mr. KIRBY. We also serve three airports. We did and continue to serve Albuquerque, Santa Fe, and Hobs.

Senator LUJÁN. And Mr. Laughter.

Mr. LAUGHTER. Thank you, Senator. I believe that we have restored all service, but I will verify that.

Senator LUJÁN. And Mr. Kelly.

Mr. KELLY. We are your number one airline in Albuquerque, so I was afraid you were going to skip me. We have not restored our flight activity across our system, so we are not back where we were.

We have increasing flights coming in Albuquerque this month and then again in May, and we hope to have our entire system fully restored, hopefully by early 2023, which would include Albuquerque as well. One route in particular—

Senator LUJÁN. Early 2023?

Mr. KELLY. It will take us that long. Absolutely.

Senator LUJÁN. Are there other states in the same situation as New Mexico?

Mr. KELLY. It is across our system. Yes, there is no airline that is back to pre-pandemic flight activity yet.

Senator LUJÁN. You are the only one on here that is not back to pre-pandemic levels for New Mexico. And as you said, you are one of the most important airlines that we have. You are my preferred airline, by the way, Mr. Kelly, when I would fly to and from our Nation's capital. I can't do that anymore because those flights take you through Houston and through other areas, and it is a longer journey.

The reason that I am asking this particular question, I know what many of our colleagues have asked it, is when entrepreneurs are looking to make investments or to move around, they do it based on direct hops. The fewer direct hops that we have, and especially with a flight that is as affordable, with staff as great as you have on Southwest Airlines, it stifles what is happening at home.

And so I am certainly going to advocate as a member of the Commerce committee, as a newly elected United State Senator with the power of the vote that I have, with how I can fight for my constituents.

And so I look forward to following up on with that conversation. The other line of questioning that I have, and I don't know if it has come up today, but it has resulted from members in the past, is about bag storage or just bag transparency. I was surprised to see that there is no consistency with the size of bags that you can carry on or policies that the airlines follows.

Southwest and Spirit follow the recommendations of your trade association, IATA, and have a carry-on bag limit of 50 total inches. Delta United and American 45 inches. So should passengers be required to purchase different check on bags depending on which airline they are going to fly?

I don't understand that. And then there are the fees. So every airline charges a different amount to check your bag at the gate. And whether or not you have to pay depends on the gate agent often. It is still not consistent with flight to flight on the same airline.

So the question that I have here, and I will get through this quickly Chair Cantwell, Mr. Parker, yes or no, do you believe customers deserve consistent and transparent luggage policies during air travel?

Mr. PARKER. Yes, certainly across any individual airline we all have—we may have different policies, but across any individual airline, yes, and we try to give our customers—

Senator LUJÁN. In individual airline, but not across domestic flights as a whole?

Mr. PARKER. We don't all have the same policies. Now, we have different aircraft that can hold different—the ability to hold different capacity inside. We are actually quite proud of American of how we have transitioning all our airplanes to much larger overheads that will allow all of our customers to bring on a roller aboard the aircraft. So as things like that roll out, we end up with different policies depending on what type of aircraft we fly.

Senator LUJÁN. Mr. Kelly.

Mr. KELLY. Well, we don't charge for bags, so there is no at the gate issue with us. Sounds like we have got the biggest bag, so I think we are in good shape on this one.

Senator LUJÁN. So you think that there should be consistency across the airlines?

Mr. KELLY. No, I agree with Doug. I think airplane sizes are different and overhead bins are different. We actually have the choice on our aircraft to have different bins ourselves. So, I think that is an individual airline choice and a matter of competitiveness.

Senator LUJÁN. Mr. Kirby.

Mr. KIRBY. We are also investing in larger overhead bins, so a full airplane, everyone can—every single customer can bring a roller board on board. And I think we should be internally consistent on how we behave and our message to consumers. But I am not sure that we all—I don't think we should all have to have the same policies.

Senator LUJÁN. Mr. Laughter.

Mr. LAUGHTER. I would just echo what has been said and say that, you know, we look forward to further conversation on that subject.

Senator LUJÁN. And Chair Cantwell, I look forward to diving into this more. It is just, Senator Menendez brought this back up in 2015, and I think most recently, and other Senators have raised this. It is inconvenient for constituents, for people that are flying across the country.

Policies change depending on when you are at the gate, and most backpacks that you might carry as a carry on, they don't even fit in that little deal that you check your bags in, by the way, and it is fun to watch who's asked to put their bag in there and who is not.

Just consistency and transparency makes a difference as people are flying so I look forward to following up. Thanks again, Madam Chair.

The CHAIRWOMAN. Thank you. And Senator Luján, is this a deal we issue in Albuquerque?

Senator LUJÁN. No, we have gates—all of you are welcome to take up more gates and get more direct flights there.

The CHAIRWOMAN. No, no, I meant. So in effects, DOE—national lab travel to the United—to here. I mean, I am just pointing out that you are saying that is hindered.

Senator LUJÁN. Oh, most certainly. So when you look at Sandia National Labs, Los Alamos National Labs, Air Force Research Labs, all connected national security apparatus as well. And it does make a difference. And as I said that the most direct flight is at the same time, just isn't available any longer. And that is for all constituents—

The CHAIRWOMAN. Maybe, maybe—

Senator LUJÁN [continuing]. Not just one city.

The CHAIRWOMAN. Yes, maybe that is some information we could, you know, make available. But I would imagine that DOE traffic—and those two labs are the largest, one of the largest employers of your State, right?

Senator LUJÁN. Most certainly.

The CHAIRWOMAN. And we want that—we want that fast access back and forth, but we will get some data to the people and ensure that. I don't know if Senator Duckworth is joining us remotely. If there is anybody else who is joining us remotely. Senator Blumenthal, did you have another round that you—

Senator BLUMENTHAL. I have just a few more questions following up on my colleague's question. Does it cost money, Mr. Kelly, for you to allow passengers to come on your planes without charge?

Mr. KELLY. I am sorry—

Senator BLUMENTHAL. Does it cost money for passengers to bring bags on your plane, and do you—in other words, is there a cost to you of not charging?

Mr. KELLY. Is there a cost to us of not charging him?

Senator BLUMENTHAL. I can't imagine what it would—

Mr. KELLY. Well, there is. There is effort involved, obviously, for us to check a bag. There is weight involved when a customer brings a bag into the cabin. But other than just the added weight and their added fuel burn, no, there is no effort on the airline's part. Like we have all said, we invest in overhead bins and there is wear and tear on those. So there is some—there is an—

Senator BLUMENTHAL. Have you calculated the costs, what you are sacrificing?

Mr. KELLY. No. No, I—

Senator BLUMENTHAL. Mr. Parker, have you calculated the costs of either checking or bringing bags on board, carrying bags on board?

Mr. PARKER. Let me—if I don't answer this properly, I am sure you will let me know, but what I think you are asking is, is there a cost to actually—for a customer to check a bag, which we do charge a fee for.

Senator BLUMENTHAL. What is the cost?

Mr. PARKER. There is. Oh well, sir, the cost is everything you see that is required to get that bag out of that customer's hand and deliver it back to them on the carousel. Those are lots of people. Those are bag belts. Those are infrastructure—indeed in today's world—

Senator BLUMENTHAL. But have you calculated—I can understand in principle that there is someone at the check-in counter, there is someone down next to the plane, there are various people along the line, but what is the total cost?

Mr. PARKER. And it is much more than that, real estate. In today's world where customers don't need—we have airports that were built for people to check in at the airport. Very few people do that anymore. The only reason most people are checking in outside of security, is because they have to check a bag. We wouldn't need that space in airports, but for those customers that check bags. So the cost of checking bags is, I have not calculated the cost—

Senator BLUMENTHAL. That really is my point.

Mr. PARKER. But I know there is a significant cost, and the customers that use that service cost American Airlines more than those that don't.

Senator BLUMENTHAL. I am just a country lawyer from Connecticut. I never went to business school, so I apologize for my sort of clumsiness in trying to put this question to you. But the way I



view it is that if there is any justification for charging this fee, it must be that you are saying to your customer, look, it costs us x amount either for you to carry on a bag or to check a bag.

And what I just heard you say is that you haven't calculated that either per bag or in total. In other words, you don't say to your customer, you know, this is a service, and we are going to have to charge you for it. It costs this much for us to do it. You don't calculate that amount.

Mr. PARKER. I haven't calculated it precisely, but indeed, that is exactly what we are saying to the customer. If you want to use that service that requires more expense, here is what we charge.

Senator BLUMENTHAL. Yes, I understand that because that is why I don't check bags. That is why none of my children check bags. That is why many of us carry bags on. And the point I am making is that one of the provisions of the legislation that we have offered is to say to the airlines, you have to justify fees with what the costs are rather than in effect making money.

And right now, it seems to me it is kind of a profit center for you all, or in any event, you don't, at least according to what you have said to me right now, you don't calculate. You know the total per year cost per bag is x amount. The total for a bag of 50 pounds or more is X, Y or Z.

So I think what I am asking all of you to do, those who do charge those fees to check bags or to carry on bags, is to provide us with the costs that you regard as your airline having to pay wherever it goes and maybe specify how it does go, whether it is labor, machinery, you know, obviously there is machinery to get the bag onto the plane. So that is what I am asking.

Mr. KELLY. Just to be clear, we don't charge. We don't charge to carry on a bag or—

Senator BLUMENTHAL. You have said that now a number of times, Mr. Kelly.

[Laughter.]

Senator BLUMENTHAL. We have that on the record. But I think you are—you kind of prove my point, which is, and it goes to the question I think that has been raised about consistency, why do some airlines do it and some not?

Why do some charge x amount, and others not? And I think that fee or charge if you are a consumer, I am not telling you anything you don't know, looking at your airlines, you kind of scratch your head and say, they must be using this fee to make money off me.

The CHAIRWOMAN. Mr. Tretheway, do you have any comments here? I feel like we should give you at least the last word before we close out. You have sat here the entire time and paid attention.

I didn't even see you looking at your electronic devices. Do you have a comment on this about how airlines are choosing the uniqueness of different services and how that is working out in the marketplace, both for consumers and driving down costs, and also on choice?

Mr. TRETHEWAY. Yes, I do have some comments. First, can you hear me? I want to make sure I am on.

The CHAIRWOMAN. Yes. Yes, we hear you.

Mr. TRETHEWAY. So you could choose to re-regulate the airlines. I think that would be a big mistake. The regulated airline model

serves wealthy passengers, some business travelers, but it didn't serve 80 percent of Americans. Deregulation has been phenomenal.

The airlines, I don't think, should be ashamed about making some money. If you look at the profits of this industry, the post-war era, and I always have to remind my students when I say that I mean 1945 not 1991, have lost dramatic amounts of money. They have to make money someplace.

If you want really low ticket prices, then you have to find places where can some passengers pay a bit more. The airlines have found things like there is no extra cost of the seat up at the bulkhead versus the seat further back, yet some passengers are willing to pay for that, and those passengers help offset the fixed costs of flying the aircraft.

So I think that moving to a pure cost basis for setting charges will reduce—will reverse what is now almost 45 years of the benefits of a market solution.

Senator BLUMENTHAL. If I may respond, Madam Chair.

The CHAIRWOMAN. Please go ahead. Although I really do want to get out of here before 6 p.m.

Senator BLUMENTHAL. 45 years is longer than I have been flying. But no one here is proposing, Mr. Tretheway, that we reregulate airlines. I would suggest, by the way, that we have had a lot of consolidation, and we have the, essentially the airline industry of America sitting before us because of consolidation that has occurred because of lax enforcement of our antitrust laws.

I don't know that anyone on the panel will agree with me on that fact, but no one is suggesting that we regulate airlines. Nor do we regulate a lot of other industries or companies when we apply basic rules of consumer protection. Rules of the road. I have suggested a bill of rights. So I don't want to be misunderstood Mr. Tretheway, as that way as suggesting we need another Civil Aeronautics Board, I think it was called—am I right about that?

Mr. TRETHEWAY. Yes.

Senator BLUMENTHAL. I may not have been flying 45—well, maybe I would. But we are done with the ICC. We are done with the CAB. Deregulation was welcomed, but we are talking here about basic rights that should be enforced. And I am all in favor of competition, which many of you have urged, and I hope that the Government will help to promote competition, not impede it.

And I just want to finish by thanking you all. I think all of you agreed that you would work with me on this idea of a bill of rights. I am not interpreting you as committing to anything specific, but your willingness to help in that endeavor is very welcomed.

The CHAIRWOMAN. Well, I certainly will look forward to working with you on it, and I think my question to Mr. Tretheway was really just to spark this question. I do think, you know, we have lots of opportunities for growth around the globe, but we also want to make sure consumers are a big part of the equation. So, you know, I appreciate your work on this.

Senator BLUMENTHAL. And Madam Chair, I thank you for your support. You have been a real consumer advocate. Thank you.

The CHAIRWOMAN. So, I want to make a point for the record that we also have had testimony from the Air Line Pilots Association. I didn't mention that at the beginning, as I mentioned other air-

lines that we have also received testimony for. As I mentioned, this hearing is part of our overall effort to produce a report on the PSP program, which we estimate doing next year, hopefully in the first quarter.

The hearing record will remain open until January 12, 2022. So any Senators who would like to submit a question to you all for the record, you need to do so by December 29, 2021. And we would ask our witnesses to respond to that by January 12, 2022.

So with that, I want to thank all our witnesses for being here. As I mentioned earlier, I think it has been a while since the airline CEOs have been up here. I can't remember the last time the flight attendants have been here.

But I think you can see from this attendance, we had more—I think 20 members showed up. You could see the range of questions, you could see the concern and the issues that were raised.

And I think people have worked in a bipartisan effort and want to continue to figure out how we can move forward together. So thank you all very much. We are adjourned.

[Whereupon, at 5:25 p.m., the hearing was adjourned.]



## A P P E N D I X



### Via email

December 10, 2021

Senator Maria Cantwell, Chair  
Senator Roger Wicker, Ranking Member  
Senate Committee on Commerce, Science, and Transportation

Dear Senators Cantwell and Wicker:

My name is Captain Todd Insler, Chairman of the United Airlines council of the Air Line Pilots Association, International, and I represent the 13,500 pilots employed by United Airlines. I was not asked to testify as a witness at your upcoming committee hearing titled "Oversight of the U.S. Airline Industry." As the labor leader who was directly involved in writing the pandemic success story of United Airlines, I want to express our perspective about lessons we have learned regarding airlines that took advantage of taxpayer support but now have operational issues.

On behalf of the United Airlines pilots and the other essential aviation workers your efforts helped protect, I thank you for your support of the Payroll Support Programs (PSP) and offer this letter.

As the pandemic began to ravage the globe, it was readily apparent to those paying attention that the aviation industry would experience a downturn of epic proportions. The previous downturn created by the 9/11 attacks decimated the industry. It caused multiple bankruptcies and hundreds of thousands of layoffs. The crisis destroyed careers, families, and lives. To put things into perspective, the daily pandemic financial losses incurred by individual airlines during 2020 were nearly six times those experienced after 9/11. The difference is that this downturn would cause recurring effects that are likely to last for years, not months. Additionally, the complicated FAA training, currency requirements, and processes for returning workers to their positions would further jeopardize our survival.

This pandemic created what appeared to be an unrecoverable situation and initially presented itself as a scenario with completely unworkable solutions. That's when we went to work to find a creative answer, and when coupled with the PSP, it would ensure our airline's survival. At United, we successfully saved careers and created a viable road map for others to follow. Many

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airlines did the hard work to find long-term solutions, and they are not experiencing problems today; however, some did not. We are now seeing the manifestation of their unwillingness to work collaboratively with their unions, a lack of creativity, and failure of corporate execution.

As our Government Affairs teams worked with members of Congress to develop PSP, United Airlines and the United ALPA MEC simultaneously negotiated a unique Pandemic Recovery Agreement that made the most of the benefits PSP provided. Federal law requires pilots to maintain demanding and specific training and recency of experience requirements commonly known as “currency.” Our groundbreaking agreement allowed all United Airlines pilots to continue to remain employed with benefits, stay current, and maintain their training requirements to be ready for the return of passenger travel. PSP was intended to be a stop-gap payroll measure, and at United Airlines, that is what it was used for. No pilot went on furlough, and all who remained employed retained their paycheck. Pilots remaining on the property meant that United could weather the storm for months when no flying occurred due to governmental travel restrictions and negative passenger demand for our services. When developing our Pandemic Recovery Agreement, this seemed apparent to us and proved to be crucial during the darkest days of the pandemic. If pilots were unemployed or did not fly to maintain currency or train, the global recovery and that of our airline would have been unobtainable. We held an open and honest dialogue with management throughout the pandemic while working collaboratively to solve problems. We continually worked to find common ground, and both sides agreed not to take advantage of the horrific situation to the other party’s detriment. Had we or management taken an adversarial stance, our airline’s story would not be one of success.

Keeping aviation workers attached to their companies during the pandemic was critical for our employees and country. We not only ensured the stability of our union members’ pay and benefits, which helped local economies, but we also were able to help in relief efforts by flying vaccines and medical supplies around the world. Our Pandemic Recovery Agreement enabled us to support unique missions like the Afghanistan evacuation. We were ready to fly as travel demand returned without delays and feeble excuses.

By working together, United and ALPA have enabled our airline to respond to the growing travel demand while ensuring we can “fly the schedule.” We didn’t retire any fleet types or grant so many paid early retirements that we cannot staff our operation. Instead, we promoted growth. Due to our efforts, we are well-positioned to meet domestic and international passengers’ travel demand and government contracts.

In addition to the direct benefits of PSP, it has also allowed United to continue to invest in the airline's future, helping the global economy. We have recently placed the most substantial aircraft order of any U.S. carrier in the past decade and successfully launched our first classes of the Aviate Academy, which will train many future United pilots. In 2021, we offered our pilots 6,833 vacancy bids, which are opportunities for new positions. These included 2,500 coveted high-paying Captain positions, and we added 1,235 new pilot jobs to our ranks, directly improving the U.S. economy.

United's goal to hire 10,000 new pilots by 2030 demonstrates that the investment to save airline jobs not only helped today's workers but also ensures a bright future for the next generation of aviation professionals, including our ALPA pilots.

We are thriving and growing at an unprecedented pace, even during the worst economic downturn to ever hit our industry. Our success was made possible by collaborative, creative thinking and bolstered by PSP.

Again, thank you for your support.



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## PREPARED STATEMENT OF TED CHRISTIE, PRESIDENT AND CEO, SPIRIT AIRLINES

Chair Cantwell, Ranking Member Wicker and members of the Committee, thank you for the opportunity to submit written testimony in connection with the Committee's December 15, 2021 hearing entitled "Oversight of the U.S. Airline Industry."

My name is Ted Christie, and I serve as President and CEO of Spirit Airlines. I am pleased to offer some thoughts on Spirit's response to the challenge of the global COVID-19 pandemic and the ways in which Spirit's experience in managing through the crisis—as America's leading ultra-low-cost carrier (ULCC)—may have differed in some respects from that of the major U.S. airlines.

First, however, on behalf of more than 10,000 dedicated Spirit employees, I express our great appreciation for all the effort and professionalism of this Committee, the Congress and two administrations in creating a balanced, thoughtful program that kept the U.S. economy from spinning into the abyss, protected essential jobs and saved the critical infrastructure of the U.S. airline industry from likely permanent damage.

The arrival of the COVID pandemic in early Spring 2020 immediately plunged U.S. airlines into crisis, the worst ever seen in the history of our global industry. Travel demand dropped by almost 95 percent by late March, forcing airlines to take drastic actions to mothball aircraft, cut costs, negotiate with creditors and commence planning for imminent restructuring, including via the bankruptcy process. Airline employees and the employees of our constellation of critical suppliers faced massive furloughs and layoffs, and government and business leaders alike faced the reality of adverse spillover effects into the general economy.<sup>1</sup>

Working with the administration, and taking a practical, bipartisan approach, this Committee and Congress developed the CARES Act and the Payroll Support Program (PSP) thereunder. I have no doubt that CARES and especially PSP not only saved the U.S. airline industry from near-term failure but also forestalled many years of painful recovery as airline companies and their supply chain tried to pick up the pieces following a complete meltdown.

To those who decry the CARES Act and specifically the PSP as some sort of undeserved "bailout" of our industry, let me offer the following perspectives:

- The PSP was clearly designed to support airline and aviation workers, not the airlines themselves. Speaking for Spirit, not one penny of PSP funds went for anything but employee salaries, wages and benefits—in fact, in Spirit's case, we paid about 35 percent of the cost of retaining our workforce and maintaining payroll out of our own funds.
- The absence of PSP, or similar support, would probably have resulted in immediate major layoffs and furloughs of about 70 percent+ of airline employees, as well as commensurate job losses for employees in airports and the many businesses across our country that indirectly benefit from air connectivity.<sup>2</sup> Those workers would likely have turned to state unemployment benefits, also taxpayer funded. In a sense, therefore, the PSP simply transferred an already certain cost from one pocket to another; it was certainly not wasted.
- The speed at which PSP was rolled out protected other important, if intangible, assets that benefit the airline industry and our country—mainly continuity. Losing employees, even temporarily, is not great for any business. It's even worse for airlines, because we are complex organisms that operate on long timelines: we sell tickets to our valued customers often many months out; our collective bargaining agreements run several years in duration, and we commit to buy new aircraft and to serve key airports under contracts that can run up to 25 years or even more. As past airline bankruptcies (as well as single-event crises such as 9/11) have shown, these long-term commitments are not quickly or easily repaired after a sudden rupture. Managing a long-horizon business like an airline requires an experienced and specialized staff that works together as a team keep themselves and our customers safe and the operation running. Even temporary loss of these valuable people would impose an exceptional burden on recovery of the airlines and the economy.<sup>3</sup>

<sup>1</sup> Changes in airline employment, up or down, have a high multiplier effect on other jobs and the general economy, as airlines are economic catalysts for many other economic sectors such as retail, restaurants, tourism etc. that depend on consumer traffic.

<sup>2</sup> This key point was well developed in Dr. Tretheway's testimony before the Committee at the December 15 hearing. Beyond the 1.3 million direct jobs in the airline industry and related infrastructure, the indirect employment effects are material, if difficult to measure.

<sup>3</sup> Some of the countries Spirit serves lacked the resources to implement a PSP-type program, and also have a limited general safety net for dislodged workers and their public health systems. Spirit has witnessed the difficulty these countries have experienced, including challenges added



- Finally, the PSP needs to be understood as a transitional support program for a safe, well-managed and largely efficient industry that suffered a sudden and devastating external event. It is not a bailout. PSP had nothing in common with past taxpayer-funded programs to rescue critical industries whose inefficiency, profligacy or downright irresponsibility gained them taxpayer support, only because their continued failure was an even worse option.

For our hard-working, professional Team Members,<sup>4</sup> many of them classified as essential workers during the height of the pandemic who, therefore, by the nature of their jobs, needed to show up in public spaces every day and work, I have no words to describe my gratitude. On their behalf I can only say, to this Committee, that you stepped up fast when it was needed most.

*Spirit did not furlough a single employee during the pandemic.* We maintained all benefit programs intact (including all health benefits), regardless of leave status. In Spring 2021, as demand recovered and staffing problems emerged, we increased compensation for airport staff and instigated pay raises at our third-party staffing partners (also mainly at the airports). Some other points:

- About 82 percent of Spirit direct employees are represented by one of five unions. With access to PSP funds, Spirit negotiated with our union leaderships several temporary and voluntary leave programs we implemented during 2020 and parts of 2021, before our employee recall and resumption of full service. Spirit enjoys excellent relations with our represented work groups, and we work hard to keep it that way. The atmosphere of common objectives, shared sacrifice and collaboration between our management and labor leadership during this critical period, I believe, has further strengthened that bond.
- The PSP, including rounds 2 and 3, enabled Spirit and other airlines not only to maintain payroll, but also to communicate a credible message of stability to our workforce. It's hard to underestimate the value of that, especially as the pandemic wore on and employees remained naturally concerned about their future and the airline's staying power. That messaging also helped us through a well-organized recall of flight crews, mechanics and others on paid temporary leaves in the early Spring of 2021, as passenger demand picked up.
- The mere existence of the CARES Act Loan Program maintained essential access to private and public financial markets, setting a firm floor that private capital sources competed against. This was of great value to Spirit and the entire industry. Spirit has a culture of self-help, and so in the end we decided not to take funds under the Loan Program, even though the terms were attractive. Rather, we considered it our responsibility to prioritize financial markets over taxpayer resources, to the maximum extent possible. In addition to receiving, with gratitude, \$754 million in PSP funds, since the onset of the pandemic Spirit on its own has raised over \$2 billion in private and public financial markets to shore up its financial position.

Spirit Airlines is a disruptor in the airline industry, built to provide a low-cost option to Americans who cannot easily afford air travel. While our domestic market share is modest,<sup>5</sup> we exert a disproportionate effect on moderating airfares in the markets we serve, saving U.S. consumer hundreds of millions each year whether they fly on Spirit or not. As of the end of 2021, Spirit served 82 destinations, including 24 of the top 25 U.S. metros and 16 countries in the Caribbean and Central and South America. Over the past 15 years Spirit has been the fastest-growing U.S. airline, roughly quintupling in size. That says clearly that consumers want and need our prices and product in the marketplace. All over our country, airports and local municipalities are clamoring for Spirit to start or increase service; they know very well what a competitive low-fare air option means to their citizens and local economies.

Spirit is also a conservatively managed business. As of the end of 2019, before the onset of the pandemic, we had approximately \$1.1 billion in cash and marketable securities, representing almost 30 percent of our revenues for that year—one of the highest such liquidity ratios in the airline industry worldwide. We did that, and continue to follow a conservative approach to liquidity, precisely because we are

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to our own operation, as they seek to recover from the pandemic, specifically in the airline and related employment sectors.

<sup>4</sup>We use the term Team Members to refer to our over 10,000 direct employees as well as about 18,000 contractors that are employed by third-party staffing companies. This breakdown is typical for low-cost carriers who have less dense networks than network carriers.

<sup>5</sup>Spirit's domestic market share is below 5 percent, and the collective share of the ULCC airlines (including Frontier, Allegiant and Sun Country) is below 10 percent.

a fast-growing airline that needs capital and access to financial markets to support our growth. More importantly, in these same past 15 years, our U.S. airline industry has consolidated into an oligarchy of four carriers that share about 80 percent of the seats flown each day in the US, and a gaggle of far smaller carriers, including Spirit, that must fight for customers, airport positions, government support and capital against carriers many times our size.

The CARES Act and PSP clearly warded off disaster for U.S. airlines and our valuable workforce. However, the experience of the pandemic has again shed light on some aspects and effects of government measures and policies in the aviation sector. For the benefit of the traveling public, it is worth taking stock of what we have seen during the pandemic and considering some options and perhaps new ideas to support competition, reliable service and the long-term health of our industry.

- Despite the obvious value of CARES and PSP, in some ways these programs have further exposed the advantages large carriers have over smaller carriers. Larger carriers generally covered a higher percentage of their payroll with PSP funds than did smaller carriers like Spirit. That is because the smaller carriers have been growing at faster rates, so the 2019 base payroll measurement period understated their 2020–21 payroll obligations. The Committee, Congress and administration did think about this small-carrier disadvantage when devising PSP, *e.g.*, designing the first \$100 million of PSP in pure grant form, but the gap was wider than that.
- Those who follow airline pricing closely have seen that larger airlines have been pricing well below cost during most of the pandemic. That practice may be explained in part by the legitimate need to keep airplanes running and maintained, crews trained, etc. However, route planning actions suggests a desire to keep a boot on the neck of low-cost carriers, postponing the day when “return to normal” conditions demand that all airlines return to profitability—in order to ensure a stable future for their employees, attract new capital, pay off government loans and deliver reasonable returns to shareholders.
- The three-time renewal of the FAA’s waiver of use-or-lose slot restrictions has artificially propped up the holdings of network carriers (public assets that network carriers obtained mostly for zero cost). Smaller carriers like Spirit have taken some advantage of the idle capacity to add flights in formerly congested hours. However, non-legacy carriers cannot justify the investment in potentially unused airport capacity if these temporary authorizations are withdrawn in the future. In Spirit’s view the waiver should be withdrawn, and if the large airlines are not willing to fly their valuable authorizations (or, more likely, if they resume abusive “squatting” behavior by *e.g.*, the overuse of smaller aircraft at congested airports), then FAA should promptly withdraw and re-allocate these valuable public assets.
- Network carriers maintain interline agreements among themselves that provide re-accommodation options to aid stranded passengers. Despite requests over the years, smaller carriers have been denied these agreements, which is nothing more than a competitive tactic by larger carriers to increase costs for non-aligned carriers by forcing them to pay high “walk-up” fares when they seek to re-accommodate their customers on other airlines. The operational disruptions of Summer 2021 could have been mitigated by wider adoption of interline agreements.

Let me comment briefly on the last point: recent operational disruptions. As was widely reported, in early August, Spirit experienced several days of network and crew disruption that resulted in numerous unscheduled and pro-active flight cancellations. As a carrier that has transformed itself in recent years from ranking at or near bottom in reliability metrics to one of the best in the industry,<sup>6</sup> the August disruption was a painful and costly event. Our passenger re-accommodation costs alone during this period exceeded \$30 million.

Other airlines also saw difficult operating conditions during the 2021 summer high season and, after a smooth Thanksgiving holiday, airlines again experienced challenging conditions over the Christmas/New Year holiday period. I believe all air-

<sup>6</sup> Spirit improved to 5th in on-time performance in 2018 and to 4th in 2019, better than any other low-cost carrier and most network airlines. We are also very proud to have been named to 2021 Fortune 500 Global Most Admired Companies list; winning ATW Value Airline of the Year (twice); APEX Most Improved Airline for 2019 and consistent 4-star rating (top level for low-cost carriers); winner of SeaTac Airport’s prestigious “Fly Quiet” Award for the last three consecutive years, among other awards and recognition. (WSJ rankings?) We are also one of the most fuel-efficient airlines anywhere (expand? I know we’ve both heard that is a key issue for this administration).

lines, including Spirit, have implemented additional protective measures, and are continuing to do so: reducing schedules, increasing crew reserves, re-timing flights in congested airport hours, even mandatory overtime in peak periods for crew schedulers and re-accommodation staff. But, it is clear we are all in a pandemic era of new conditions. In addition to the usual forces such as weather, ATC congestion and maintenance events, all airlines are seeing persistent staffing pressures (even as airlines dramatically increase compensation in affected areas), volatile demand as new variants have come and gone and continued disruptive passenger behavior on board that threatens and fatigues our dedicated flight crews.

I'll end on an optimistic note. Despite all the disruptions the pandemic has caused, directly and indirectly, as I've travelled around our network and visited our stations these past several months, I see our Team Members happy to be back at work, our Guests excited to be travelling again, and—finally—crowds again in our Nation's airports. That's a great thing for our economy and our recovery. I again thank members of this Committee for your support.

TED CHRISTIE,  
President and CEO,  
Spirit Airlines, Inc.

Miramar, Florida  
January 11, 2022

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PREPARED STATEMENT OF ROBIN HAYES, CEO, JETBLUE

Chair Cantwell, Ranking Member Wicker, and Members of the Committee, I am Robin Hayes, CEO of JetBlue. On behalf of more than 22,000 JetBlue crewmembers, thank you for the opportunity to provide testimony for today's hearing.

In February 2020, just weeks before the United States began to feel the devastating impact of the coronavirus pandemic, JetBlue celebrated the 20th anniversary of our first flight. We were founded in 2000 with a mission of *Bringing Humanity Back to Air Travel*, and since then have delivered on that mission as we've grown to serve more than 100 cities in the United States, Caribbean, Latin America and, as of this summer, the United Kingdom.

I want to begin by thanking our amazing JetBlue crewmembers, who every day deliver a simple but extraordinary value proposition—that no one should have to choose between a low fare and a great experience. Since that first flight almost 22 years ago, every JetBlue crewmember has played a part in building a much-loved low-fare brand and a reputation for shaking up the status quo, and challenging the competition to raise their game.

JetBlue has always placed the highest priority on development and support of our crewmembers. In our history, *we have not involuntarily furloughed a single crewmember*, a claim very few—if any—carriers around the world can make. Thanks to the Payroll Support Program (PSP), JetBlue has maintained its commitment to a No Furlough policy throughout the pandemic. *Any JetBlue crewmember who wished to continue employment with JetBlue through the pandemic was able to do so.*

Our crewmembers and the entire aviation industry join me in thanking the members of this Committee for your tremendous leadership throughout this pandemic as COVID-19 created challenges unlike anything we've ever faced. Without the PSP, the airline industry would have been irrevocably damaged with devastating ramifications for our customers, our crewmembers and the communities we serve.

We appreciate that the CARES Act and subsequent pandemic relief packages included provisions intended to position U.S. airlines to keep their employees on the company payroll, and to survive the crisis in order to play a vital role in reviving the economy when travel demand returned. While we took every action possible to survive the downturn, there's no question that the PSP funds that flowed through JetBlue as a payroll pass-through program to our crewmembers were critical to our survival.

JetBlue used PSP funds to keep our crewmembers employed when there was no demand for air travel *and* when the timing for that demand returning was uncertain. In 2020 and 2021, following enactment of the CARES Act, the Consolidated Appropriations Act, and the American Rescue Plan Act, we entered into PSP Agreements under which the U.S. Department of Treasury provided JetBlue with a total of \$2.084 billion (\$1.549 billion in grants and \$535 million in unsecured term loans). Under the CARES Act Loan Program, JetBlue was approved for a total loan amount of \$1.948 billion and drew \$115 million in September 2020. In September 2021, we repaid the loan in full, together with interest and fees, totaling approximately \$118 million. This is just one data point to demonstrate the effectiveness of PSP—jobs

were preserved, airlines kept operating and the government earned a return on its investment.

As part of each of the three PSP Agreements as well as with the CARES Act Secured Loan, JetBlue issued a total of 5,598,808 warrants to U.S. Treasury to acquire JetBlue stock. Because the three PSP grants and the CARES Act loan were issued at different times over the course of the year, it's most helpful to assess value through the number of warrants issued and the strike price for each:

	PSP 1	PSP 2	PSP 3	CARES Act Loan
<b>Number of Warrants</b>	2,724,766	998,412	665,105	1,210,526
<b>Strike Price</b>	\$9.50	\$14.43	\$19.90	\$9.50

Every dollar JetBlue received under the PSP went directly to crewmember wages and benefits and the entire \$2.084 billion was utilized as of September 30, 2021. The vast majority of those funds—84 percent—went to frontline crewmember wages and benefits.

While we are extremely grateful for the PSP program and the benefit it provided to our crewmembers, PSP funds did not cover the full payroll expense for JetBlue or any other airline. According to Airlines for America, the \$49.6 billion in PSP funds (both grants and loans) received by the 11 largest U.S. passenger airlines from April 2020 to September 2021 covered 77.4 percent of their overall payroll costs. Factoring in the \$14 billion in loans—even before adding interest that must be repaid to Treasury along with the principal—PSP covered 55.5 percent of payroll costs. Of course, payroll expense for JetBlue and other carriers would have been higher if we hadn't pursued voluntary programs to further reduce our expenses.

Continuing JetBlue's longstanding No Furlough policy throughout the pandemic, we were committed to ensuring every JetBlue crewmember who wished to do so could remain on our team. We also provided Opt-Out packages for those who wanted to retire early or were ready to make a change in their professional life. Close to 2,100 crewmembers Opted Out, most of whom left JetBlue in Q3 2020, and another 1,070 participated in our voluntary long-term time off program (LTO). In addition, since March 2020, 3,100 JetBlue crewmembers left the airline through normal attrition. This last group of crewmembers left JetBlue for any number of voluntary reasons including wanting to be closer to home, needing to provide dependent care, finding preferred employment elsewhere, or the end of temporary employment.

In March 2020, JetBlue employed close to 22,750 crewmembers. Since then, employment fell to roughly 19,900 before bouncing back to nearly 22,300 crewmembers today. We offered an Opt Out program to crewmembers during summer 2020, with crewmembers leaving the company during August, September, and October 2020.

We implemented a voluntary long-term time off program in the same timeframe. Both the Opt-Out and LTO programs were introduced in early June 2020 with a deadline to sign up by the end of the month. Crewmembers had to start LTO on August 2, 2020 or September 6, 2020 depending on operational needs. While the vast majority of Opt-Outs left the company in August and September 2020 there were a few crewmembers that did not leave until the fall or winter.

As we rolled out these programs, we also guaranteed that all frontline crewmembers who had not elected to take voluntary unpaid leave *would be paid at or above the guaranteed minimum hours in their work agreements*, even as reduced demand for travel would have otherwise eliminated their work. This was the case whether a crewmember was part of a group represented by a Collective Bargaining Agreement, an individual work agreement or through the company work rules for their group. At JetBlue, even when being paid the same rate of pay at guaranteed minimum hours, crewmembers' health benefits that were in place prior to the COVID-19 crisis remained constant throughout. We made the commitments to pay at or above minimum hours and to maintain health benefits as a result of funding from and in full compliance with the provisions of the Payroll Support Program.

As critical as the PSP grants and loans were in covering a portion of crewmember wages, salaries and benefits, weathering the dramatic economic impact of the pandemic also required a company-wide focus on preserving cash as booking levels plummeted. Even though JetBlue entered this crisis from a position of strength with a strong balance sheet and cash in the bank, we took immediate steps adjusting capacity to reflect diminished demand, park aircraft in the desert, secure additional cash reserves on the commercial market, cut capital and operating spending, defer aircraft deliveries, and more.

From April 1, 2020 through September 30, 2021—the period covered by the Payroll Support Program—JetBlue’s total Salary, Wages and Benefits spend was approximately \$3 billion, 73 percent of which was covered by the PSP grants and loans we received. Even after our significant steps to preserve cash, JetBlue’s non-payroll spend during that same period totaled nearly \$9 billion—including aircraft deliveries and other capital expenditures, fuel expense, and debt payments. While PSP funding mitigated one area of cost and a time when revenue tumbled, our spend in other areas had to continue even before travel demand returned.

When Congress first considered creation of the Payroll Support Program in March 2020, none of us anticipated that there would be a need for an extension of the program, let alone two. Again, thanks to your leadership, the PSP funds worked as intended so that airlines could keep their employees on their payrolls. As we moved into 2021 and demand for air travel started to increase, our ramp up was more readily achieved.

This year, we’ve been adding new crewmembers across the organization at a record pace so we are positioned to meet the return of travel demand. We’re on track to hire 4,550 new crewmembers in 2021—38 percent more than we hired in 2019 and a 184 percent increase over our initial 2021 plan at the peak of the pandemic. In 2020, we hired only 724 new crewmembers, and all but 19 of them were hired before March 31, 2000. Looking ahead to 2022, we expect to hire an additional 5,400 JetBlue crewmembers.

Every new JetBlue crewmember attends orientation at JetBlue University in Orlando, where they hear from senior leaders and learn about our history, our industry, our network and business, and our culture. We normally hold 22 orientation sessions in a calendar year, but by year-end we’ll have conducted 52 in 2021.

With additional crewmembers hired, JetBlue planned and prepared for this summer’s recovery eager to welcome more customers on board. Of course, like every other airline, we experienced weather and other operational obstacles that PSP funds and advanced planning could never prevent.

In July, for example, the most significant driver behind long flight delays and resulting cancellations was unusually impactful weather, well beyond what we usually see, particularly in our Northeast focus cities. JetBlue has its two largest focus cities in New York (New York-JFK International Airport (JFK), LaGuardia Airport (LGA) & Newark Liberty International Airport (EWR)) and Boston (Boston Logan International Airport (BOS)) with significant operations at New York’s Westchester County Airport (HPN) as well. In fact, nearly 70 percent of JetBlue’s flights touch a Northeast airport on a typical day. In July, the three major airports in the New York region—JFK, LGA and EWR—saw record rainfall. Boston rainfall was more than triple normal and the airport recorded rain in 21 of 27 days that month, making it the second wettest July on record and the wettest July in 100 years. JFK and EWR recorded more than double normal July rainfall, with measured rain 19 days at JFK and 21 days at EWR.

This record rainfall and the associated thunderstorms have impacted our summer 2021 operation more than usual. In a typical July, FAA Air Traffic Control imposes a Severe Weather Avoidance Program (SWAP) about half the days in the month. This year, our Northeast focus cities—where most of our aircraft fly—saw some of the wettest weather in recent memory, with ATC SWAP Programs in place 75 percent of the days in the first half of July. Convective activity significantly reduces ATC throughput, constraining the en route environment, and results in ramp closures as a result of lightning over an airport. These thunderstorms often lead to flight diversions, out of position aircraft and crews, and delays that impact the region and beyond. When convective weather occurs day after day, the disruption to our fleet, planned operations, crewmembers and customers is multiplied and the challenge of recovery is compounded.

We recognize, of course, the impact irregular operations can have on customers. That’s why consistent with JetBlue’s mission, in 2007 we created the JetBlue Customer Bill of Rights—the first of its kind in our industry. It reads:

*JetBlue is dedicated to inspiring humanity. We strive to make every part of your experience as simple and pleasant as possible. But we know there can be times when things do not go as planned. If you’re inconvenienced as a result, we think it is important that you know exactly what you can expect from us. That’s why we created our Customer Bill of Rights. These Rights will always be subject to the highest level of safety and security for our customers and crewmembers.*

The full Customer Bill of Rights, which I’ve attached at the end of my statement, details what customers can expect in cases of a significant delay or canceled flight. Every day, the airline professionals at JetBlue do everything possible to prevent

delays or cancellations that inconvenience customers—but in the rare cases when they do happen, we do our best to make it right.

Looking back at the roller coaster of the past two years, I couldn't be more proud or more appreciative of the dedication and professionalism that JetBlue crewmembers have delivered to our customers, to their fellow crewmembers, and to our communities. The Payroll Support Program funds used to cover a portion of salaries, wages and benefits was the foundation upon which we have successfully built. Without it, I'm not sure JetBlue or any other major U.S. airline would have persevered. As we move into 2022, I can confidently say that JetBlue not only survived, but we have thrived.

This summer, we launched JetBlue's first ever transatlantic service from New York JFK to London on our long-range Airbus A321 with reimagine experiences in both the Mint and Core cabins. JetBlue's Core experience—what other airlines call Coach or Economy class—to London brings a whole new level of comfort and service across the pond. In Mint, our business class, we made every seat a suite with a sliding door for full privacy—and we've made that seat more affordable to more travelers.

We first introduced Mint in 2014 on flights between New York and Los Angeles as well as New York and San Francisco. We came up with a revolutionary idea—a true lie flat seat, a great meal that didn't taste like airline food, curated wines, and all delivered by JetBlue crewmembers bringing hospitality to a whole new level—offered at an affordable JetBlue fare.

At that time, there were few airlines that offered a true lie flat seat in domestic markets, and certainly not one that was affordable to anyone beyond those top tier corporate customers. As we've expanded Mint to new markets other airlines have followed, and now a number of transcon U.S. markets have lie flat products offered by multiple carriers and in some cases, fares have dropped by more than 50 percent! Now, as we bring the new Mint to the US-UK market, you can look forward to that same model of disruption from JetBlue—lower fares and a better product and experience, leading to more options and greater benefits for consumers.

Just as with Mint, we believe our innovative new Northeast Alliance (NEA) with American Airlines is the kind of disruption that enables JetBlue to do what we do best—bring more low fare competition to markets that are overpriced and underserved. This alliance, above all, is about growth—JetBlue's growth that would not otherwise be possible in the congested northeast where more competition is sorely needed.

By partnering with American, we are bringing a viable third large network alternative to customers flying to and from New York (JFK, LGA and EWR) and Boston (BOS). Together, we are bringing a deeper and more relevant schedule to many Northeast markets, wider international connectivity, frequent flier reciprocity, along with more low fares and our great service. In partnership with American, we have already launched 58 new routes out of the Northeast and have added frequencies on more than 130 routes that will expand through next year.

Together, this winter we will operate 500 daily flights out of the NYC area's three main airports, half of which will be flown by JetBlue. Plus, JetBlue is well on its way to hiring more than 1,800 new crewmembers to directly support growth from the NEA—jobs that would not otherwise be created. The NEA is supercharging competition, provoking competitive responses from entrenched legacy carriers, and ultimately benefiting consumers with more flights at lower fares.

As we've hired so many new crewmembers in 2021 for every type of role, we have also increased our focus on nurturing and developing the aviation professionals our industry needs today and in the years to come. JetBlue is demonstrating how airlines can meet that need through programs that offer a range of pathways into the industry—for crewmembers currently in other roles as well as external candidates—while also opening the door to more candidates from underrepresented communities, including women and people of color.

As part of our Diversity, Equity and Inclusion (DEI) strategy, we are working to provide our crewmembers equitable access to affordable education. The innovative JetBlue Scholars Program enables crewmembers the ability to earn a college degree for around \$5,000 on a flexible timeline. By year end, nearly 300 crewmembers will have graduated from the program.

The JetBlue Gateways program offers seven distinct education and training paths to becoming a JetBlue pilot or maintenance technician. JetBlue's program is the longest running U.S. airline program, which produces a significant number of new hire pilots for an airline. Twelve percent of JetBlue's new hire pilots in 2021 came to the airline through one of these non-traditional programs and the pipeline for both pilots and maintenance technicians continues to grow. These programs are one way to address the significant socioeconomic barriers to higher education and train-

ing programs, and to provide crewmembers and external applicants from diverse communities exposure to certain skilled roles in the airline industry.

*JetBlue Gateways include:*

- *University*—Students at AABI-accredited partner colleges and universities can fly nonstop to first officer via a prescribed time and experience-building pathway. *Open to external applicants and JetBlue crewmembers.*
- *Select*—Crewmembers or external candidates with little or no flying experience can land first officer status after this rigorous training and time-building program. *Open to external applicants and JetBlue crewmembers. Training takes place with JetBlue partner, CAE in Mesa, AZ.*
- *Direct-Flight Ops*—Current crewmembers can depart their current position and pursue a prescribed college education accompanied with primary flight training at Aviator College. Upon graduation, crewmembers join Cape Air as a First Officer, time build to ATP minimums, and gain valuable flight experience as a Captain in a Part 135 operation. The combined experience with Aviator College and Cape Air prepares pilots for a successful transition to JetBlue. *Open to JetBlue crewmembers and Cape Air employees only.*
- *Flex-Flight Ops*—Current crewmembers can depart their current position and pursue a flexible path to becoming a pilot—as well as choose their own location for training and time-building within a defined framework. *Open to JetBlue crewmembers only.*
- *Family*—Families of crewmembers can make a “Blue-line” to a first officer position through a defined education, training and time-building path. *Open to family members of JetBlue crewmembers only.*
- *Direct-Tech Ops*—Current crewmembers can depart their current position and pursue a prescribed training pathway by studying with JetBlue partners at Aviator College to become a JetBlue aircraft maintenance technician. *Open to JetBlue crewmembers only.*
- *Flex-Tech Ops*—Current crewmembers can depart their current position and pursue a flexible path to becoming an aircraft maintenance technician—as well as choose their own location for training within a defined framework. *Open to JetBlue crewmembers only.*

We are also investing in future generations of aviation professionals through the JetBlue Foundation’s support of aviation-related education and STEM initiatives. Inspiring the future of aviation is a responsibility we take very seriously, and that’s why we’re leading the industry with a focus on supporting aviation education.

Over the past two years, JetBlue has also sharpened our focus around Environmental, Social & Governance (ESG), building on a strong track record that goes back years. We issued our first responsibility report in 2007 and our 2008 report was done according to the Global Reporting Initiative (GRI) standards. In 2016, JetBlue was the first airline and one of the first companies to report based on Sustainability Accounting Standards Board (SASB) and in 2017 based on Task Force on Climate-Related Disclosures (TCFD). These have since emerged as best practices in ESG reporting and we are pleased to see others in the industry following our lead.

I’m particularly proud of our leadership in the Sustainability space—the environmental pillar of ESG. In 2020, JetBlue became the first U.S. airline to achieve domestic carbon neutrality, realized today through the purchase of credible carbon offsets. We also began flying regularly on sustainable aviation fuel (SAF), from San Francisco International Airport—allowing us to reduce lifecycle emissions roughly 75 percent per neat gallon of delivered jet fuel—and this year expanded regular commercial usage to Los Angeles International Airport. At the end of 2020, we further committed to achieve net zero carbon emissions by 2040, 10 years ahead of the target set by the global air transport industry, pledging to continuously innovate to directly reduce air travel emissions and our usage of carbon offsets.

To reach this 2040 goal, we are aggressively pursuing each and every decarbonization lever—including optimizing fuel efficiency with new aircraft and efficient operations, seeking out large volumes of SAF for use across our network, and minimizing emissions on the ground with electric ground support vehicles and aircraft ground power and air systems.

In September, JetBlue announced plans to speed our transition to SAF at New York area airports, positioning us well ahead of pace on our target to convert 10 percent of total fuel usage to SAF on a blended basis by 2030. This new agreement marks a major milestone for SAF in New York’s airports, bringing the first large-scale volume of domestically produced SAF for a commercial airline to the region.

*JetBlue will convert 30 percent of its fuel buy across JFK, LGA and EWR from traditional Jet-A fuel to SAF, which is expected to reduce emissions by an estimated 80 percent per gallon of neat SAF, compared to traditional petroleum-based fuels.*

Chair Cantwell, Ranking Member Wicker, while the main focus of today's hearing is on the benefits of PSP to airlines and their employees, I think it's important for us to acknowledge the devastating impact of this virus on so many in our industry, our Nation and the world. Many of us have lost someone—a friend, a relative, a colleague—to COVID-19. Since March 2020, sixteen JetBlue crewmembers have died as a result of the coronavirus. We join their families and friends in cherishing their memories. We will do our best to channel their passion to deliver on JetBlue's mission of *Inspiring Humanity* every day.

Thank you for the opportunity to share my views and to add JetBlue's perspective to today's hearing.

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PREPARED STATEMENT OF BEN MINICUCCI, CEO, ALASKA AIR GROUP

Thank you, Chair Cantwell, Ranking Member Wicker, and distinguished members of the committee for the opportunity to submit written testimony for today's hearing. My name is Ben Minicucci and I am the CEO of Alaska Air Group, the parent company of Alaska Airlines, Horizon Air and McGee Air Services. I am proud to represent our company and our 22,000 employees across Alaska Air Group, nearly 14,000 of whom are represented by the Senators on this Committee.

**Alaska Airlines is a major carrier that also serves as a lifeline for smaller communities.**

Alaska Airlines is the 5th largest U.S. carrier. We are the only major airline based on the West Coast, with our headquarters in Seattle and additional hubs in Los Angeles, San Francisco, Portland, and Anchorage. With more than 1,000 flights per day across North America—spanning from Hawaii to Washington, D.C.—we operate and employ people in urban centers and rural areas across the U.S., as well as in Canada, Mexico, Belize and Costa Rica. As a member of the oneworld alliance, our passengers, whom we call guests, can reach over 1,000 destinations in more than 170 countries and territories.

Since our founding in 1932, we have had a strong connection with our namesake State of Alaska. While we have experienced significant growth and expansion, today the state still accounts for approximately 12 percent of our flying. We recognize the vital role we play as a lifeline for 20 communities in Alaska—only three of which are accessible by road. We are the only pre-deregulation passenger airline still operating dedicated freighter aircraft in the U.S. Throughout the pandemic, our cargo division has delivered essential goods, groceries and home supplies to communities across the State of Alaska, as well as vital health care supplies like masks, PPE, COVID-19 tests and ultimately over 1,000 shipments of COVID vaccines. In fact, we added new community air service in the State of Alaska to meet these needs during the pandemic.

We are deeply committed to communities of all sizes and offer them an extensive route network that connects cities, people, and businesses across the U.S. and around the globe.

Across Alaska Air Group we are committed to safety as our number one value, to exceptional caring service for our guests and communities, and to offering low fares enabled by maintaining low costs and running our business in a fiscally conservative way. We have held to these commitments over 90 years of business, and we are proud to be one of the few airlines that has never filed for bankruptcy.

**We are grateful for PSP and our employees who are running a resilient operation.**

We brought those same historical commitments and values to addressing the challenges brought on by the pandemic. The entire aviation industry—labor, airports, airlines and government—collaborated in an unprecedented way to meet this moment.

In 2020, at our lowest point at the outset of the pandemic, Alaska Airlines was carrying only 5,000 passengers each day where we normally carry 140,000 passengers per day. Financially at that point we were bringing in only 5 percent of normal revenues and we had a cash burn rate of \$400 million per month. For 55 days straight, we had more cancellations than new ticket sales. In such a highly capital-intensive business such as aviation this was catastrophic, and we know that this impact was not unique to Alaska Airlines but happening to the entire industry.

It took everyone collaborating and pulling together to turn the ship around. Today we are flying about 85 percent of our 2019 schedule after scaling back up at a meas-



ured pace. Our on-time performance, completion rates and guest satisfaction are all up compared to pre-pandemic scores, and our operations rank among the top of the industry.

That is why my message today is one of gratitude: Thank you to this committee, your staff and to all the officials who came together during a critical time in our global history. I appreciate the consideration and support you gave to airline employees and our industry through the Payroll Support Programs (PSP)<sup>1</sup> and Direct Loan Program.<sup>2</sup> As we said to many of you in March 2020, our goal was to use the assistance as wisely as possible, and to come out of the crisis as strong as we possibly could so we can continue our role as a critical part of America's economic infrastructure.

More than 18 months later, I am proud to say this has been the outcome at Alaska Airlines. By directly supporting our employees through the PSP—a successful program built on collaboration with our unions and which preserved a level playing field across the industry—Congress wisely invested in the future of aviation, our people and the economy.

The Payroll Support Program allowed Alaska Air Group to:

1. Keep employees on staff.
2. Reduce our cash burn.
3. Scale our operation in a safe and measured way.
4. Run a strong and reliable operation that's near the top of the industry.

Airlines are not built to quickly ramp down and then ramp up again. PSP allowed us to prioritize protecting our company's core—our people and their families. It also enabled us to address the other intensive cost structures in our company to ensure we would weather the storm as one team.

PSP allowed us to protect employees and keep them in their jobs. By keeping employees on staff, it reduced the time that would have been required to train people coming back to work—an effort that takes months and significant resources. PSP allowed us, with the short exception of the gap between PSP1 and PSP2 funding, to not involuntarily furlough any employees.<sup>3</sup> We also worked with our labor partners on programs for some employees to take voluntary leaves, however, as of October 2021, every employee at Alaska Airlines who signed up for voluntary leave has been recalled. Additionally, the financial stability and flexibility provided by this government support to airlines allowed us to keep supporting the entire economic ecosystem and supply chain, including the aviation manufacturing industry and jobs, as well as the industries that support our operation in communities of all sizes. In short, PSP allowed us to scale back in a safe, reliable and measured way and then to rebuild when the economy and travelers were ready.

I am tremendously grateful for the people and labor unions who have tirelessly contributed to Alaska Airlines' success in recovery. Folks in our operation have been working incredibly hard and we recognize the toll ramping down and ramping up again has taken on everyone. Throughout it all, they are running a resilient operation and showing remarkable care for our guests, even during an incredibly difficult time of continual challenge and change.

The improved performance Alaska Air Group is operating today would not be a reality without the hard work of the more than 22,000 employees who bring our airlines to life each day—rain or shine.

**Our strong operational performance in 2021 is better than it was in 2019 and many categories rank among the top of the industry.**

Even as we have navigated through a choppy recovery, with variants and waves, our business today is strong and stable and we are confident in our operational and financial outlook.

Alaska's approach from the beginning of the pandemic has been deliberate. We prioritized people, by protecting the health and safety of our employees and guests and bringing empathy and humanity to all our decisions and actions. And we ran a resilient operation, no matter the external circumstances.

<sup>1</sup> Alaska Air Group received a total of \$2.27 billion in PSP funds, a combination of grants and loans. All funds were expended to cover payroll as of July 2021 and we have just under \$600 million in outstanding loans to repay under this program.

<sup>2</sup> Alaska Air Group had access to \$1.93 billion in loans under the Direct Loan Program in case of need—the company drew down on \$135 million in September 2020 and repaid that amount in full in June 2021. All collateral assets were released unencumbered back to the airline.

<sup>3</sup> All involuntarily furloughed employees between PSP1 and PSP2 were recalled in compliance with the PSP2 requirements.

To put that into context, below are some of our operational performance metrics, which rank among the best in the airline industry:

- Over the last several months, we have scaled capacity back up in a measured way. Over the summer we flew about 85 percent of our pre-COVID capacity. Our plan going forward is to move in a deliberate way to 2019 levels in the second quarter of 2022 and get back to growth later in the new year. We plan to hire more than 3,000 people to support our growth plans.
- Year-to-date, we have completed 98.7 percent of our scheduled flights, which is *better* reliability and a lower percentage of canceled flights than at this time in 2019.
- Our DOT on-time rate is 84.5 percent, which is 2.4 points higher than our 82.1 percent on-time rate YTD in 2019.
- And our guests have shown their appreciation for this reliable service—our internal guest experience score of 80 percent is more than two points better than our YTD score in 2019 and we’ve exceeded internal targets every month this year.

	2019 YTD through November	2021 YTD through November	Difference
Passengers	47.5 million	33 million	–31%
Schedule completion rate	98.6%	98.7%	+0.1 pt
DOT on-time performance	82.1%	84.5%	+2.4 pts
Guest Experience	78%	80%	+2 pts

Sustaining our high level of operational performance and guest satisfaction is a remarkable achievement given how complex re-ramping our operations has proven to be.

When our operation does well, our employees do well. We are unique among most airlines in that we have performance-based rewards program for employees. Basically, it is an annual bonus that increases or decreases based on how we performed in the year. But unlike most companies who share year-end bonuses based only on profits, our bonus program is also driven by our operational metrics: safety, productivity, generating cash flow, and reducing carbon emissions. This company-wide program helps align us all around our goals that are important to our long-term ability to create jobs and serve our guests. Since this is not a purely profit-based plan, we are very excited that Alaska Airlines employees will be rewarded at the end of this year even as we are still recovering from our financial losses due to the pandemic precisely because of our strong operational performance.

#### **Looking forward, we are doubling down on the way we care.**

Throughout the pandemic, we didn’t lose track of what is important: Leading with our values. As we return to growth, it is an opportunity to rebuild responsibly and embed these values even deeper in our culture.

In April 2021, the airline announced 2025 sustainability goals across the most important areas of impact for the company, including near-term goals to be the most fuel-efficient U.S. airline by 2025. The company also set a five-part path to net zero carbon emissions by 2040 and established Alaska Star Ventures to identify and enable technology that can accelerate our path to net zero. That strategy leverages operational best practices and next-generation disruptive technology to transform and reduce the long-term climate impact of aviation—another area we will continue to need to partner with government on as we modernize in this next age of aviation.

Now that we are hiring across the company again with an eye on growth, we are also focused on investing in and caring for our diverse workforce. We are monitoring and learning about how the workforce is changing and how we can support them as they take care of guests and operate a strong airline. We will see challenges and opportunities as we look to meet demand, but I am confident that we can all collaborate again and ensure we continue to have a world-class, highly qualified and talented aviation workforce.

As the 5th largest U.S. airline, we believe in our ability to compete when there is a level playing field, but it is also important that aviation policy support competition and innovation in the industry. As you consider the aviation policy issues of the day, we would ask you to embrace policies that keep this federally regulated industry vibrant, including enhancing the ability for smaller carriers to gain access to facilities and markets, and refrain from policies and regulations that would discourage new service offerings, cause prices to needlessly increase, or disadvantage small communities.

To close, thanks to Congress' collaboration and support, we have weathered the last nearly two years and at Alaska Air Group we believe in our enduring competitive advantages will continue to serve us well as we look to the recovery ahead—namely, owning safety, being fiscally conservative (offering low fares enabled by low costs), and strong guest loyalty based on our excellent operations, remarkable service and a culture of genuine care.

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In most American cities, the single largest worksite is the airport. The jobs created by the air travel industry have a tremendous impact on not only the national economy, but on communities—particularly low-income communities of color—across the country. The Service Employees International Union (SEIU) is committed to transforming traditionally low-wage, non-union airport jobs into good jobs that can sustain strong families and communities by:

1. Establishing a national wage standards floor for all airport workers;
2. Establishing national standards for airport workers around issues critical to both workers and the traveling public such as access to affordable health care, sick days, measures to reduce turnover, and training standards;
3. Securing a commitment from airlines that they will employ only responsible contractors who adhere to these national standards and respect the rights of workers; and
4. Ensuring that every airport worker in the country has the right to form a union.

Airport workers are on the frontlines of our Nation's aviation system, keeping passengers and communities safe from infectious disease, climate disasters impacting travel, and threats of violence and terrorism. Airport workers like wheelchair agents, cabin cleaners, security officers, and baggage handlers are largely people of color, immigrants, and women. Despite the critical role these workers play in our aviation system and continue to play on the frontlines of the COVID-19 pandemic, including making airports accessible as required by the Americans with Disabilities Act and the Aircarrier Access Act, they are often the lowest paid workers in airports. Airport workers like skycaps report making a tipped wage of just \$2.13 an hour,<sup>1</sup> and many of these essential workers do not have access to sick days, paid time off, or truly affordable health care.

#### **SEIU Footprint in Airports**

Over the past ten years, SEIU has been successfully organizing and engaging tens of thousands of airport workers at 31 major airports across the country. Many of these workers are employed by contractors. Since SEIU began organizing these airport workers, who are primarily people of color, women, and immigrants, nearly 154,000 airport workers have won raises and other improvements, including 146,000 who have won a path to at least \$15 an hour. Many workers are on a path to much higher pay, including some with total compensation, including benefits, as high as \$23.60 (see *airport living wage rates chart*). In the coming years we intend to advocate for improvements in pay, access to affordable health insurance, improved working conditions, and to help unionize 100,000 more airport workers.

#### **What's Happening Now: Reports from the Field**

Airlines and contractors received billions of dollars to keep our Nation's aviation system ready for passengers to return to airports and reconnect with loved ones as the country reopened. Yet an investigation by the House Select Committee on the Coronavirus Crisis found that nearly 58,000 employees of airline contractors—nearly 35 percent of the workforce—were laid off or furloughed before federal aid was delivered.<sup>2</sup> Only 5 percent of these workers had been recalled as of last summer,<sup>3</sup>

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<sup>1</sup>Nick Natario, "IAH contract workers still waiting for higher pay from United," ABC13 Eyewitness News, February 28, 2020. <https://abc13.com/iah-workers-pay-dispute-united-airlines/5975000/>

<sup>2</sup>"Unnecessary Costs: How the Trump Administration Allowed Thousands of Aviation Workers to Lose Their Jobs," Select Subcommittee on the Coronavirus Crisis, October 9, 2020, page 5. <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/PSP%20Report%20Final.pdf>

<sup>3</sup>Charles E. Schumer, Sherrod Brown, and Maria Cantwell, Letter to Steven Mnuchin, July 17, 2020. <https://www.goiam.org/wp-content/uploads/2020/07/PSPTreasuryImplementationJuly152020FINAL.pdf>

and significant problems remain, many of which are likely caused or exacerbated by low staffing.

The following examples of the impact of staffing shortages on airport workers were compiled from an August 2021 survey of SEIU members who serve the traveling public in our Nation's airports:

- Airport workers are working short-staffed. One worker expressed concern about the workload caused by staffing shortages, including not knowing when to ask for his break and not having enough time to rest.
- Workers at many airports report mandatory overtime, which can create significant and expensive child care issues that make the work unsustainable.
- Transportation to airports is often poor or non-existent and parking fees are significant, leading workers to choose jobs that do not have the same transportation challenges.
- Some airport workers report they are being kept as part-time employees, but also given mandatory overtime resulting in unclear schedules. They would like to work a full-time schedule with clearly defined schedules.
- Airport workers are being offered hiring bonuses or attendance bonuses. At one Orlando Airport, workers report they are being offered \$500 if they are not late or do not miss a shift, resulting in workers having to choose between coming to work sick or not receiving the additional \$500 bonus.
- Some workers are being offered higher wages, but have been told the wages might just be temporary through the busy travel season.
- Workers expressed concern with not having enough time to take breaks or eat lunch because workers are expected to clock out in a different terminal than where they take breaks. The workload is so significant that workers also feel that it is not possible to take breaks.
- One pregnant worker expressed concern with the lack of paid maternity leave and the fear of possibly not being able to return to the same position upon her return to work.

Wages have stagnated and benefits remain limited or non-existent (see *airport living wage rates chart*) while work loads have increased at most airports. Airlines have the ability—and the responsibility—to end inequity and make airports safer and more secure for passengers and our communities. However, SEIU members who clean airplanes and facilities, care for disabled passengers, and secure terminals believe airlines will not exercise their power to improve working and traveling conditions without strong oversight and Federal standards that mandate it.

### Eroding Worker Standards

As a result of industry deregulation in 1978, airlines have used multiple strategies to reduce costs, in particular labor costs, which has resulted in substantial losses in compensation to airline workers. Airlines frequently use outsourcing as a means to “both reduce wages in lower skilled occupations and improve their ability to lay off workers during slow times.”<sup>4</sup> By creating the subcontracting system, airlines have been able to push down wages.<sup>5</sup> Under the system, contractors bid for work through an airline-run Request for Proposal (RFP) process. In the labor-intensive airport services industry, labor represents the majority of the cost of doing business. Therefore, the contractor who pays the least to workers most often offers the lowest-priced bid, subsequently winning the contract. Overall, airlines have created a “race-to-the-bottom” whereby contractors cut wages in order to compete with one another.<sup>6</sup> But in truth, race-to-the-bottom competition occurs in other areas as well. Contracting companies also compete on the basis of cutting health care,<sup>7</sup> sick leave,<sup>8</sup> and reducing investments in health and safety.<sup>9</sup>

<sup>4</sup>“Course Correction: Reversing Wage Erosion to Restore Good Jobs at American Airports,” UC Berkeley Labor Center, October 2013, p. 2.

<sup>5</sup>Ibid.

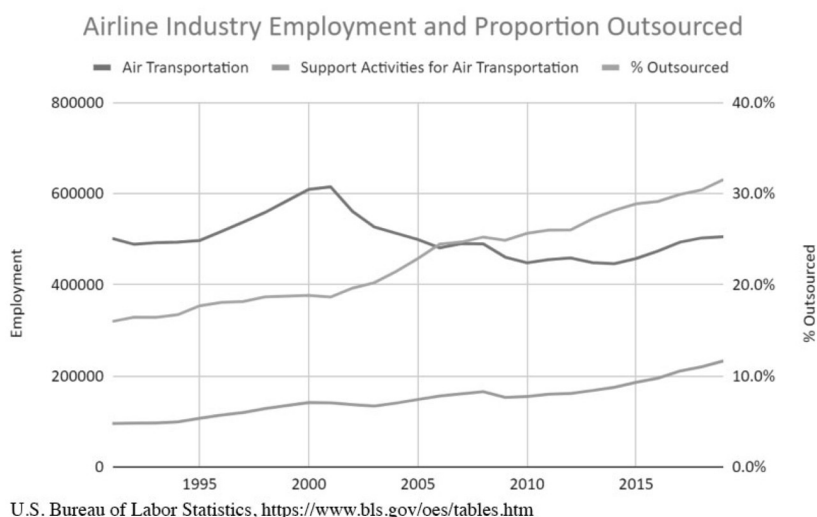
<sup>6</sup>“Fix What is Broken,” ITF & UNI Global Union, October 2018, pages 7, 13, 15. <http://www.airportworkersunited.org/wp-content/uploads/2018/10/AviationReport-FINAL.pdf>

<sup>7</sup>“Airport Workers—Majority Black and Immigrant—on Path to Win Health Care as NY State Legislature Passes Historic Bill,” SEIU 32BJ Press Release, July 22, 2020. <https://www.seiu32bj.org/press-release/airport-workers-health-care-bill/>

<sup>8</sup>“Airline Contractor Flouting NYC Sick Leave Protections To Pay Workers Over \$150,000 In Restitution,” LaborPress.org, July 8, 2020. <http://laborpress.org/airline-contractor-flouting-nyc-sick-leave-protections-to-pay-workers-over-150000-in-restitution/>

<sup>9</sup>“Airport Safety Starts with Safer Working Conditions,” New York Committee for Occupational Health, March 2015. <http://nycosh.org/wp-content/uploads/2015/03/Airport-Safety-Starts-with-Safer-Working-Conditions.pdf>

The airlines' system of subcontracting incentivizes poor treatment of both workers and the public. And the system is widespread. Both airlines and airport authorities have increasingly shifted passenger services to third-party companies who compete vigorously to win lowest-cost bid contracts.<sup>10</sup> Both the absolute number and the share of outsourced jobs have increased substantially since 1978. By 1991, 16 percent of jobs were outsourced; by 2001, 19 percent; by 2011, 26 percent; and as of 2019, 31.5 percent of jobs were outsourced.<sup>11</sup> In many major U.S. airports, there is no defined system specifically for regulating the quality, capacity, or volume of contractors allowed to operate on airport property.



For example, in 2002, 75 percent of porters and bellhops, also known as skycaps, were directly employed by airlines and earned an inflation-adjusted equivalent of \$27.18 per hour.<sup>12</sup> In 2019, 96 percent of those workers were employed by contractors and earned an average of \$12.23 an hour.<sup>13</sup>

Passenger attendants—such as those workers that care for passengers requiring wheelchair assistance—are another case in point. In 2002, 41 percent of passenger attendants were directly hired by airlines and earned the inflation adjusted equivalent of \$15.52 an hour, whereas the remaining 59 percent of those workers were contracted and earned the equivalent of \$13.06.<sup>14</sup> In 2019, 98 percent of passenger attendants were contracted and earned an average of \$12.44 an hour.<sup>15</sup>

The dynamic is clear. Wages of outsourced workers decrease as airlines do more outsourcing. But the effects of outsourcing don't stop there: outsourcing also appears to drive down the wages of certain job classes as a whole—specifically the professions the industry targets for outsourcing most often—regardless of whether an individual airline has outsourced the job yet or not. For example, the wages for directly employed janitors—a profession that is typically heavily outsourced—fell by nearly 30 percent during the 2002–2019 period.<sup>16</sup> Meanwhile, airlines actually *increased* compensation for direct airline employees whose jobs are not typically outsourced by approximately 35 percent overall.<sup>17</sup>

<sup>10</sup> “First-class Airport, Poverty-class Jobs,” Puget Sound Sage, OneAmerica, Faith Action Network, and Working Washington, May 2012, pages 2 and 9–10. <https://www.forworkingfamilies.org/resources/publications/first-class-airport-poverty-class-jobs>

<sup>11</sup> “Air Transportation Employment,” U.S. Bureau of Labor Statistics, SEIU Analysis. <https://www.bls.gov/ces/>

<sup>12</sup> U.S. Bureau of Labor Statistics, available at <https://www.bls.gov/oes/tables.htm>.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

Recent data appears to show an acceleration of outsourcing. In January 2018, the proportion of outsourced workers stood at 30.6 percent.<sup>18</sup> In January 2020, prior to the COVID-19 pandemic, that proportion stood at 32.06 percent.<sup>19</sup> As of November 2020, the proportion of outsourced workers stood at 34 percent.<sup>20</sup> The proportion of workers outsourced grew faster between April and May than at any other time since at least 1991.<sup>21</sup>

### Staffing Issues During the Pandemic

#### *American Airlines*

Although American Airlines has blamed labor shortages, in part, for massive flight delays, the airline was the only major commercial carrier to furlough pilots—1,600—during the pandemic.<sup>22</sup> The airline reported that a total of 19,000 team members were furloughed starting October 1, 2020.<sup>23</sup>

In April 2020, *The Dallas Morning News* reported that 39,000 American Airlines employees opted to take early retirement, voluntary leave, or reduced hours. Nearly 5,400 of those employees were pilots, including 715 who took early retirement. Almost 9,500 flight attendants took voluntary leave, among whom 823 took early retirement.<sup>24</sup> In the first quarter of 2021, American reported an additional 1,600 employees had opted into a voluntary early retirement program.<sup>25</sup> American also stated that it decreased its management and support staff team, including officers, by approximately 5,100 positions, or 30 percent.<sup>26</sup>

At the end of 2019, American reported that it employed 133,700 active full-time equivalent employees.<sup>27</sup> By the end of 2020, that number had fallen by more than 30,000, a reduction of more than 20 percent of full-time employees.<sup>28</sup>

But American does not appear intent on reversing that trend. The airline told investors that getting to “cash breakeven” will require “workforce flexibility following expiry of the [Paycheck Support Program].”<sup>29</sup> American Airlines President Robert Isom acknowledged in May at a Wolfe investor presentation that American intends to continue with a substantially reduced workforce that includes, as one example, single agents running boarding at gates. Isom declared, “We think the team is up for the challenge.”<sup>30</sup>

#### *United Airlines*

United Airlines has also made major job cuts. In July 2020, Fox Business reported that 6,000 United Airlines employees had taken voluntary separation packages.<sup>31</sup> Two months later, in September 2020, United reported that since the beginning of the pandemic a total of 9,000 employees had opted into voluntary separation packages, retirement packages, or extended leaves of absence.<sup>32</sup> Additionally, in the first

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

<sup>22</sup> Karl Evers-Hillstrom, “Massive flight delays, cancellations prompt finger-pointing,” *The Hill*, July 14, 2021. <https://thehill.com/policy/transportation/562879-massive-flight-delays-cancellations-prompt-finger-pointing>

<sup>23</sup> American Airlines Quarterly Report, third quarter ending September 30, 2020. <https://americanairlines.gcs-web.com/sec-filings/sec-filing/10-q/0000006201-20-000101>

<sup>24</sup> Kyle Arnold, “39,000 American Airlines workers take early retirement, leave or reduced hours in face of COVID-19 pandemic,” *The Dallas Morning News*, April 30, 2020. <https://www.dallasnews.com/business/airlines/2020/04/30/39000-american-airlines-workers-take-early-retirement-leave-or-reduced-hours-in-face-of-covid-19-pandemic/>

<sup>25</sup> American Airlines Quarterly Report, first quarter ending March 31, 2021. <https://americanairlines.gcs-web.com/sec-filings/sec-filing/10-q/0000006201-21-000054>

<sup>26</sup> American Airlines Annual Report, year ending December 31, 2020. <https://americanairlines.gcs-web.com/sec-filings/sec-filing/10-k/0000006201-21-000014>

<sup>27</sup> American Airlines Annual Report, year ending December 31, 2019. <https://americanairlines.gcs-web.com/sec-filings/sec-filing/10-k/0000006201-20-000023>

<sup>28</sup> American Airlines Annual Report, year ending December 31, 2020. <https://americanairlines.gcs-web.com/sec-filings/sec-filing/10-k/0000006201-21-000014>

<sup>29</sup> American Airlines Current Report (8-K), March 8, 2021. <https://www.sec.gov/ix?doc=/Archives/edgar/data/0000006201/000000620121000022/aal-20210308.htm>

<sup>30</sup> This is from an investor presentation which was posted on the American Airlines Investor Relations page. Unfortunately, the presentation is no longer publicly available.

<sup>31</sup> Lucas Manfredi, “United Airlines says more than 6,000 employees take severance packages after \$1.6B loss,” Fox Business, July 21, 2020. <https://www.foxbusiness.com/markets/united-airlines-says-more-than-6000-employees-take-severance-packages-aft-er-1-6b-loss>

<sup>32</sup> United Airlines Current Report, October 14, 2020. <https://ir.united.com/static-files/e0a68774-996b-4e8d-b1e3-444a85d129d1>

quarter of 2021, approximately 4,500 employees elected to voluntarily separate from the company.<sup>33</sup>

Despite receiving \$7.7 billion in Payroll Support Program money—funded by taxpayer dollars intended to retain employees during the pandemic—United announced bonuses for top executives and planned job cuts for thousands of unionized inflight catering workers based in Honolulu, Cleveland, Denver, Houston, and Newark. In May 2021, seven U.S. Senators—Hirono, Schatz, Brown, Blumenthal, Van Hollen, Menendez, and Booker—wrote letters to United’s CEO Scott Kirby and U.S. Treasury Secretary Janet Yellen to prevent United from outsourcing 2,500 catering jobs.<sup>34</sup> But at the end of July, United announced that it planned to move forward with outsourcing the workers anyway.<sup>35</sup>

### TSA Infections

While there isn’t any regular tracking of COVID–19 infections among airline-contracted airport workers, it is clear that the public-facing nature of many jobs puts these workers at significant risk. The Transportation Security Administration (TSA) does provide data on COVID infections and considering TSA agents also interact directly with the public, they are likely to have a similar risk level to other airport workers. As *Forbes* recently noted, “The vast majority of TSA officers who become infected with the virus are screeners who come into contact with passengers and their belongings.”<sup>36</sup>

According to an analysis of data on infections of TSA officers at the 30 largest airports in the US, the continued spread of the Delta variant appears to be increasing the risk for airport workers:

- In 2021, there has been an 80 percent increase in infections (comparing January 1, 2021 to the current data). In the last month alone, the number of infections increased by 10 percent.
- The rate of change of infections is not evenly spread and, for example, several airports saw a roughly 20 percent increase in the last month, including FLL, ATL, LAS, DFW, MIA and IAH were at about 18 percent.
- In 2021 alone, several major airports have seen infections rise by more than 100 percent (LGA, FLL, MCO, SFO, JFK). At LAS, BWI, MIA, IAH, and EWR infections rose by rates well above 90 percent.<sup>37</sup>

### Airlines Failed to Protect Workers and Passengers During the Pandemic

A 2020 survey of nearly 900 frontline airport workers in 43 airports finds health and safety measures fall short:<sup>38</sup>

- One in five airport workers report receiving no PPE whatsoever.<sup>39</sup>
- Only half report that their employer, an airline, or the airport provide them with masks to cover their mouth and nose.<sup>40</sup>
- 69 percent report their employer failed to train them on how to protect themselves and passengers from the virus.<sup>41</sup>
- 66 percent report their employer failed to train them to properly don and doff gloves, masks, and other PPE in order to limit exposure to infection.<sup>42</sup>

<sup>33</sup> United Quarterly Report, first quarter ending March 31, 2021. <https://americanairlines.gcs-web.com/sec-filings/sec-filing/10-q/0000006201-21-000054>

<sup>34</sup> “Hirono, Schatz, Brown, Blumenthal, Van Hollen, Menendez, Booker Call for United Airlines to Stop Outsourcing 2,500 Catering Jobs,” Press Release, May 5, 2021. <https://www.hirono.senate.gov/news/press-releases/hirono-schatz-brown-blumenthal-van-hollen-menendez-booker-call-for-united-airlines-to-stop-outsourcing-2500-catering-jobs>

<sup>35</sup> Tracy Rucinski and Sanjana Shivdas, “United Airlines to outsource catering operations from October,” Reuters, July 29, 2021. <https://www.reuters.com/business/aerospace-defense/united-airlines-outsource-catering-operations-october-2021-07-29/>

<sup>36</sup> Suzanne Rowan Kelleher, “Here’s Why You Need To Wear A Face Mask At Airports And On Airplanes,” *Forbes*, (August 4, 2021). <https://www.forbes.com/sites/suzannerowan-kelleher/2021/08/04/covid-airport-tsa-flights-surge/?sh=1567a4bc473c>

<sup>37</sup> Analysis of TSA COVID infections. <https://docs.google.com/spreadsheets/d/1aUhiYzp5EesL6rpdUp5ld-b4cWnOpdxq/edit?usp=sharing&oid=101153717557407581469&rtpof=true&sd=true>

<sup>38</sup> SEIU Survey of Airport Workers, July–September 2020.

<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

- 64 percent report their employer failed to train them how to respond if they find a dangerous or contaminated item in the cabin or the terminal.<sup>43</sup>
- 64 percent report their employer failed to train them to protect themselves from blood-borne pathogens and infectious diseases as they perform their job duties.<sup>44</sup>
- 80 percent agree or strongly agree with the statement, “Working at the airport puts me at increased risk for contracting COVID-19.”<sup>45</sup>
- More than 50 percent report they are not given paid sick days.<sup>46</sup>
- 67 percent report experiencing pressure to work too quickly or do more work than they believe is safe because there are not enough staff.<sup>47</sup>
- Fewer than half agree with the statement, “I can raise concerns about workplace issues (*i.e.*, safety and health, cleaning, security, passenger service standards) without fear of retaliation.”<sup>48</sup>

### **The airline industry is squeezing not just workers but airports as well**

Airlines are cutting costs in a number of ways that not only affect the quality of workers’ wages and working conditions, but also the quality of U.S. airports. In March 2021, Lance Lyttle, the Managing Director of the Seattle-Tacoma International Airport, urged lawmakers to provide additional support for airports. In his testimony, he specifically called for Congress to “provide a path to sustainable airport investment through a long-overdue adjustment to the Federal cap on local PFCs.”<sup>49</sup> The federally authorized Passenger Facility Charge (PFC) program allows airports to collect a fee from each traveling passenger. These funds are then used to fund airport development projects. For the last 20 years, PFCs have been capped at \$4.50 per passenger per flight segment,<sup>50</sup> while construction costs have risen significantly.<sup>51</sup> Unfortunately, rather than support an increase in PFCs, the airline industry has campaigned against any increase, blocking airports’ access to needed capital for infrastructure projects.<sup>52</sup>

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<sup>43</sup> SEIU Survey of Airport Workers, July–September 2020.

<sup>44</sup> *Ibid.*

<sup>45</sup> *Ibid.*

<sup>46</sup> *Ibid.*

<sup>47</sup> *Ibid.*

<sup>48</sup> *Ibid.*

<sup>49</sup> “Lance Lyttle Opening Statement before the House Aviation Subcommittee,” American Association of Airport Executives (AAAE), March 2, 2021, at 4 minutes, 20 seconds. <https://www.facebook.com/watch/?v=725176868187511>

<sup>50</sup> Jeff Davis, “Study Commissioned by Congress Recommends Increasing Airport PFC Cap by \$3 per Passenger” Eno Center for Transportation, January 16, 2020. <https://www.enotrans.org/article/study-commissioned-by-congress-recommends-increasing-airport-pfc-cap-by-3-per-passenger/>

<sup>51</sup> Benjamin M. Miller, *et al.*, “US Airport Infrastructure Funding and Financing,” Rand Corporation, January 2020, page xv. [https://www.rand.org/content/dam/rand/pubs/research\\_reports/RR3100/RR3175/RAND\\_RR3175.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RR3100/RR3175/RAND_RR3175.pdf)

<sup>52</sup> “Stop Air Tax Now,” Airlines for America, accessed March 2, 2021. <https://www.stopairtaxnow.com/privacy-policy/>



AS THE LARGEST U.S. PASSENGER AIRLINE, AMERICAN AIRLINES IS CRITICAL TO THE U.S. ECONOMY'S ABILITY TO REBOUND FROM THE ECONOMIC TURMOIL CAUSED BY THE COVID-19 PANDEMIC

*The CARES Act's Payroll Support of \$7.6 Billion to American Airlines Will Yield an Estimated \$10.6–\$12.3 Billion in Primary Benefits to the U.S. Economy, and Facilitate an Additional \$10.6 Billion in Secondary GDP Benefits by Enhancing American's Ability to Quickly Restore Capacity and Facilitate the Rebound in the U.S. Economy*

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April 3, 2020

## Executive Summary

U.S. passenger airlines play a critical role in the United States by enabling commerce and trade, connecting families and friends, transporting armed services personnel, and serving as a vital component for much of the Nation's tourism, leisure, and hospitality industry, the largest component of the U.S. economy.<sup>2</sup> According to the U.S. Federal Aviation Administration ("FAA"), civil aviation in the United States drives 5 percent of U.S. Gross Domestic Product ("GDP") and helps to support over 10 million U.S. jobs (*i.e.*, one of every 14 in the U.S. economy).<sup>3</sup> During the current COVID-19 pandemic, U.S. passenger carriers—including American—have played a key role in transporting urgently needed medical equipment, medicine, and personnel to the most affected

regions of the country,<sup>4</sup> and have likewise provided emergency flights to repatriate U.S. citizens who were stranded abroad as countries began to close their borders and freeze travel in response to the rapidly spreading pandemic.<sup>5</sup>

Without healthy U.S. airlines that are in a position—both financially and operationally—to quickly restore flights once the pandemic in the United States has been contained, the recovery of the broader U.S. economy will be far slower than it could otherwise be, leaving millions of Americans unemployed or furloughed longer. Recognizing the unique and critical role that U.S. passenger airlines, including American, play in the Nation's economy—as well as how the need for social distancing and various Federal and state-mandated travel quarantines have crippled the industry virtually overnight—the Coronavirus Aid, Relief, and Economic Security Act ("CARES") Act affords U.S. passenger carriers \$25 billion to keep their employees on their payrolls until September 30, 2020, when demand is anticipated to have begun rebounding. Without these funds, evaporating passenger demand—

<sup>1</sup> See last page for author biographies.

<sup>2</sup> See <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-vice-president-pence-members-coronavirus-task-force-press-briefing-13/> statement of President Trump on March 27th, 2020 ("... I also want to preserve airlines, because that's preserving lots of other jobs. That's preserving the travel and leisure industry, which is perhaps the largest industry in our country, if you add it all up. You add up all the hotels and all of the traveling and all the planes and everything else—probably, by far, the largest industry in our country.")

<sup>3</sup> Source: *The Economic Impact of Civil Aviation in the U.S. Economy*, U.S. Federal Aviation Administration, January 2020, p.14.

<sup>4</sup> On March 19, 2020, American Airlines announced that it would operate cargo-only flights to move goods, including medical supplies, between the U.S. and Europe. See <http://news.aa.com/news/news-details/2020/American-Airlines-Announces-Cargo-Only-Flights-to-Help-Keep-Business-Moving-OPS-DIS-03/default.aspx>. In addition, American Airlines has partnered with the American Red Cross to raise funds for COVID-19 relief through offering air miles to Red Cross donors. See [http://s21.q4cdn.com/616071541/files/doc\\_news/American-Airlines-Supports-COVID-19-Efforts-Through-American-Red-Cross-COMM-VOL-03-2020.pdf](http://s21.q4cdn.com/616071541/files/doc_news/American-Airlines-Supports-COVID-19-Efforts-Through-American-Red-Cross-COMM-VOL-03-2020.pdf). On March 28, 2020, United Airlines announced that it would use its planes to transport medical supplies around the United States. See <https://www.businessinsider.com/united-ceo-thanks-america-bail-out-planes-deliver-medical-supplies-2020-3>, statement by CEO Oscar Munoz ("Right now, aircraft flying the United livery and insignia, flown by our aviation professionals, have been repurposed to deliver vital medical supplies and goods to some of the places that need it most.") Delta is providing free flights to medical volunteers to regions in the U.S. that have been highly impacted and operating cargo flights between the U.S. and China to maintain the medical supply chain. See <https://news.delta.com/supporting-front-lines-medical-volunteers-can-book-free-flights-georgia-louisiana-and-michigan> and <https://news.delta.com/new-delta-cargo-flights-between-us-china-help-keep-medical-supply-chain-flying>.

<sup>5</sup> For example, on March 19, 2020, after Haiti closed its two international airports, both American and JetBlue decided to offer repatriation flights (<https://www.miamiherald.com/news/nation-world/world/americas/haiti/article241442121.html>). In addition, for the week of March 25th, American and United offered repatriation flights from various cities in Central and South America (<https://hub.united.com/united-helps-travelers-return-home-2645575499.html> and <http://news.aa.com/news/news-details/2020/American-Airlines-Operating-Repatriation-Flights-to-Get-Customers-Home-This-Week-OPS-DIS-03/default.aspx>).

which has already resulted in one U.S. carrier liquidating<sup>6</sup>—would leave U.S. carriers—including American—with no choice but to furlough a substantial majority of their employees, as many airlines around the world have already done.<sup>7</sup>

American Airlines, along with its wholly-owned regional carriers Envoy, Piedmont, and PSA (collectively “American”), is the largest U.S. carrier as measured by available seat miles (“ASMs”), accounting for approximately one in every five U.S. airline seats.<sup>8</sup> American serves 237 U.S. destinations, including 211 small-and medium-sized U.S. communities (see Appendix).<sup>9</sup> Moreover, American provides the only scheduled large network carrier service to 28 U.S. communities.<sup>10</sup> As the single largest U.S. airline employer with over 130,000 employees (FTEs),<sup>11</sup> American accounts for roughly 20 percent of the industry’s overall economic impact. Indeed, because American spends, on average, over \$39 million in employee wages and benefits *each day*,<sup>12</sup> beyond the devastating effect these furloughs would have on airline employees, they also would have far reaching ripple effects throughout thousands of U.S. communities where spending by American’s furloughed employees would be curtailed. Likewise, mass furloughs of American’s team members would add to the already surging number of jobless claims throughout the U.S. economy,<sup>13</sup> and impose even greater financial strain on all 50 states’ finances due to as many as one hundred thousand potential additional unemployment claims and reduced tax revenues.

By ensuring that American is able to keep its employees on its payrolls for the next six months, the CARES Act provides a critical and essential bridge for American and their employees so that they are in the position to provide the most efficient, effective, and economical air service to fuel the U.S. economy’s rebound. Importantly—and as detailed in the remainder of this white paper<sup>14</sup>—the primary quantifiable economic benefits of American’s award of \$7.6 billion in payroll assistance are estimated at between \$10.6 and \$12.3 billion in direct economic value to the U.S. Treasury,<sup>15</sup> State Treasuries, and the broader U.S. economy, depending on

<sup>6</sup>See “Compass Airlines to cease operations in April,” *Minneapolis Star Tribune*, March 19, 2020 (“Minneapolis-based Compass Airlines is shutting down operations in April due to the coronavirus outbreak. A statement from the company says Compass Airlines ‘has made the difficult decision to cease operations, effective April 7.’ According to the statement, ‘Radical capacity reductions left Compass without the ability to fly even minimally viable schedules.’”)

<sup>7</sup>Several carriers outside of the United States have already announced massive layoffs because of COVID-19. In Canada, for example, the largest three carriers (Air Canada, WestJet, and Air Transat) have all announced massive furloughs. See “More than 5,100 Air Canada flight attendants to be laid off amid massive COVID-19 slowdown,” CBC, March 19, 2020 (<https://www.cbc.ca/news/canada/british-columbia/more-than-5-100-air-canada-flight-attendants-to-be-laid-off-amid-massive-covid-19-slowdown-1.5504051>), “WestJet cuts 50 percent of its staff,” FlightGlobal, March 24, 2020 (<https://www.flightglobal.com/strategy/westjet-cuts-50-of-staff/137507.article>), and “Air Transat to lay off 70 percent of workforce amid coronavirus pandemic,” Global News, March 23, 2020 (<https://globalnews.ca/news/6716946/air-transat-layoffs-coronavirus/>). Similarly, Australia’s largest carrier Qantas is furloughing two thirds of staff (<https://www.qantasnewsroom.com.au/media-releases/qantas-group-outlines-customer-and-employee-impact-of-coronavirus-related-network-cuts/>) and SAS has furloughed 90 percent of its workforce. See “Airline SAS to half most traffic, temporarily lay off 10,000 staff,” Reuters, March 25, 2019.

<sup>8</sup>In 2019, American was the largest U.S. carrier as measured by systemwide seats, flights and available seat miles (“ASMs”). Source: OAG.

<sup>9</sup>Source: OAG for full year ending March 2020.

<sup>10</sup>Source: OAG. Small and medium communities are defined as airports having less than 1 percent of annual passenger boardings.

<sup>11</sup>See American Airlines 2019 Form 10-K, page 9.

<sup>12</sup>Source: U.S. DOT Form 41. The total salaries and benefits for American Airlines, Envoy, and PSA, for 2019 quarters 2 and 3 (the last two quarters available), increased by approximately 4 percent to estimate 2020 Q2 and Q3 levels. Piedmont Airlines, another regional carrier that is wholly owned by American, does not report to Form 41 schedule p-6. Adding Piedmont would increase daily salaries and benefits by approximately \$1.2 million per day.

<sup>13</sup>Jobless claims for last two weeks reached nearly 10 million in total, with 6.6 million claims for the week ending March 28 and 3.3 million claims for the week ending March 21. In comparison, the week ending March 28, 2019 had 211,000 jobless claims. See U.S. Department of Labor News Release, April 2, 2020.

<sup>14</sup>In a companion whitepaper prepared at the request of Airlines for America (“A4A”) we studied the economic impact of the CARES Act’s payroll protections for the entire U.S. passenger airline industry. See “U.S. Passenger Airlines Are Critical to the U.S. Economy’s Ability to Rebound From the Economic Turmoil Caused by the COVID-19 Pandemic”, Eric Amel, Darin Lee and Ethan Singer, (“Compass Lexecon Airline Industry CARES Study”). The analysis contained in this study applies the same methodological approaches used in the Compass Lexecon Airline Industry CARES Study to the employees of American, the largest U.S. passenger airline.

<sup>15</sup>American’s application is for \$7.6 billion in payroll support. Nevertheless, even if American’s pro-rata share of the CARES Act’s \$25 billion in industrywide payroll support is less than \$7.6 billion, the benefits described in this whitepaper will not be reduced, as American is required to keep its employees on its payroll for the next six months.

the assumed level of furloughs at American in the absence of the CARES Act's grants.<sup>16</sup> This includes \$4.0-\$5.7 billion of increased state and Federal tax revenue, avoided unemployment insurance payments, and increased spending flowing directly from the payment of American's employees' wages over the next six months.

Moreover, American's application under the CARES Act will pay countless other dividends to the U.S. economy by incenting and enabling American to restore capacity faster than it otherwise would, resulting in a more rapid, robust, and resilient economic rebound throughout the broader U.S. economy once the COVID-19 pandemic ends. During the last three months of the payroll protection period, for example, assuming that lower marginal costs of operating a flight due to the CARES Act in cents and enables American to restore 10 percentage points more of their pre-COVID-19 capacity than it otherwise would have,<sup>17</sup> the quantification of just three of the additional benefits of this incremental American capacity (*i.e.*, additional supply chain activity, domestic traffic stimulation, and more international visitors) brings the total economic benefit to the U.S. economy *during the period of the payroll support* to \$5.0-\$6.6 billion. Another significant—albeit unquantified—benefit of the CARES Act's payroll support to American is the fact that American will be required to maintain critically important scheduled air service to hundreds of U.S. cities, including many remote small- and medium-size communities that rely on air transportation linkages for critical health and safety needs, as well as for connectivity to the rest of the country (and the world).<sup>18</sup> Absent the payroll assistance, many of these small U.S. communities would undoubtedly lose their air service on American and all of the associated benefits that come with it, and for those communities served *only by American* (*e.g.*, Abilene, Texas, Garden City, Kansas, etc.), they would be cut off entirely from the Nation's scheduled air transportation network.

However, these economic dividends will not end on September 30. Because the CARES Act will position U.S. passenger airlines, including American, to emerge from the COVID-19 pandemic with their workforces both intact and highly motivated to lead the economic recovery, there is every reason to believe that carriers will be both incented *and able* to continue supplying more capacity than they otherwise would as the economy's rebound accelerates.<sup>19</sup> Put differently, because the CARES Act provides American six more months to secure additional private funding which, in turn, will better position it to retain their highly-skilled workforces so that they are poised to grow, it will help to minimize the number of involuntary furloughs and pay reductions that may be required in the fall if the negative demand effects of the COVID-19 pandemic persist beyond that time. Including the longer-term benefits from American's incremental capacity (*i.e.*, additional supply chain activity, domestic traffic stimulation, and more international visitors) over the two years following the period of the payroll support brings the total primary economic benefits to the U.S. economy to between \$10.6 billion and \$12.3 billion.

Finally, in addition to the *primary* impacts of a larger and more robust airline industry discussed above, the CARES Act will generate significant secondary (or "spillover") benefits by facilitating more face-to-face business meetings and other economic activity that will no doubt lead to an accelerated economic recovery by

<sup>16</sup> As discussed below, absent the CARES Act, American has determined that it would furlough between 60 percent and 85 percent of its employees due to evaporating demand for its flights.

<sup>17</sup> By way of example, if American had reduced its capacity to 15 percent of its pre-pandemic capacity absent the CARES Act, it is reasonable to assume that the lower marginal costs resulting from the CARES Act would incent and enable American to supply 25 percent of its pre-pandemic capacity.

<sup>18</sup> See CARES Act, Sec. 4005, Continuation of Certain Air Services ("When considering whether to exercise the authority granted by this section, the Secretary of Transportation shall take into consideration the air transportation needs of small and remote communities and the need to maintain well-functioning health care and pharmaceutical supply chains, including for medical devices and supplies.") Among the scores of small remote communities that American serves are: Texarkana, Arkansas; San Angelo, TX; Dubuque, Iowa; Stillwater, Oklahoma; Salisbury, Maryland; Williamsport, Pennsylvania.

<sup>19</sup> On the other hand, in the absence of the CARES Act, carriers including American would not only be forced to engage in mass furloughs, but would also seek to reduce the wages and benefits of their remaining employees, resulting in disheartened and demoralized work forces. Based on the U.S. airline industry's experience following previous negative shocks (*e.g.*, September 11th), this would leave U.S. carriers severely handicapped in their ability to respond to the anticipated return of demand once the pandemic ends. See, *e.g.*, "Relationships, Layoffs, and Organizational Resilience: 'Airline Industry Responses to September 11'", by Jody Hoffer Gittell, Kim Cameron, Sandy Lim, and Victor Rivas, *The Journal of Applied Behavior Science*, 42 (3), 2006, pp. 300-329 ("The presence of adequate financial reserves reduces the need to rely on layoffs, thus preserving relational reserves among employees, which boost an organization's ability to bounce back after a crisis has passed.")

spurring investment, employment, and innovation in all sectors of the economy. Even under highly conservative assumptions regarding these spillover effects, the CARES Act-enabled capacity offered by American can be expected to increase annual U.S. GDP by an average of 0.02 percent over the two years following the end of the grant period, equivalent to \$10.6 billion.<sup>20</sup>

Figure 1 below summarizes both the primary and secondary economic benefits of the CARES Act's payroll support for American's employees assuming that absent the Act, plummeting demand as a result of the COVID-19 pandemic would have compelled American to furlough between 60 and 85 percent of its employees. Under these furlough assumptions, Figure 1 shows that the total primary benefits of American's application range from \$10.6 billion (assuming avoided furloughs of 60 percent) to \$12.3 billion (assuming avoided furloughs of 85 percent). Including the secondary impacts on GDP, the total benefits range from \$21.2 billion (assuming avoided furloughs of 60 percent) to \$22.9 billion (assuming avoided furloughs of 85 percent).

**Figure 1: Summary of Quantified Benefits to U.S. Treasury, State Treasuries and Broader U.S. Economy From CARES Act Payroll Support For American Airlines' Employees Under 60% and 85% Furlough Avoidance Assumptions**

Economic Benefit		Total (\$ millions)		
		Avoid 60% Furlough	Avoid 70% Furlough	Avoid 85% Furlough
Primary Benefits	Taxes and Avoided Costs to Fed/State Treasuries			
	Additional Federal Income Taxes	\$385	\$449	\$545
	Additional State Income Taxes	\$51	\$59	\$72
	Additional Local Income Taxes	\$0.8	\$1.0	\$1.2
	Saved State Unemployment Benefits	\$915	\$1,067	\$1,296
	Saved Federal Pandemic Unemployment Compensation	\$975	\$1,138	\$1,381
	Additional Federal Payroll Taxes	\$467	\$545	\$662
	Additional State Unemployment Insurance Taxes	\$14	\$16	\$19
	<i>Subtotal Direct Benefits to U.S. and State Treasuries</i>	<i>\$2,807</i>	<i>\$3,275</i>	<i>\$3,977</i>
	Additional Consumer Spending in U.S. Economy Due to Higher American Airline Employee Disposable Income	\$1,224	\$1,428	\$1,734
	<i>Sub-total Direct Benefits to U.S. and State Treasuries and Additional Consumer Spending</i>	<i>\$4,031</i>	<i>\$4,703</i>	<i>\$5,711</i>
	Short-Term Incremental Capacity Benefits			
	Additional American Airlines Supply Chain Benefits*	\$395	\$395	\$395
	Additional Spending by Domestic Travelers *	\$435	\$435	\$435
	Additional Visitor Spending*	\$89	\$89	\$89
Trailing Effects of CARES-Act	<i>Sub-total Capacity Benefits Through Sept. 30-2020</i>	<i>\$920</i>	<i>\$920</i>	<i>\$920</i>
	<i>Sub-total of Primary Benefits April 1-Sept. 30-2020</i>	<i>\$4,951</i>	<i>\$5,623</i>	<i>\$6,631</i>
	Additional American Airline Supply Chain Benefits*	\$2,373	\$2,373	\$2,373
	Additional Spending by Domestic Travelers*	\$2,553	\$2,553	\$2,553
	Additional Visitor Spending*	\$711	\$711	\$711
	<i>Sub-total Trailing Effects (Oct 1, 2020-Sept 3, 2022)</i>	<i>\$5,637</i>	<i>\$5,637</i>	<i>\$5,637</i>
	<i>Primary Impacts Total</i>	<i>\$10,588</i>	<i>\$11,260</i>	<i>\$12,268</i>
	<i>Secondary Impacts on U.S. GDP</i>	<i>\$10,623</i>	<i>\$10,623</i>	<i>\$10,623</i>
<b>Grand Total</b>		<b>\$21,211</b>	<b>\$21,883</b>	<b>\$22,891</b>

\* Short-Term incremental capacity benefits assume that the CARES Act results in American providing 10 percentage points more capacity (relative to pre-pandemic levels) than it otherwise would from July-September 2020, including 5 incremental long-haul international routes restored. Trailing Effects of the CARES Act and secondary impacts on U.S. GDP assume 10 percentage points more of American's pre-pandemic capacity is restored in the first year following October 1, 2020, followed by five percentage points relative to American's pre-pandemic capacity in the second year, including five incremental long-haul international routes restored.

<sup>20</sup> The secondary GDP spillover effect for American is based on its pro-rata share (based on ASMs) of the U.S. airline industry's impact calculated in the Compass Lexecon Airline Industry CARES Study, which conservatively estimated an average GDP impact of 0.1 percent for the entire industry over the two years following the end of the employee payroll support period.

### Prior to the COVID-19 Pandemic, U.S. Passenger Airlines Were the Most Efficient in the World

Over the past decade, the U.S. airline industry has become *the most efficient* in the world, with (1) capacity utilization and passenger levels at *historically high rates*,<sup>21</sup> (2) airfares at their *lowest* levels in history,<sup>22</sup> and (3) record high levels of customer satisfaction.<sup>23</sup> U.S. carriers' ability to profitably achieve this trifecta—while simultaneously increasing the number of airline employees and average compensation<sup>24</sup>—is a testament to their high degree of efficiency.

In 2019, U.S. airlines carried close to 930 million passengers—the highest number ever.<sup>25</sup> To meet growing passenger demand, U.S. carriers expanded their capacity by 26.2 percent from 2010 to 2019, and until the COVID-19 epidemic, were on track to expand capacity by over five percent in 2020.<sup>26</sup> And during January and February of this year, U.S. carrier traffic grew on a year-over-year basis by 2.2 percent for the two months combined.<sup>27</sup> As a result, U.S. airlines have experienced near record high load factors.<sup>28</sup> American's performance during the first two months of 2020 mirrored those of the broader U.S. airline industry. For example, prior to March, American had planned to grow its domestic capacity by 6.5 percent in 2020 and its international capacity by 3.6 percent,<sup>29</sup> and American's systemwide load factor in January and February reached 80.5 percent and 79.0 percent, respectively, the highest the carrier had ever experienced for these two months combined.<sup>30</sup> American had also planned to take delivery of 69 new aircraft in 2020, and had orders for an additional 184 aircraft beyond that.<sup>31</sup>

### COVID-19 Pulled the Rug from Under U.S. Airlines' Feet

Even before the COVID-19 pandemic reached the United States, American had begun to experience a noticeable reduction in international demand starting in February of this year (first to Asia, and then to Europe). Until early March, however, U.S. passenger airlines were able to weather the impact of Covid-19, as the negative demand impact had not spilled over to the domestic market. Over the course of ten days starting around March 8, however, airline demand went into a freefall as the impact of the Covid-19 pandemic in the United States became widely apparent and Federal, state, and local officials across the country began to urge the public to en-

<sup>21</sup> Capacity utilization, as measured by U.S. industry-wide load factor, reached 84.2 percent in 2019—an all-time high, and 12.0 percentage points higher than in 2000. Source: Bureau of Transport Statistics, T1 database for all scheduled passenger U.S. carriers. Load factor is a standard industry utilization measure defined as revenue passenger miles (RPMs) divided by available seat miles (ASMs). An ASM is one seat flown one mile, and an RPM is one passenger flying one mile.

<sup>22</sup> See <https://www.bts.gov/newsroom/third-quarter-2019-air-fare-data>, noting that “U.S. domestic air fares in the third quarter of 2019 of \$345 were the lowest on record, inflation adjusted, based on Bureau of Transportation Statistics (BTS) records dating from 1995.”

<sup>23</sup> For example, the 2019 *Airline Quality Rating* study by Embry Riddle University was “the best AQR score in the 29-year history of the rating.” Embry-Riddle Aeronautical University, “Airline Quality Rating 2019,” Brent D. Bowen and Dean E. Headley, April 2019 (page 8). Likewise, JD Power study showed record-high customer satisfaction in 2019, “continuing an eight-year trend of satisfaction improvement.” See JD Power North America Airline Satisfaction Study, 2019.

<sup>24</sup> Passenger airline employment has been growing steadily since 2010 with approximately 70,000 new jobs added over this period. Over this period, average compensation (wages and benefits) per airline employee has increased from \$90,000 to \$132,000. Source: U.S. DOT Form 41 schedule P1(a) and schedule P-6. Salaries and benefits per employee through full year ending 2019Q3.

<sup>25</sup> Sources: Bureau of Transportation Statistics (<https://www.bts.gov/newsroom/december-2019-us-airline-traffic-data>); U.S. DOT T1 database; U.S. DOT 298C database.

<sup>26</sup> See, e.g., Cowen Equity Research, “2020 Skyscape: In Line For Another Good Year Despite Concerns Of Max Re-Entry,” Jan. 3, 2020,” p. 1, predicting a 5.4 percent capacity increase, Barclays Equity Research, “North America Airlines Through from 4Q2019 Earnings,” Feb. 4, 2019, p. 3, forecasting 5.7 percent growth, and Raymond James, “Global Airlines Outlook: 2020 Vision,” p. 13, forecasting 6 percent U.S. domestic capacity growth in 2020.

<sup>27</sup> Average daily traffic growth for A4A members. A4A members include Alaska, American, Delta, Hawaiian, JetBlue, United, and Southwest. Source: A4A data.

<sup>28</sup> A4A member carriers had load factors in January and February of 80.2 percent and 79.5 percent, respectively, for a combined 79.9 percent to start the year. The January/February 2020 load factor of 79.9 percent was only previously achieved in January/February 2014 with an 80.0 percent load factor. Source: A4A data and U.S. DOT T100.

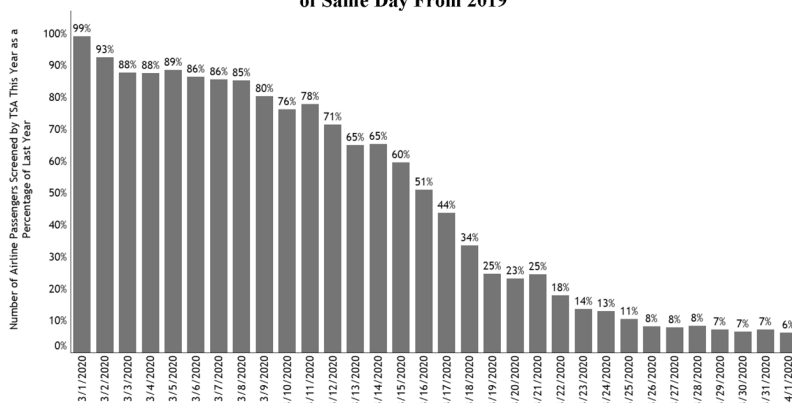
<sup>29</sup> Source: OAG data for American as of March 5, 2020. Includes flights marketed by American. Capacity measured as ASMs.

<sup>30</sup> American Airlines, Envoy, Piedmont and PSA operations data and U.S. DOT T100.

<sup>31</sup> Source: American Airlines.

gage in social distancing and to stay at home.<sup>32</sup> Likewise, starting on March 11, the Transportation Security Administration (“TSA”) began to issue statements reporting on airport security screeners testing positive for Covid-19, and for the 14-day period ending March 28, 2020, there were 49 TSA screening officers at 17 different airports that tested positive.<sup>33</sup> As a result of these factors, U.S. carrier flights went from being approximately 80 percent full to less than 20 percent full on average *even as U.S. carriers cancelled almost half of all flights*,<sup>34</sup> and the few passengers that did travel over this period were primarily those rushing home to wait out the pandemic. Thus, on each of the last seven available days of data from TSA (Thursday March 26–Wednesday, April 1, 2020), TSA security screened 8 percent or fewer of the number of travelers that it screened on the equivalent days from 2019.<sup>35</sup>

**Figure 2: Number of Airline Passengers Screened by TSA as a Proportion of Same Day From 2019**



Source: TSA.

Notes: Travelers passing through TSA Checkpoints this year as a percentage of travelers who passed through the checkpoints last year on the same day.

Over this period of time, American has seen its passenger numbers plummet to levels the carrier has never experienced (other than the handful of days directly after September 11th that the Nation’s air transportation system was shut down entirely). As shown in Figure 3, as recently as March 1, 2020, American carried over 600,000 passengers on a single day, and enjoyed load factors on some recent days (e.g., March 1) as high as 83 percent. By Wednesday April 1, American carried only 33,341 passengers (a mere 7 percent of the number they carried four Wednesdays earlier), resulting in a load factor on April 1 of only 10 percent.<sup>36</sup> Faced with only a shrinking sliver of passengers relative to its capacity, American has already dra-

<sup>32</sup> On March 8, Dr. Anthony Fauci—Director of the National Institute of Allergy and Infectious Diseases—advised older adults and those with underlying health conditions to avoid air travel. On March 11, President Trump announced travel restrictions between the United States and Europe (excluding the UK and Ireland), and, three days later, extended those restrictions to all of Europe. On March 12, the CDC began to advise the public to avoid groups of 250 or more people, which was revised to 50 people on March 15 and only 10 people on March 16. On March 16, the White launched its 15 Day to Stop the Spread campaign advising the public to “Listen to and follow the direction of your state and local authorities”, many of which subsequently instructed their individuals to either shelter in place and/or quarantine themselves after traveling from another state. See [https://dhss.delaware.gov/dhss/pressreleases/2020/cdcguidance\\_030920.html](https://dhss.delaware.gov/dhss/pressreleases/2020/cdcguidance_030920.html), <https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-taken-unprecedented-steps-respond-coronavirus-protect-health-safety-americans/>, <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-vice-president-pence-members-coronavirus-task-force-press-briefing/>, <https://www.cdc.gov/coronavirus/2019-ncov/downloads/community-mitigation-strategy.pdf>, <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-vice-president-pence-members-coronavirus-task-force-press-briefing-3/> and <https://www.whitehouse.gov/articles/15-days-slow-spread/>.

<sup>33</sup> Source: <https://www.tsa.gov/coronavirus/>

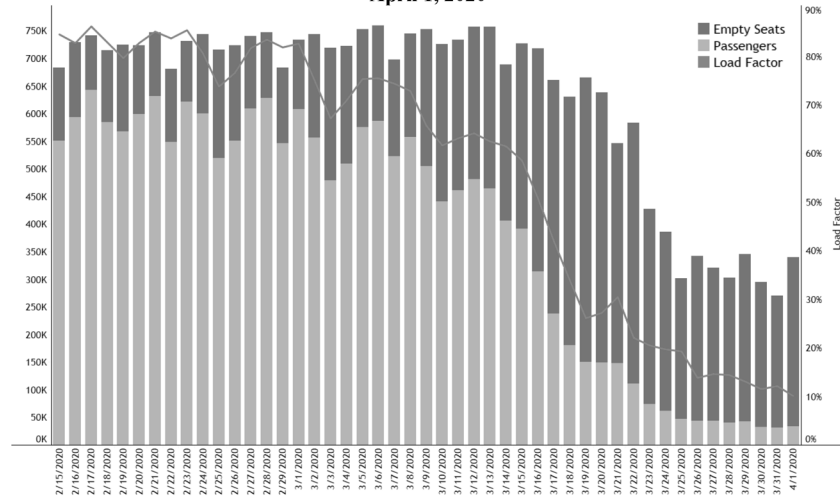
<sup>34</sup> Source: A4A data and MasFlight, comparing the number of completed flights on March 28th, 2020 versus the average number of completed flights for the week ending February 15, 2020.

<sup>35</sup> See <https://www.tsa.gov/coronavirus/passenger-throughput>.

<sup>36</sup> Source: American Airlines consolidated operations data.

matically pulled down its schedule and will soon have over 380 aircraft out of service and parked.<sup>37</sup>

**Figure 3: American Airlines' Daily Passengers, Seats, and Load Factor, February 15 – April 1, 2020**



Source: American Airlines operations data.  
Notes: Consolidated operations, domestic and international.

To make matters worse all evidence points to the demand for air travel all but disappearing in the coming days, weeks and potentially months as more local authorities adopt increasingly aggressive counter-measures on a daily basis (including quarantining out-of-state visitors or attempting to ban them all together) to slow the spread of COVID-19 and travelers continue to heed to the pleas of government and public health officials to engage in social distancing and stay at home to “flatten the curve.” Indeed, for the first time in U.S. history, the Federal government, along with 37 states (plus Washington, D.C. and Puerto Rico) comprising over 294 million people (about 89 percent of the U.S. population),<sup>38</sup> have issued “stay at home” orders, and, as of April 1, these orders will be in place until at least April 30. These “stay at home orders” apply to each of American’s hub cities (*i.e.*, New York, Dallas, Charlotte, Chicago, Miami, Washington D.C., Los Angeles, Phoenix, and Philadelphia). And even if—under the best-case scenario—the United States “re-opens” for business by May, vast portions of the traveling public—including those aged 65 and those that have an underlying health condition—will be reluctant to return to traveling until public health officials can assure them that the risk of contracting the coronavirus is minimal (*e.g.*, when a reliable vaccine has been developed and is widely available),<sup>39</sup> or until other therapeutics or drugs to treat, cure or prevent COVID-19 becomes available.

<sup>37</sup> Source: American Airlines.

<sup>38</sup> See <https://www.nytimes.com/interactive/2020/us/coronavirus-stay-at-home-order.html> (accessed on April 1, 2020).

<sup>39</sup> The CDC has identified several groups of individuals at high risk of serious complications—including death—should they be infected by COVID-19. These include adults aged 65 years and older, or persons (of any age) with diabetes, chronic lung disease, cancer, immunodeficiency, heart disease, hypertension, asthma, kidney disease, and liver disease. These groups comprise a large portion of the U.S. population. For example, there are approximately 49.2 million people in the United States aged 65 and older (*i.e.*, 15.2 percent of the population), 26.8 million people in the United States with diabetes, 33.2 million with chronic lung disease, and 23.3 with cancer (CDC, U.S. Census, <https://www.census.gov/data/tables/2017/demo/popproj/2017-summary-tables.html>, <https://www.cdc.gov/diabetes/pdfs/data/statistics/national-diabetes-statistics-report.pdf>, <https://www.cdc.gov/nchs/fastats/cancer.htm>, and American Lung Association, [https://www.lung.org/research/trends-in-lung-disease/estimated-prevalence-and-incidence-of-lung-dis-\(1\)/methodology](https://www.lung.org/research/trends-in-lung-disease/estimated-prevalence-and-incidence-of-lung-dis-(1)/methodology)). It is reasonable to assume that a portion of these high-risk individuals will avoid traveling by air until they are immune (by virtue of recovering from COVID-19) or until a vaccine is available, and as a result will reduce airline demand substantially.

### **The Decline in Passenger Traffic Is Unprecedented in Aviation History and Can Be Expected to Last for Several Months If Not Longer**

Based on the bookings for future air travel of the U.S. carriers,<sup>40</sup> the mass layoffs throughout the economy that have already commenced<sup>41</sup> and are certain to continue,<sup>42</sup> and the fact that governments across the United States and around the globe are placing onerous restrictions on inbound travelers or restricting travel altogether,<sup>43</sup> there is every reason to believe that demand for air travel will be suppressed for the foreseeable future.<sup>44</sup> Indeed, American's forward bookings for April and May travel paint an even bleaker picture than March, and portend even deeper cuts in capacity as what little demand for air travel there exists today dries up almost completely.<sup>45</sup> Sustained declines in airline demand of this magnitude are simply unprecedented.<sup>46</sup> By way of comparison, in September 2001—in the wake of the September 11th terrorist attacks—U.S. carrier traffic fell by approximately 34 percent vs. September 2000, but improved (versus the year prior) to -22 percent in October, -19 percent in November and -14 percent in December 2001.<sup>47</sup> Likewise, during the nadir of the Great Recession, passenger traffic for U.S. carriers fell (year-over-year) by *at most* 13 percent (in November 2008 and February 2009).<sup>48</sup>

In response to the unprecedented decline in demand and uncertainty as to when demand may start to return, U.S. airlines have already announced substantial reductions in capacity. For example, Delta recently announced a “70 percent pullback of systemwide capacity”<sup>49</sup>; United announced that it has cut April capacity by more than 60 percent and is “planning even to make even deeper cuts in May and June”<sup>50</sup>; and Alaska announced capacity reductions of approximately 70 percent for April and May.<sup>51</sup> Likewise, American has already announced that it “will suspend 60 percent of its capacity in April as compared to the same period in 2019 and is planning to suspend up to 80 percent of its capacity in May compared to the same

<sup>40</sup>The number of bookings made for *future travel* for U.S. carriers have declined by over 90 percent for the week ending 3/22/2020 compared to the same week last year. Source: ARC DDS Data.

<sup>41</sup>In the week ending March 28, the advance figure for seasonally adjusted initial claims was 6,648,000, an increase of 3,341,000 from the previous week's revised level. This marks the highest level of seasonally adjusted initial claims in the history of the seasonally adjusted series. The previous week's level was revised up by 24,000 from 3,283,000 to 3,307,000.” The previous high, before the nearly 10 million total initial claims in the last two weeks was 695,000 in October of 1982. See U.S. Department of Labor News Release, April 2, 2020 and U.S. Department of Labor News Release, March 26, 2020.

<sup>42</sup>According to one estimate prepared by the Federal Reserve Bank of St. Louis, the unemployment rate in the second quarter of 2020 could reach 32.1 percent. See <https://www.stlouisfed.org/on-the-economy/2020/march/back-envelope-estimates-next-quarters-unemployment-rate>

<sup>43</sup>See, e.g., “COVID-19 Updated Impact Assessment”, Brian Pearce, Chief Economist, IATA, March 24, 2020 (“IATA COVID-19 Updated Impact Assessment”), page 2, noting that globally “Markets with severe restrictions [quarantine for arriving passengers, partial travel ban, or border closure] cover over 98 percent of global passenger revenues”. On March 14, President Trump extended the European travel ban to include the UK and Ireland (<https://www.whitehouse.gov/briefings-statements/remarks-president-trump-vice-president-pence-members-coronavirus-task-force-press-briefing/>). Since March 25 and March 26, 2020, Alaska and Hawaii, respectively, ordered that individuals arriving at their airports must self-quarantine for 14 days (<https://www.usatoday.com/story/travel/news/2020/03/24/coronavirus-travel-restrictions-isolation-florida-hawaii-alaska/2906751001/>). Similarly, on March 27, 2020, Florida extended its 14-day self-quarantine order, currently including individuals coming from New York, New Jersey, and Connecticut, to Louisiana (<https://www.usnews.com/news/best-states/florida/articles/2020-03-27/florida-orders-louisiana-arrivals-into-quarantine>).

<sup>44</sup>For example, according to IATA, even in countries have successfully contained the coronavirus such as China and South Korea, the number of forward bookings as of March 19 is down approximately 70 percent year over year. See “IATA COVID-19 Updated Impact Assessment, page 7.

<sup>45</sup>Source: American Airlines.

<sup>46</sup>See, e.g., “Airline bookings: unprecedented slowdown in travel”, Bank of America Securities Research Report, March 23, 2020.

<sup>47</sup>Source: U.S. DOT T-100 data.

<sup>48</sup>Source: U.S. DOT T-100 data.

<sup>49</sup>See, Delta 8-K March 18, 2020 <https://d18rn0p25nwr6d.cloudfront.net/CIK-0000027904/66eddc5a6ab-45b6-add8-ff779c8c5c44.pdf>.

<sup>50</sup>See, “A Message From Oscar Munoz and Scott Kirby”, PR Newswire on March 27, 2020. <https://www.prnewswire.com/news-releases/a-message-from-oscar-munoz-and-scott-kirby-301031125.html>

<sup>51</sup>See, Alaska News Release on March 25, 2020. <https://investor.alaskaair.com/news-releases/news-release-details/alaska-airlines-announces-schedule-reductions-and-other-changes>



period in 2019.”<sup>52</sup> Moreover, American is closely monitoring the evolution of the COVID–19 pandemic (and its likely impact on airline demand) and fully expects to announce even deeper capacity cuts if the pandemic’s currently trajectory does not materially improve in the near future.

**Absent the CARES Act Payroll Protection, American Would Have Had No Choice but to Furlough a Substantial Majority of Their Employees**

With the overwhelming majority of airline passengers indefinitely sidelined due to government or corporate travel restrictions and/or a fear of flying until the COVID–19 pandemic has been contained, American, like other U.S. airlines, would have no choice but to furlough a substantial majority of their more than 130,000 employees, as American would quickly run out of cash if it continued to fly empty planes.<sup>53</sup> Because the exact amount of likely furloughs absent the employee grants in the CARES Act is unknown and would depend on the speed at which the pandemic is contained and when the unprecedented decline in consumer travel demand abates, American believes that absent the CARES Act, it would have furloughed between 60 percent and 85 percent of American’s employees. Under any of these scenarios, the consequences to airline employees and communities throughout the United States will be immense, with between 78,000–110,000 current American employees left without jobs, leading to increased burdens on state and Federal unemployment programs (and forcing some onto Medicaid), decreased consumer spending, and increased mortgage defaults, and the potential loss of air service to many small communities.

**The Primary Quantifiable Benefits to the U.S. Treasury, State Treasuries and the U.S. Economy of Guaranteeing That American’s Employees Remain on the Airline’s Payrolls for the Next Six Months Will Range from \$10.6–\$12.3 Billion**

The CARES Act recognizes that, through no fault of its own, U.S. airlines and their employees have seen the demand for their service evaporate virtually overnight. And because airlines are the engine of much of the Nation’s economic activity, the CARES Act provides \$25 billion in grants for U.S. passenger airlines, including American, to continue to keep their employees on their payrolls. Today, American directly employs more than 130,000 people (Full-Time-Equivalents) and pays out, on average, over \$39 million of salaries and benefits *each day*.<sup>54</sup> American has employees living in all 50 states, plus U.S. territories including Puerto Rico.<sup>55</sup> In addition American is a significant employer of U.S. veterans, and also has numerous employees—particular pilots—that actively serve in the U.S. Reserves.<sup>56</sup> As shown in Figure 4, American’s employees are dispersed throughout the entire country, and hence, the incomes they receive and the corresponding local economic impact reaches all corners of the country and is felt in both large urban areas as well as hundreds of smaller U.S. communities. In 2019, there were over 3,400 unique zip codes across the country that were home to American employees who—collectively—accounted for more than \$0.5 million of annual income,<sup>57</sup> and over 1,800 zip codes with over \$1 million in annual employee income.

<sup>52</sup> See, “American Airlines Announces Additional Schedule Suspensions in Response to Reduced Customer Demand Related to COVID–19”, American Airlines press release on March 27, 2020. <http://news.aa.com/news/news-details/2020/American-Airlines-Announces-Additional-Schedule-Suspensions-in-Response-to-Reduced-Customer-Demand-Related-to-Covid-19-OPS-DIS-03/default.aspx>. American’s plans with respect to future capacity are being refined weekly and may be larger than those predicted on March 27.

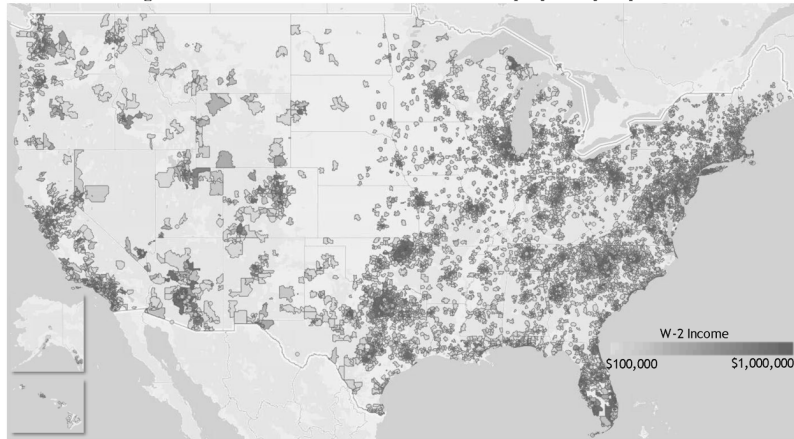
<sup>53</sup> As noted earlier, the coronavirus pandemic has already resulted in one U.S. regional carrier—Compass Airlines—shutting down.

<sup>54</sup> Headcount is for full year 2019 from American Airlines 2019 SEC 10K filing, p. 9. Salaries and benefits based on U.S. DOT Form 41 (schedule p-6) for American Airlines, Envoy, and PSA combined. The total salaries and benefits for 2019 quarters 2 and 3 (the last two quarters available) are increased by approximately 4 percent to estimate 2020 Q2 and Q3 levels. Piedmont Airlines, another regional carrier that is wholly-owned by American, does not report to Form 41 schedule p-6. Adding Piedmont increases daily salaries and benefits by approximately \$1.2 million per day.

<sup>55</sup> Source: American Airlines, Envoy, PSA and Piedmont W–2 tax data for 2019.

<sup>56</sup> American, including its wholly owned regional carriers, Envoy, PSA, and Piedmont, employs a total of over 8,000 veterans, many of who also serve in the reserves. Source: American Airlines.

<sup>57</sup> Source: Analysis of American Airlines, Envoy, PSA and Piedmont W–2 tax data for 2019.

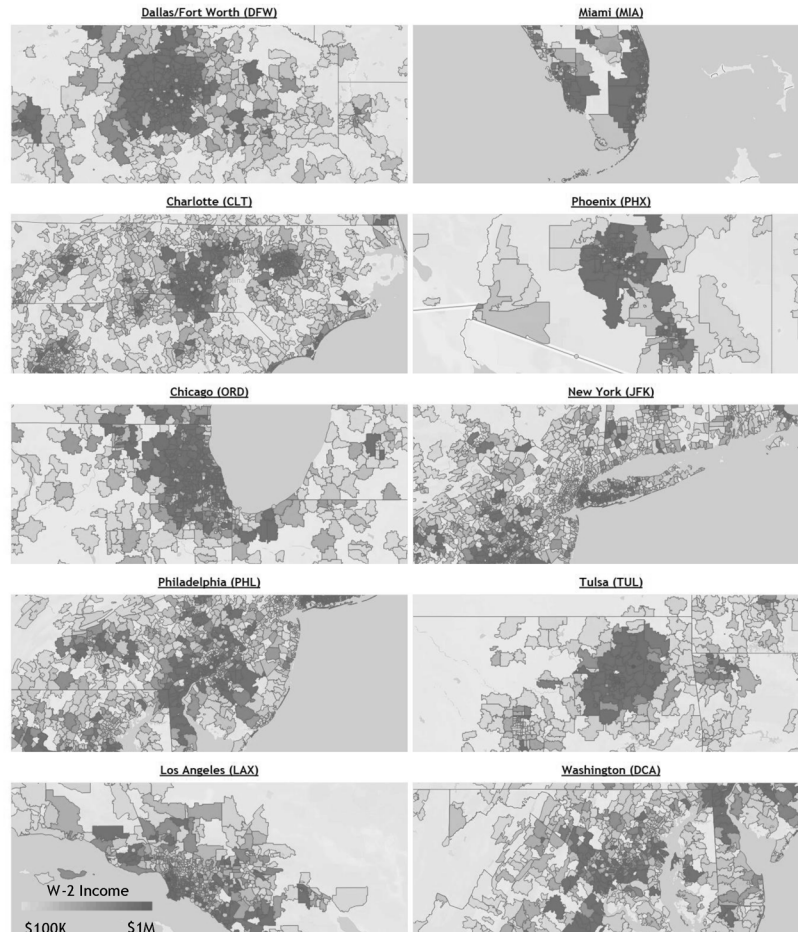
**Figure 4: 2019 W-2 Income of American Employees by Zip Code**

Source: American W-2 tax data for 2019.

Notes: Zip codes are colored by W-2 Income. American includes its wholly owned regional carriers, Envoy, PSA, and Piedmont.

The impact of American's employees on the local economies where American has hubs is particularly significant. For example, Figure 5 shows that the impact of American employees' incomes is also dispersed widely across the metro areas and communities surrounding American hub cities, with virtually every zip code in the Dallas, Miami, Charlotte, New York, Tulsa and Los Angeles metro areas, among others, home to American airline employees. As detailed below, these incomes support the livelihoods of not only airline employees and their families, but also, countless other individuals and small businesses in the same communities (and elsewhere) who benefit from the goods and services American's employees purchase.<sup>58</sup>

<sup>58</sup> As discussed below, each dollar of airline wages generates approximately \$0.50 in additional economic activity throughout the economy as the wages of the airline employees are spent and recirculate throughout the economy.

**Figure 5: Income of American Employees in American Hub-Cities and Tulsa, by Zip Code**

Source: American W-2 tax data for 2019.

Notes: Zip codes are colored by W-2 Income. American includes its wholly owned regional carriers, Envoy, PSA, and Piedmont.

American is a substantial employer in each of its hub cities (plus Tulsa, where American operates a large aircraft maintenance base), and thus, contributes significantly to the economic vitality of the city and its surrounding area. Consequently, absent the CARES Act, mass furloughs of American's employees would deal another crippling blow to their already hard-hit economies reeling from two weeks spiking jobless claims. For example:<sup>59</sup>

- **Dallas/Fort-Worth:** With over 31,000 employees residing in the Dallas/Fort Worth metropolitan area in 2019, American is the region's largest employer.<sup>60</sup>

<sup>59</sup> In addition to the examples of Dallas, Charlotte and Tulsa, substantial numbers of American employees reside in the metropolitan areas (CBSAs) surrounding American's other hubs: approximately 12,000 in Miami/Fort Lauderdale/West Palm Beach; 9,000 in Phoenix; 8,000 in Chicago; 6,000 in New York; 6,000 in Philadelphia; 5,000 in Los Angeles and 3,000 in Washington D.C. Source: American Airlines, Envoy, Piedmont and PSA 2019 W-2 data.

<sup>60</sup> Includes employees residing in the Dallas-Fort-Worth-Arlington CBSA. Sources: American Airlines, Envoy, Piedmont and PSA 2019 W-2 data; Dallas Business Journal, "North Texas

Continued

In just the last two weeks, Texas reported over 430,000 new initial unemployment claims, *more than 17 times the amount the area experienced over a two-week period in March 2019.*<sup>61</sup>

- *Charlotte:* CLT is American's second-largest hub airport and the metropolitan area is home to almost 10,000 American employees.<sup>62</sup> In just the last two weeks, North Carolina reported over 264,000 new initial unemployment claims, *more than 47 times the amount the area experienced over a two-week period in March 2019.*<sup>63</sup>
- *Tulsa:* American employed over 5,000 Tulsa-area residents in 2019 and is one of the city's largest employers.<sup>64</sup> In just the last two weeks, Oklahoma reported over 66,000 new initial unemployment claims, *more than 17 times the amount the area experienced over a two-week period in March 2019.*<sup>65</sup>

As detailed in the remainder of this whitepaper, when one accounts for all of the quantifiable economic benefits that the employee payroll support to American yields back to the U.S. Treasury, various state treasuries, and the broader U.S. economy in the form of taxes, reduced unemployment insurance payouts, follow-on economic activity, and increased capacity that will accelerate the rebound of the U.S. economy, American's share of the CARES Act payroll support is "fully funded" from an economic standpoint. As detailed below, American's award of \$7.6 billion in payroll support will generate at least \$10.6 billion in primary benefits and \$10.6 billion in secondary benefits.

A. *The Direct Benefits to the U.S. Treasury, State Treasuries and Induced Spending Throughout the U.S. Economy from Guaranteeing That American's Employees Remain on the Airlines' Payrolls for the Next Six Months Will Range from \$4.0–\$5.7 Billion*

The direct quantifiable benefits to the U.S. Treasury and state treasuries due to higher disposable income for American's employees are as follows, with the range of estimates reflecting potential furlough assumptions in the absence of the employee grants to American under the CARES Act ranging from 60 percent–85 percent:

- *Increased Federal Income Tax Revenues of \$385–\$545 million:* Because the \$25 billion in employee grants under the CARES Act are contingent on U.S. airlines not furloughing or reducing the wages or salaries of any of their employees until at least September 30, 2020, American's employees will have much higher incomes for the next six months than if they had been furloughed. These higher incomes are subject to standard Federal income tax, which is estimated to be \$385–\$545 million;<sup>66</sup>

Largest Employers," July 26, 2019, <https://www.bizjournals.com/dallas/subscriber-only/2019/07/26/dallas-fort-worth-largest-employers.html>.

<sup>61</sup> See U.S. Department of Labor News Release, April 2, 2020 and <https://oui.doleta.gov/unemploy/archive.asp>

<sup>62</sup> Includes employees residing in the Charlotte-Concord-Gastonia CBSA. Source: American Airlines, Envoy, Piedmont and PSA 2019 W–2 data; "American Celebrates Milestone of 700 Daily Departures at CLT Hub", February 19, 2020, <http://news.aa.com/news/news-details/2020/American-Celebrates-Milestone-of-700-Daily-Departures-at-CLT-Hub-OPS-INF/default.aspx>.

<sup>63</sup> See U.S. Department of Labor News Release, April 2, 2020 and <https://oui.doleta.gov/unemploy/archive.asp>

<sup>64</sup> Includes employees residing in the Tulsa CBSA. Source: American Airlines, Envoy, Piedmont and PSA 2019 W–2 data; 2019 Tulsa Largest Employers, [http://www.growmetrotulsa.com/sites/default/files/page-attachments/EDD\\_%202019%20Largest%20Employers%20List.pdf](http://www.growmetrotulsa.com/sites/default/files/page-attachments/EDD_%202019%20Largest%20Employers%20List.pdf)

<sup>65</sup> See U.S. Department of Labor News Release, April 2, 2020 and <https://oui.doleta.gov/unemploy/archive.asp>

<sup>66</sup> While the employee grants under the CARES Act will provide \$25 billion to the U.S. passenger airlines, American is requesting \$7.6 billion for employee payroll support. The following estimates assume that in the absence of the employee grants under the CARES Act, between 60 percent and 85 percent of American's employees would face furloughs, consistent with the unprecedented decline in consumer travel demand. The 85 percent furlough assumption is equivalent to a three-month total shutdown, followed by a three-month period where American is operating at 30 percent of normal capacity with 30 percent of its workforce. Thus, as a result of the employee payroll support to American, it is estimated that \$6.1 billion in wages and benefits will be paid that otherwise would have been eliminated, under the assumption of 85 percent avoided furloughs. The estimates of additional tax revenues and reduced unemployment claims are based on an analysis of employee level 2019 W–2 earnings for American, which is used to compute the additional taxes or reduced unemployment claims as a result of the employee grants to American under the CARES Act as a proportion of the "at risk" wages for those employees. These proportions are then applied to the wage component of the \$6.1 billion (under the 85 percent avoided furlough assumption) in "at risk" wages and benefits to obtain an estimated dollar amount of additional taxes (or reduced unemployment claims). Officers and Direc-

- *Increased State Income Tax Revenues of \$51–\$72 million:* Similarly, the additional income will be subject to standard state income tax which is estimated to be \$51–\$72 million<sup>67</sup>;
- *Increased Municipal Tax Revenues of \$0.8–\$1.2 million:* The higher incomes protected by the employee grants to American in the CARES Act will also be subject to municipal income tax in some jurisdictions which is estimated to be \$0.8–\$1.2 million<sup>68</sup>;
- *Reduced State Unemployment Insurance Claims of \$0.9–\$1.3 billion:* Absent the employee grants under the CARES Act, American would need to furlough the bulk of their employees, who would then be eligible for state unemployment insurance benefits estimated at \$0.9–\$1.3 billion between April 1, 2020 and September 30, 2020<sup>69</sup>;
- *Reduced Federal Pandemic Unemployment Compensation of \$1.0–\$1.4 billion:* Furloughed workers would also be eligible for the Federal Pandemic Unemployment Compensation contained in the CARES Act of \$600 per week through July 31, 2020, at an estimated cost to the Federal government of \$1.0–\$1.4 billion<sup>70</sup>;
- *Increased Social Security and Medicare Tax Contributions of \$467–\$662 million:* The incomes protected by the employee grants in the CARES Act would also be subject to the employee and employer paid Social Security and Medicare taxes and protecting these incomes will result in an estimated \$467–\$662 billion of additional Social Security and Medicare tax contributions<sup>71</sup>; and
- *Increased State Unemployment Insurance Tax Contributions of \$14–\$19 million:* Employers, like American are also required to pay state unemployment insur-

tors (where the information is available) or the highest paid 1 percent of employees are excluded from the analysis of employee W–2 data. See Figure 13–Figure 15 in the appendix for estimates of the additional tax revenues and reduced unemployment claims by state under avoided furlough assumptions of 60 percent, 70 percent, and 85 percent. The estimate of incremental Federal income tax revenue includes only tax revenue that would be paid above and beyond the Federal income taxes that would be owed for the state unemployment insurance claims and Federal pandemic unemployment compensation that employees would receive in the absence of the employee payroll support to American under the CARES Act. Federal tax liability is estimated assuming that taxes are paid at the marginal rates for single tax filers and based on each employee's expected income as of April 1, 2020 and assumes that marginal rates increase during the year as each additional dollar of income is earned. Source: Analysis of American Airlines, Envoy, Piedmont and PSA W–2 data and Federal income tax rates.

<sup>67</sup> State income tax estimate includes income taxes in 42 states plus the District of Columbia, Puerto Rico, and the Virgin Islands and is based on the incremental employee income above and beyond the state unemployment insurance claims and Federal pandemic unemployment compensation. Income tax is estimated assuming that taxes are paid at the marginal rates for single tax filers based on each employee's expected income as of April 1, 2020 and assumes that marginal rates increase during the year as each additional dollar of income is earned. Source: Analysis of American Airlines, Envoy, Piedmont and PSA W–2 data and state income tax rates. State income tax rates compiled by the Tax Foundation.

<sup>68</sup> While many municipalities collect income-based taxes, these estimates include only the municipal income taxes in New York City, Philadelphia, San Francisco, Indianapolis, Detroit, Louisville, Baltimore, and Columbus. Analysis of American Airlines, Envoy, Piedmont and PSA W–2 data and municipal income tax rates.

<sup>69</sup> Because the CARES Act extends unemployment benefits by up to 13 weeks, this calculation assumes that all eligible furloughed employees would have received unemployment compensation for the period between April 1, 2020 and September 30, 2020, if the employee grants were not included in the CARES Act. Each employee's estimated unemployment benefits are based on actual 2019 W–2 income. Although some states provide increased unemployment benefits for unemployed workers with dependents, these estimates conservatively do not contain increased payments for dependents. Source: Analysis of airline W–2 data and unemployment benefit criteria; U.S. Department of Labor, Employment and Training Administration, "Significant Provisions of State Unemployment Insurance Laws, Effective January 2020."

<sup>70</sup> The estimated Federal Pandemic Unemployment Compensation assumes that all furloughed employees eligible for state unemployment benefits would receive 16 weeks of Federal Pandemic Unemployment Compensation. Source: Analysis of American Airlines, Envoy, Piedmont and PSA W–2 data.

<sup>71</sup> Estimated Social Security and Medicare tax contributions include both employer and employee paid portions, as applicable, for wages estimated to be paid for work between April 1, 2020 and September 30, 2020 that would not have been paid absent the employee grants in the CARES Act. Although the CARES Act has provisions which may allow the deferral of the employer portion of Social Security Taxes, these taxes will continue to accrue as a liability that will need to be paid once the deferral period ends. While some states—including California, Massachusetts, Nevada, and New York—have additional payroll tax deductions, these additional taxes that would be paid to the states are not included in the estimates. Source: Analysis of American Airlines, Envoy, Piedmont and PSA W–2 data and Federal payroll tax rates.

ance taxes and the wages maintained by the employee grants in the CARES Act would result in an estimated \$14–\$19 million in additional contributions.<sup>72</sup>

In addition to the benefits that flow directly back to Federal and state treasuries, each dollar of incremental income received by American employees due to the CARES Act (*i.e.*, the difference between the wages they will receive through payroll continuation and what they would have received if furloughed in the form of state and Federal unemployment benefits) generates approximately \$0.50 in additional economic activity in the U.S. economy, an economic effect known as the “induced multiplier.”<sup>73</sup> This well-understood economic impact is attributable to the extra income of airline employees being spent in their local communities (and beyond), which then continues to recirculate throughout the economy. Based on this multiplier effect, the payroll support in the CARES Act results in an additional \$1.2–\$1.7 billion of induced economic activity.

When combined, the subset of benefits discussed above—which are a direct result of the payroll support American will receive under the CARES Act—equal \$4.0–\$5.7 billion and should be viewed as highly conservative estimates, as they exclude other avoided Federal and state-level cost such as Medicaid,<sup>74</sup> corporate income taxes,<sup>75</sup> as well as economic benefits related to the incremental capacity carriers will be incented to add due to the CARES Act (as discussed in the following sections).

*B. The CARES Act Also Ensures That U.S. Passenger Airlines, including American, Will Be Prepared to Quickly Restore Flights When Demand Returns, Thereby Stimulating Even More Economic Benefits*

If the U.S. economy is to rebound quickly from the economic slowdown the COVID-19 pandemic has caused,<sup>76</sup> it is critical that U.S. airlines, including American, be in position to quickly ramp up service once the pandemic shows signs of ending. This is because airlines are the engine for much of the Nation’s economic activity. Indeed, approximately one third of all U.S. airline travel is for the purposes of conducting business,<sup>77</sup> and to repair the economic damage that has been caused by the pandemic, it is essential that both business and leisure travelers are able to resume their travel plans in order to jump start the U.S. (and global) economy. Moreover, while many other travel-related industries have also suffered because of the pandemic (*e.g.*, hotels, cruise, casinos and gaming, theme parks), each of these industries relies critically on airlines to bring their customers to them. For example, the overwhelming majority of cruise passengers<sup>78</sup> and visitors to Las Vegas or Orlando arrive by air.<sup>79</sup> Likewise, many states whose economies are dependent on

<sup>72</sup> Estimated contributions based on the average state contribution rates applied to the wages maintained as a result of the employee grants in the CARES Act. Source: Analysis of American Airlines, Envoy, Piedmont and PSA W-2 data and unemployment insurance contribution rates; U.S. Department of Labor, Employment and Training Administration, “Average Employer Contribution Rates by State.”

<sup>73</sup> The induced multiplier of \$0.50 per dollar of airline wages is based on the average of the 0.4 multiplier in a study by Oxford Economics and the 0.6 multiplier from government spending on real private consumption during a recession in a well-cited academic paper estimating multipliers during recessions. See Oxford Economics, “Economic Benefits from Air Transport in the US,” 2011, p. 14 and “Fiscal Multipliers in Recession and Expansion”, by Alan Auerbach and Yuriy Gorodnichenko, Chapter 2 in *Fiscal Policy after the Financial Crisis*, Alberto Alesina and Francesco Giavazzi, Editors, University of Chicago Press, 2013, Table 2.1.

<sup>74</sup> See, *e.g.*, “Booming Economy Helps Flatten Medicaid Enrollment and Limit Costs, States Report,” *Kaiser Health News*, October 25, 2018, reporting that “Medicaid spending and enrollment typically rise during economic downturns as more people lose jobs and health benefits. When the economy is humming, Medicaid enrollment flattens as more people get back to work and can get coverage at work or can afford to buy it on their own. The national unemployment rate was 3.7 percent in September, the lowest since 1969” and that “Overall, the Federal government pays about 62 percent of Medicaid costs with state’s picking up the rest.” Moreover, the costs of additional Medicaid enrollees vary significantly by state and health status, ranging from an average of just under \$3,000 per year in some states to an average of over \$7,000 per year in others according to Medicaid program estimates. See <https://www.medicaid.gov/state-overviews/scorecard/how-much-states-spend-per-medicaid-enrollee/index.html>.

<sup>75</sup> To the extent it is determined that the employee grants under the CARES Act are taxable income, American will face an increased Federal and state corporate tax liability (now or in the future depending on its net operating loss carryforwards).

<sup>76</sup> See “Jerome Powell: ‘We may well be in a recession’”, *Politico*, March 26, 2020.

<sup>77</sup> Source: A4A, Status of Air Travel in the USA, April 13, 2016.

<sup>78</sup> American is—far and away—the largest carrier serving the Miami/Fort Lauderdale area, home to two the country’s largest cruise ports (Port Miami and Port Everglades). In 2019, for example, American operated nearly half of all scheduled U.S. passenger carrier flights to the Miami/Fort-Lauderdale area. Source: OAG.

<sup>79</sup> According to Las Vegas Convention and Visitors Authority, in 2019, there were 42.5 million visitors to the city in 2019, and over 51 million enplanements/deplanements at Las Vegas

tourism rely on plentiful and affordable air service to bring visitors to their states.<sup>80</sup> Simply put, in order for the many other industries, cities, and states that rely on tourism and business travel to get back on their feet once demand returns, American and other U.S. airlines will need to be poised to quickly add capacity to meet that demand.

However, unlike many other industries that can recall furloughed employees and quickly re-open for business once demand returns, it is far more difficult for passenger airlines to quickly restore operations by recalling furloughed employees. One reason, for example, is that per FAA requirements pilots cannot simply return from furlough and resume flying on short notice. Instead, because furloughed pilots lose their “currency” after 90 days of inactivity, they are required to be retrained before they can be in command of a passenger aircraft.<sup>81</sup> Moreover, because pilots’ collective bargaining agreements dictate that furloughs must occur in reverse seniority order (*i.e.*, with the most recently hired pilots being furloughed first), furloughing typically triggers a set of time-consuming pilot training events as pilots get displaced from their original aircraft type to smaller ones, and the process of “bumping” and re-training occurs again once furloughed pilots have been recalled. Furthermore, the process of bumping that occurs when airlines furlough (and subsequently recall) pilots generates additional training needs because many of the pilots that are *not* furloughed are “downgraded” from captain to first officer (which requires a training event), and when furloughed pilots are recalled and start to return, these downgraded first officers are eventually upgraded back to captain, which requires yet another training event. This cycle of furlough- and recall-induced training significantly reduces the speed at which carriers can restore capacity following furloughs. By the same token, depending on the length of the furlough, flight attendants and other employee groups would also need to be retrained, and all employees would need to be re-badged to have access to restricted areas of airports. In addition to the time-consuming process of recalling and retraining employees, maintenance inspections and recertifications required to bring aircraft out of long-term storage also uniquely delay the process of quickly restoring operations for airlines relative to other industries.

By keeping American’s employees on the payroll (rather than furloughing between 60 and 85 percent of its employees for at least the next six months), the CARES Act creates the incentive and capability for American to add flights back faster than they otherwise would, because the labor cost component of those flights (which typically accounts for a third or more of the operating cost of a flight) are no longer marginal costs. Put differently, by effectively reimbursing American for the labor costs associated with operating flights for the next six months, the CARES Act lowers the hurdle rate for restoring a flight, incenting American to restore more flights than it otherwise would over this period. By positioning American to restore capacity far faster than it otherwise would, the CARES Act will help American fuel a faster recovery for the U.S. economy in at least three ways, each of which creates *additional economic benefits* beyond the \$4.0–\$5.7 billion already identified. Specifically, the additional CARES-Act induced capacity will result in (1) American’s supply chain (*i.e.*, airports, airline catering companies, jet fuel providers, etc.) ramping up more quickly, (2) greater numbers of domestic passengers resuming their travel plans on American, as increased capacity will result in more convenient (and lower priced) air travel options, and (3) American restoring more long-haul international routes on which it offers the only non-stop service, stimulating inbound visitor trav-

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McCarran International Airport, implying that more than half of Las Vegas visitors arrive by air. See [https://assets.simpleviewcms.com/simpleview/image/upload/v1/clients/lasvegas/Historical\\_1970\\_to\\_2019\\_ada0164b-b599-4fac-8f7a-eb26bfe17187.pdf](https://assets.simpleviewcms.com/simpleview/image/upload/v1/clients/lasvegas/Historical_1970_to_2019_ada0164b-b599-4fac-8f7a-eb26bfe17187.pdf). Likewise, according to Orlando’s visitor’s bureau, the city welcomed 75 million visitors in 2018, compared to 47.7 million arrivals by air. See “Orlando Announces Record 75 Million Visitors”, May 8, 2019 (<https://www.visitorlando.com/en/corporate-blog/post/orlando-announces-record-75-million-visitors>).

<sup>80</sup>For example, in 2018, Hawaii welcomed 9.9 million visitors, 9.8 million of which arrived by air, while nearly over 51 million of Florida’s 125 million visitors in 2018 arrived by air. See <https://www.hawaii-tourism-authority.org/media/4086/2018-annual-report-final-repost-1-7-20.pdf> and <https://www.visitflorida.org/resources/research/research-faq/>.

<sup>81</sup>See 14 CFR §61.57.(a)(1), requiring that “no person may act as a pilot in command of an aircraft carrying passengers or of an aircraft certificated for more than one pilot flight crew-member unless that person has made at least three takeoffs and three landings within the preceding 90 day” and that “[t]he required takeoffs and landings were performed in an aircraft of the same category, class, and type (if a type rating is required)” According to FAA regulations, take-off and landings “may be accomplished in a full flight simulator or flight training device that is (i) Approved by the Administrator for landings; and (ii) Used in accordance with an approved course conducted by a training center certificated under part 142 of this chapter.”

el to the United States.<sup>82</sup> As discussed below, when combined, these three quantifiable benefits alone can be expected to generate approximately \$920 million of additional U.S. economic activity between July 1 and September 30, 2020.

*1. Incremental American Capacity Restoration Induced by the CARES' Act Will Result in Greater Demand for Products and Services in American's Supply Chain, Resulting in Additional Economic Activity*

Airlines, including American have enormous supply chains, including airports and airport services, jet fuel, catering, and third-party ground handling services, and this supply chain supports hundreds of thousands of jobs in the United States and generates substantial economic activity throughout the economy. Because the CARES Act creates the strong incentive and capability for carriers, including American, to restore capacity faster than they otherwise would, this incremental capacity (*i.e.*, the amount of capacity above and beyond what carriers would have deployed absent the \$25 billion in employee grants) will generate additional demand by U.S. airlines within their supply chain. And because the incremental demand for these services will support firms in those industries in recalling furloughed employees, this will in turn create additional benefits to the Federal government, states, and the broader economy by reducing unemployment costs and inducing further spending throughout the economy.

Figure 6 below summarizes the additional benefits to the U.S. economy from increased economic activity within American's supply chain under a range of assumptions as to how much incremental capacity American would be incented to add because of the CARES Act. The salaries, wages and benefits at American over the next six months (*i.e.*, from April 1–September 30) are estimated to be approximately \$7.3 billion, or \$1.2 billion per month.<sup>83</sup> Because the CARES Act will incent and enable American to increase capacity faster than it otherwise would, Figure 6 presents a range of incremental capacity additions between July 1, 2020 and September 30, 2020. As noted above, this additional capacity will increase the spending throughout American's supply chain, and this increase is captured by the *indirect multiplier*. The indirect multiplier captures the downstream economic activity that is generated when firms in an upstream industry (*e.g.*, airlines) purchase the goods and services they need to perform their operations (*e.g.*, operate flights) and is expressed as a ratio of the upstream firms' direct spending.

Based on a previous study of the economic impact of the U.S. airline industry by Oxford Economics, we assume an indirect multiplier of 1.09.<sup>84</sup> Thus, by way of example, if the CARES Act incents and enables American to restore capacity (relative to pre-pandemic planned levels) by an additional 10 percentage points between July 1 and September 30,<sup>85</sup> through the indirect multiplier effect, this increase of flying translates into a \$395 million increase in economy activity through American's supply chain.<sup>86</sup> Alternatively, if the CARES Act incents American to restore capacity by an additional 15 percentage points between July 1 and September 30, the supply chain impacts grow to \$593 million over this period.

<sup>82</sup> Moreover, these estimates are conservative because they do not attempt to calculate the value of the additional cargo that the passenger airlines, including American, will be able to transport as a result of the CARES-Act induced capacity, which will further enable the restoration of global and U.S. supply chains to the benefit of business throughout the U.S. economy.

<sup>83</sup> See footnote 66 above.

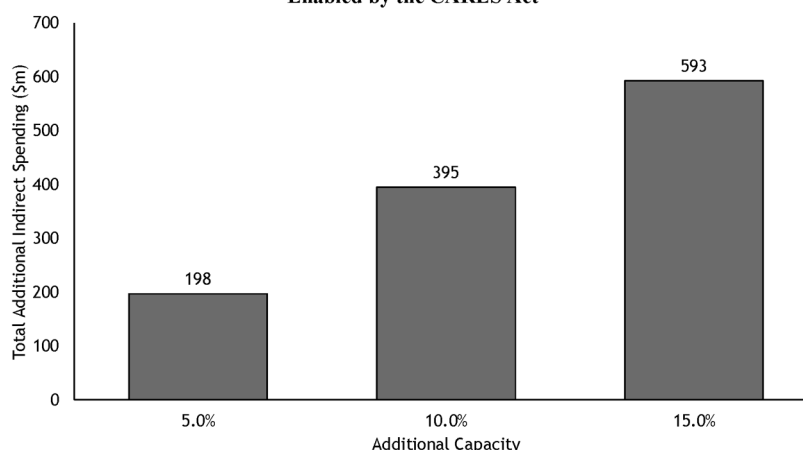
<sup>84</sup> Oxford Economics, "Economic Benefits from Air Transport in the US," 2011, p. 14.

<sup>85</sup> The assumptions that the CARES Act will incent and enable American to restore 10 percent incremental capacity and that this incremental capacity begins on July 1, 2020, are highly conservative because as a condition of the CARES Act payroll protections, airlines can be mandated by the Department of Transportation to maintain service to all U.S. cities served as of March 1, 2020, as discussed on page 3 above.

<sup>86</sup> The direct spending by American on salaries and benefits needed to produce 10 percent of their pre-pandemic capacity for three months is approximately \$363 million. When multiplied by the indirect multiplier of 1.09, this yields supply chain economic benefits of \$395 million, much of which will flow to hard hit sectors such as those that supply jet fuel and airline catering services.



**Figure 6: Summary of Supply Chain Benefits from Incremental Capacity Additions Enabled by the CARES Act**



**2. Incremental American Capacity Restoration Induced by the CARES' Act Will Also Incent More Domestic Travel, Resulting in Additional Economic Activity**

Because the CARES Act creates the incentive and capability for airlines, including American, to restore flights back faster than they otherwise would, the availability of more domestic capacity earlier will accelerate the recovery of the U.S. economy by stimulating passengers (either because of lower prices or better schedule options) who otherwise would not have flown.<sup>87</sup> These incremental passengers will, in turn, spend additional money on such items as hotels, car rentals, and restaurants. Based on existing studies of the spending patterns of U.S. domestic travelers, each passenger spends, on average, \$420 per trip.<sup>88</sup> To be conservative, we assume that even with the highly discounted pricing that carriers are likely to use to encourage passengers to resume flying, the *incremental capacity* (*i.e.*, that which is enabled because of the CARES Act) will still be relatively empty, with only 50 percent of the incremental seats filled. By way of example, if the CARES Act incents American to restore 10 percentage points more of pre-pandemic domestic capacity than it otherwise would have, it would result in approximately 62,897 more domestic seats per day, or an increase of 5.8 million seats between July 1 and September 30.<sup>89</sup> Even at a 50 percent load factor, these incremental 5.8 million seats result in an increase of 2.9 million passengers, which translates into approximately 1.0 million incremental round-trip domestic travelers.<sup>90</sup> Based on average spending of \$420 per round-trip passenger, this incremental 10 percentage points of restored capacity will inject an additional \$435 million into the U.S. economy over the period. Alternatively, if the CARES Act incents American to restore an additional 15 percentage points of domestic capacity between July 1 and September 30, the additional passenger spending grows to \$653 million over this period.

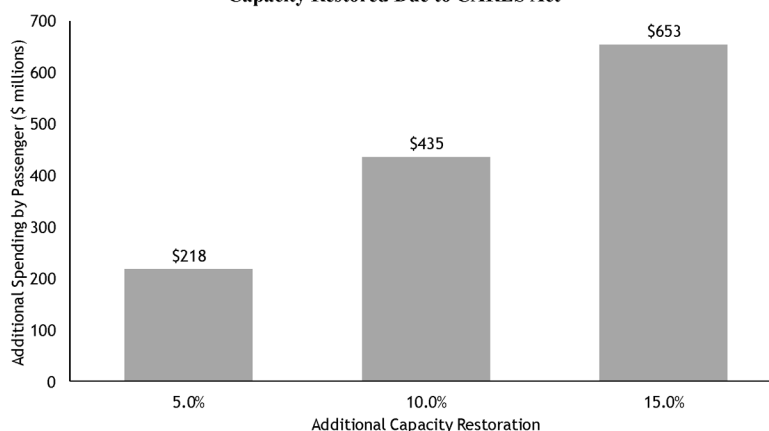
<sup>87</sup> Initially, some passengers may also be stimulated to travel by air if the incremental capacity results in less crowded flights allowing passengers to—for example—avoid having another passenger sit directly beside them.

<sup>88</sup> A trip is defined as a domestic traveler on a trip away from home overnight in paid accommodations, or on a day or overnight trip to places 50 miles or more, one-way, away from home. Source: U.S. Travel Association, “U.S. Travel and Tourism Overview (2019),” March 2020.

<sup>89</sup> This figure is based on pre-pandemic full capacity over this period of 58 million seats on American, including flights marketed by American but operated by regional carriers.

<sup>90</sup> Conversion of onboard passengers to round-trip passengers assumes 28 percent of these passengers make a connection, based on analysis of U.S. DOT DB1B data.

**Figure 7: Increased Domestic Passenger Spending Attributable to Incremental American Capacity Restored Due to CARES Act**



**3. The Restoration of International Routes served by American Will Stimulate Additional Inbound Visitors—and Their Associated Economic Impact—for the U.S. Economy**

Because the COVID-19 pandemic has resulted in numerous foreign travel restrictions, international flights on U.S. carriers have been particularly hard hit. Because the CARES Act will enable U.S. carriers, including American, to more quickly restore service on some international routes where, absent the payroll support, service restoration would have been further delayed, the U.S. economy will benefit from additional inbound visitors, accelerating the pace of recovery for hotels, restaurants, and retail establishments that rely on visitor spending. For example, before the COVID-19 pandemic, American offered regular non-stop service on 26 long haul international routes not served by any foreign carriers,<sup>91</sup> and it is well understood that the availability of non-stop service on long-haul international routes stimulates traffic between the endpoints because of reduced travel times.<sup>92</sup> Even assuming that the incrementally restored flights because of the CARES Act are only half full at start-up, and only half of these passengers would not have traveled without the availability of non-stop service (consistent with economic studies on non-stop traffic stimulation),<sup>93</sup> each daily long-haul international route that American is able to restore will bring 688 additional visitors to the U.S. per month.<sup>94</sup> And because each overseas visitor generates approximately \$8,600 of spending in the United States,<sup>95</sup> the restoration of a single daily frequency on one of these routes will generate \$5.9 million in economic activity *per month* at American's international gateway cities such as Charlotte, Dallas, Philadelphia, Miami, and Los Angeles or \$17.8 million if the reinstatement of these routes is accelerated by three months (*i.e.*, effective July 1 rather than September 1). As shown in Figure 8 below, if 5 routes are reinstated three months earlier than they otherwise would have been, inbound visitors

<sup>91</sup> International city-pairs over 2,500 miles, served by American, where U.S. carriers offered at least 200 roundtrips in 2019 and no foreign carrier served the city-pair. Source: OAG 2019.

<sup>92</sup> For example, research has shown that when an international route gains non-stop air services, traffic between the endpoint cities is stimulated by a factor of as much as 9.1 for small routes (1,000 passengers per year) and by a factor of 1.3 for routes with 50,000 annual passengers. See Market stimulation of new airline routes, SEO Amsterdam Economics, January 2016.

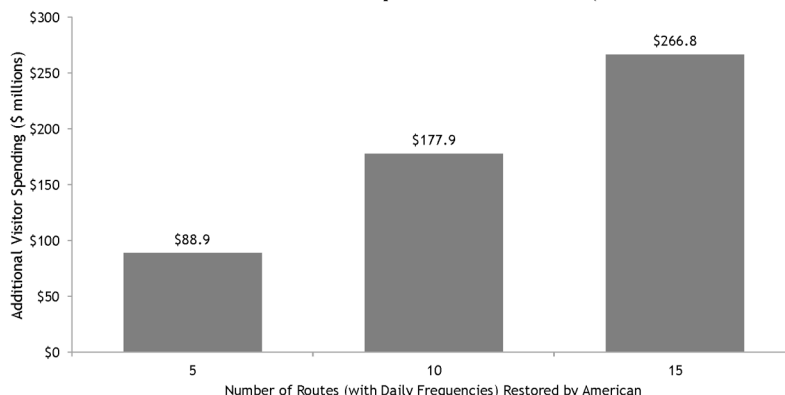
<sup>93</sup> Indeed, because of concerns about coronavirus, some passengers may be reluctant to travel on connecting flights and thus would elect not to travel absent the reintroduction of non-stop service.

<sup>94</sup> The average flight operated by American on these city-pairs had 252 seats in 2019 and in the most recent year of data, approximately 36 percent of passengers on these flights had foreign a point-of-origin. Source: OAG 2019, U.S. DOT DB1B FYE 2019–Q3.

<sup>95</sup> Visitor spending, excluding education and airfare, is calculated for passengers arriving from Europe as an approximation of long-haul international passenger tourism spending. Source: National Travel and Tourism Office, Market Profile of Overseas Visitors, Europe (2018), [https://travel.trade.gov/outreachpages/inbound.general\\_information.inbound\\_overview.asp](https://travel.trade.gov/outreachpages/inbound.general_information.inbound_overview.asp).

will generate \$88.9 million in economic activity, and if 15 routes are reinstated three months earlier than they otherwise would have been, inbound visitors will generate \$266.8 million in economic activity. Moreover, in addition to the direct tourism spending by the new visitors on the reinstated non-stop service, the U.S. economy will also benefit from additional economic activity throughout the economy via indirect and induced “multiplier effects.”

**Figure 8: Additional Spending by Inbound Visitors Stimulated to Travel to the United States Due to The Restoration of Non-Stop International Routes (Three Months Earlier)**



### C. The CARES Act Also Results in Longer Term Benefits from American’s Incremental Capacity, Beyond September 30, 2020

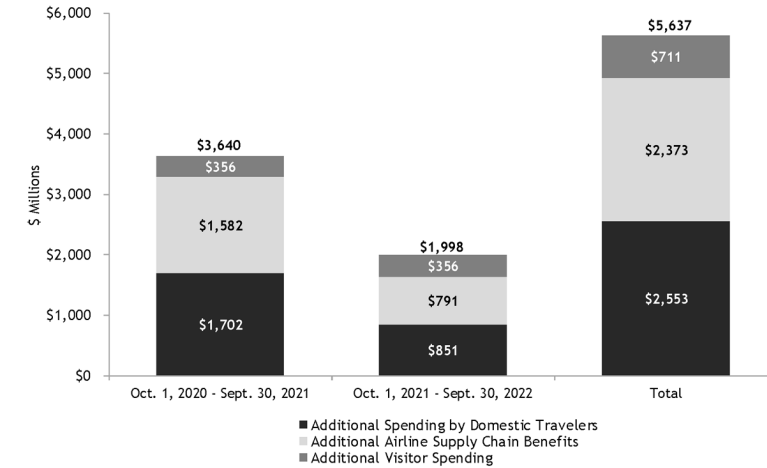
The benefits to the U.S. economy of the CARES Act will not end on September 30, 2020. To the contrary, because the CARES Act will position U.S. passenger airlines, including American, to emerge from the COVID-19 pandemic with their workforces both intact and highly motivated to lead the economic recovery, there is every reason to believe that carriers will be both incented *and able* to continue supplying incrementally more capacity than they otherwise would as the economy’s rebound accelerates.<sup>96</sup> Indeed, during the first year beyond September 30, 2020, it is reasonable to assume that a stronger and more resilient American can be expected to continue supplying 10 percentage points more incremental capacity (relative to pre-pandemic levels) than it would have supplied absent the CARES Act (and the concomitant negative impact on American employees).<sup>97</sup> In the second full year after September 30, 2020 (*i.e.*, October 1, 2021–September 30, 2022), we make the conservative assumption that the incremental American capacity enabled by the enduring effects of the CARES Act’s payroll support falls to only five percentage points (relative to pre-pandemic capacity). Under these incremental capacity assumptions, the CARES Act will continue to pay large dividends to the U.S. economy well beyond September 30 of this year in the form of more domestic tourism, more economic activity in airlines’ supply chain, and additional foreign visitor spending valued at approximately \$3.6 billion in year 1 (*i.e.*, October 1, 2020–September 30, 2021) and \$2.0 billion in year 2 (*i.e.*, October 1, 2021–September 30, 2022).<sup>98</sup>

<sup>96</sup> See footnote 19 above.

<sup>97</sup> By way of example, if American would have reduced its capacity during the first year beyond September 30, 2020, to 50 percent of its pre-pandemic capacity absent the CARES Act, it is reasonable to assume that the trailing benefits of the CARES Act would enable American to supply 60 percent of its pre-pandemic capacity.

<sup>98</sup> These estimates are conservative because they do not account for the additional employee income and payroll tax revenue and reduced unemployment claims that will result from the larger workforce required to operate the longer-term incremental capacity enabled by the CARES Act.

**Figure 9: Additional Benefits to U.S. Economy Beyond September 30, 2020 Based on Incremental American Capacity Enabled by CARES Act**

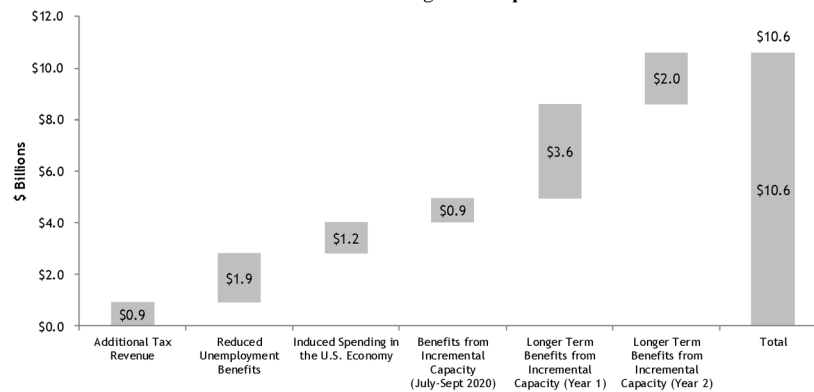


Notes: For the additional spending by domestic travelers and supply chain benefits, the year from October 1, 2020 - September 30, 2021 assumes 10% additional capacity restoration relative to pre-pandemic levels, and 5% for the year from October 1, 2021 to September 30, 2021. Incremental capacity restoration based off of year-ending February 28, 2020, capacity. Additional visitor spending assumes 5 incremental long-haul international routes.

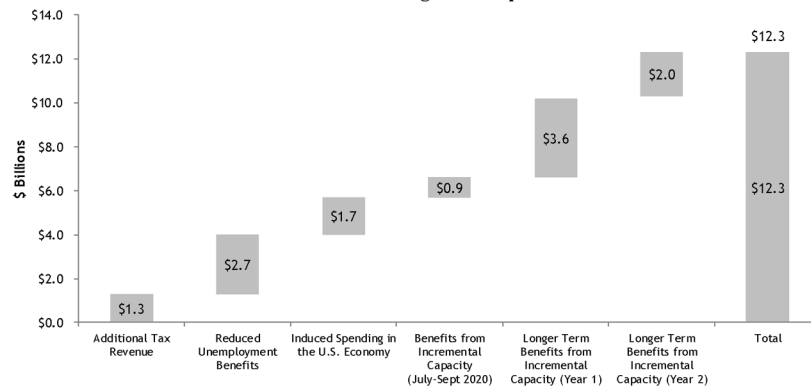
#### **The Primary Quantifiable Benefits from the CARES Act Payroll Support to American Range From \$10.6-\$12.3 Billion**

In sum, the primary quantifiable benefits resulting from the CARES Act payroll support to American's employees, namely (1) the direct quantifiable benefits to the U.S. Treasury and state treasuries (in the form of additional taxes and reduced unemployment claims), (2) the additional consumer spending in the U.S. economy due to higher disposable income for American's employee, and (3) the direct benefits to the U.S. economy arising from the incremental capacity offered by American that the CARES Act enables, both during the period covered by the payroll support and beyond, range from \$10.6 billion under the assumption that furloughs of 60 percent are avoided to \$12.3 billion under the assumption that furloughs of 85 percent are avoided. These primary quantifiable benefits are summarized below in Figure 10 and Figure 11, respectively.

**Figure 10: Summary of Primary Quantifiable Benefits to U.S. Treasury, State Treasuries and The U.S. Economy From CARES Act Grants to American's Employees, Under a 60% Avoided Furlough Assumption**



**Figure 11: Summary of Primary Quantifiable Benefits to U.S. Treasury, State Treasuries and The U.S. Economy From CARES Act Grants to American's Employees, Under a 85% Avoided Furlough Assumption**



### **The CARES Act Will Also Generate Substantial Secondary GDP Spillover Effects Throughout the U.S. Economy**

Even though the primary economic impacts that flow from the CARES Act enumerated above are substantial, they still dramatically *understate* the true and full economic benefit of the Act's assistance to American employees on the U.S. economy. This is because the primary economic impacts quantified above do not capture the secondary spillover benefits that a larger and more robust U.S. airline industry provides through facilitating more face-to-face business meetings—that will no doubt lead to an accelerated economic recovery—or the broader societal benefits that come from friends and families being able to more easily resume their normal lives by attending weddings, reunions, and other events, in all of which traveling by air plays a vital role. Based on FAA's estimate that civil aviation in the U.S. drives roughly 5 percent of U.S. GDP, and taking into account that American provides for approximately 23 percent of the U.S. industry's capacity (as measured by ASMs), even under highly conservative assumptions regarding how American's incremental CARES Act-enabled capacity would contribute to GDP by facilitating more business travel—and the commerce, innovation, and employment that flows from it—these secondary spillover effects can be expected to have an incremental GDP effect of about 0.02 percent, which translates into approximately \$10.6 billion during the two years following the end of the payroll support period.<sup>99</sup>

### **Conclusions**

Over the past three weeks, the U.S. passenger airline industry has been sent into a dramatic and unprecedented freefall due to the COVID-19 pandemic that has paralyzed every major economy in the world. In response to the evaporation of travel demand that came as a direct result of public officials' pleas for Americans to stay at home, Congress passed and the President signed the CARES Act into law,

<sup>99</sup> The secondary GDP spillover effect for American is based on its pro-rata share (based on ASMs) of the U.S. airline industry's impact calculated in the Compass Lexecon Airline Industry CARES Study, which conservatively estimated an average GDP impact of 0.1 percent for the entire industry over the two years following the end of the employee payroll support period. These estimates of secondary spillover effects assume that the CARES Act enables American to restore 10 percentage points more of their pre-pandemic capacity than they otherwise would for the one-year period Oct. 2020 to Sept. 2021 and an incremental 5 percentage points for the one-year period Oct. 2021 to Sept. 2022. The impact of civil aviation on GDP excludes aircraft manufacturing, air couriers, and general aviation, and is based on the fourth quarter 2019 U.S. GDP of \$21.7 trillion. The GDP impact further assumes that the incremental capacity enabled by the CARES Act contributes to GDP at 50 percent its average rate (to account for lower fares and load factors throughout the recovery) and excludes \$5.6 billion of post-grant period impact that has already been accounted for in primary economic impacts summarized in Figure 1. Sources: *The Economic Impact of Civil Aviation in the U.S. Economy*, U.S. Federal Aviation Administration, January 2020; U.S. BEA press release, "Gross Domestic Product, Fourth Quarter and Year 2019 (Third Estimate); Corporate Profits, Fourth Quarter and Year 2019," March 26, 2020.

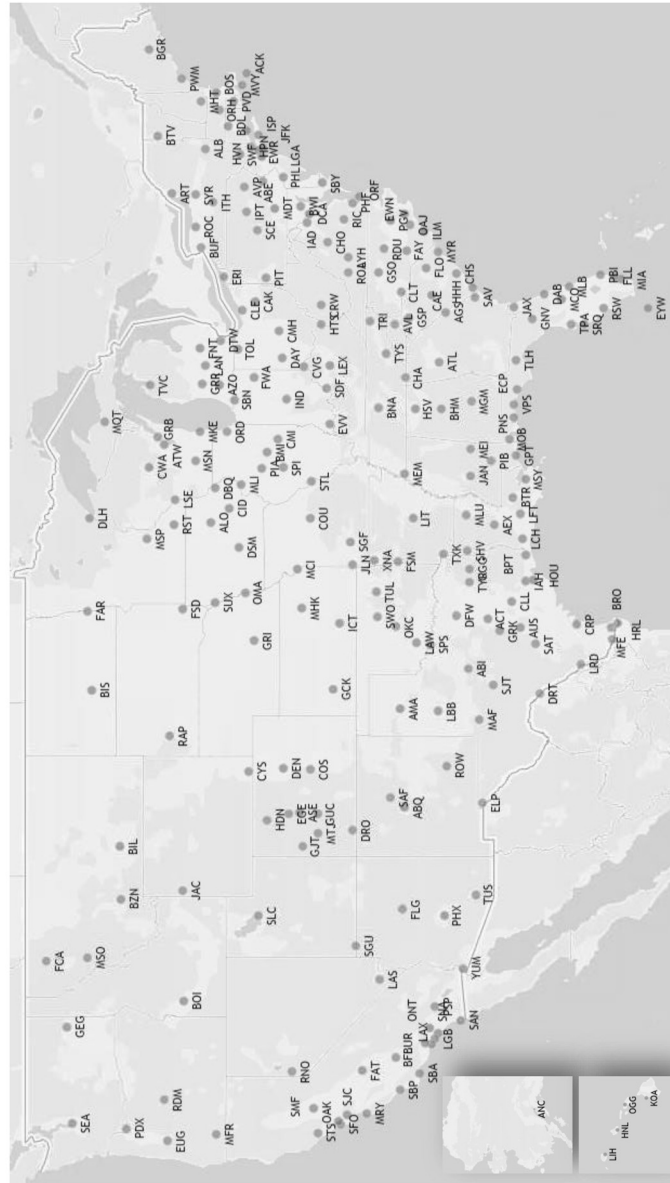
which—among many other things—provided payroll support to U.S. passenger airlines of \$25 billion to keep their employees on their payrolls until the end of September. Absent this payroll support, American, would have had no choice but to furlough between 60 percent and 85 percent of its employees, and the resulting service cuts would have left many small, remote U.S. communities without any scheduled airline service. Not only would this have crippled American’s ability to help the U.S. economy rebound from the seismic economic shock created by the coronavirus, it would have imposed substantial economic burdens on the U.S. Treasury and state treasuries by further increasing the already historic number of unemployment claims and reducing Federal and state tax revenues. Moreover, faced with dramatically reduced incomes, up to one hundred thousand of American’s potentially furloughed airline employees would have been forced to curtail their spending, resulting in negative economic spillover effects in countless communities throughout the entire country, and particularly in American’s hub cities where the carrier is often one of the largest employers. All told, these direct impacts of the CARES Act’s payroll support to American will provide approximately \$4.0–\$5.7 billion in quantifiable benefits to U.S. Treasury, state treasuries, or increased spending flowing directly from the payment of American’s employees’ wages over just the next six months.<sup>100</sup>

In addition, by positioning American to be able to restore capacity far faster than it otherwise would, the CARES Act will help American fuel a faster recovery for the U.S. economy by lowering the hurdle rate for restoring its flights, resulting in \$920 million in economic benefits during the six-month period of the payroll support alone and an additional \$3.6 billion and \$2.0 billion in the first and second years following the grants, respectively. Including the benefits from the capacity that the CARES Act incents and enables American to restore earlier than it otherwise would brings the total primary economic benefits to the U.S. economy to between \$10.6 and \$12.3 billion—far in excess of American’s award of \$7.6 billion in payroll support—plus an additional \$10.6 billion in *secondary* GDP spillover effects during the two years following the end of the grant period.

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<sup>100</sup> As noted earlier, this \$4.0–\$5.7 billion figure is highly conservative because it excludes the potential cost savings to the Federal and state governments related to increased use of Medicaid by furloughed American Airlines employees and excludes potential corporate tax liability.

Appendix  
Figure 12: U.S. Destinations Served by American Airlines (FYE March 2020)



Source: OAG.  
Notes: U.S. destinations served by American in full year ending March 2020. Flights marketed by American, including those operated by regional partners.

Figure 13: At Risk Wages & Benefits, Saved Unemployment Benefits, Additional Tax Revenues and Induced Spending, By State, for American (60% Avoided Furlough Assumption)

	2019 W-2 Earnings (\$ millions)	Wages & Benefits at Risk April 1, 2020- April 1, 2020 (\$ millions)	Saved State Unemployment Benefits (\$ millions)	State Unemployment Benefits (\$ millions)	Additional Federal Unemployment Benefits (\$ millions)	Additional State Unemployment Benefits (\$ millions)	Additional Federal Payroll Taxes (\$ millions)	Additional State Payroll Taxes (\$ millions)	Additional Federal Income Taxes (\$ millions)	Additional State Income Taxes (\$ millions)	Induced Spending in the U.S. (\$ millions)	Total Direct Benefits and Induced Spending in the U.S. (\$ millions)
Alaska	56.7	\$3.0	\$1.3	\$0.4	\$0.3	\$0.4	\$0.7	\$0.2	\$0.0	\$0.0	\$0.0	\$2.7
Alabama	521.4	\$9.7	\$7.5	\$2.0	\$3.6	\$0.7	\$0.2	\$0.0	\$0.5	\$0.0	\$0.0	\$9.6
Arizona	524.0	\$10.9	\$6.4	\$3.0	\$3.8	\$0.8	\$0.2	\$0.0	\$0.6	\$0.0	\$2.0	\$10.9
Arkansas	560.7	\$201.4	\$234.4	\$27.8	\$28.8	\$20.8	\$5.5	\$0.0	\$16.2	\$0.7	\$102.4	\$288.3
California	521.4	\$10.9	\$6.4	\$3.0	\$3.8	\$0.8	\$0.2	\$0.0	\$0.6	\$0.0	\$2.0	\$10.9
Colorado	575.2	\$33.9	\$26.4	\$7.9	\$6.4	\$3.4	\$0.6	\$0.0	\$1.7	\$0.1	\$9.8	\$37.7
Connecticut	551.7	\$23.3	\$18.1	\$5.0	\$4.4	\$3.5	\$0.6	\$0.0	\$1.1	\$0.1	\$7.0	\$27.8
District of Columbia	513.1	\$5.9	\$4.6	\$1.4	\$1.9	\$0.4	\$0.1	\$0.0	\$0.3	\$0.0	\$1.2	\$5.9
Delaware	531.3	\$23.2	\$18.0	\$5.2	\$3.6	\$1.8	\$0.5	\$0.0	\$1.3	\$0.1	\$6.2	\$23.0
Florida	519.8	\$10.9	\$6.4	\$3.0	\$3.8	\$0.8	\$0.2	\$0.0	\$0.6	\$0.0	\$2.0	\$10.9
Georgia	5198.4	\$44.4	\$34.5	\$9.8	\$12.0	\$3.7	\$0.9	\$0.0	\$2.4	\$0.1	\$11.3	\$46.6
Hawaii	59.6	\$4.3	\$3.4	\$1.5	\$1.3	\$0.2	\$0.1	\$0.0	\$0.2	\$0.0	\$0.8	\$4.4
Iowa	513.8	\$6.2	\$4.8	\$1.5	\$1.9	\$0.5	\$0.2	\$0.0	\$0.3	\$0.0	\$1.4	\$6.2
Idaho	511.1	\$5.0	\$3.9	\$0.7	\$0.7	\$0.2	\$0.0	\$0.0	\$0.2	\$0.0	\$0.8	\$5.0
Illinois	555.3	\$21.0	\$19.4	\$1.6	\$1.4	\$0.4	\$0.1	\$0.0	\$0.3	\$0.0	\$1.0	\$21.0
Indiana	555.3	\$21.0	\$19.4	\$1.6	\$1.4	\$0.4	\$0.1	\$0.0	\$0.3	\$0.0	\$1.0	\$21.0
Kansas	516.0	\$7.2	\$5.6	\$1.5	\$1.4	\$0.7	\$0.2	\$0.0	\$0.4	\$0.0	\$2.2	\$7.2
Kentucky	535.1	\$15.8	\$12.3	\$3.5	\$3.3	\$1.0	\$0.2	\$0.0	\$0.9	\$0.0	\$2.8	\$15.8
Louisiana	528.5	\$15.8	\$12.3	\$3.5	\$3.3	\$1.0	\$0.2	\$0.0	\$0.9	\$0.0	\$2.8	\$15.8
Maine	511.1	\$5.0	\$3.9	\$0.7	\$0.7	\$0.2	\$0.0	\$0.0	\$0.2	\$0.0	\$0.8	\$5.0
Maryland	5115.8	\$53.3	\$40.7	\$12.6	\$12.2	\$4.3	\$0.9	\$0.0	\$2.8	\$0.1	\$13.5	\$49.8
Massachusetts	516.7	\$7.5	\$5.9	\$1.6	\$1.8	\$0.7	\$0.2	\$0.0	\$0.4	\$0.0	\$2.1	\$7.2
Michigan	574.7	\$23.7	\$20.2	\$3.5	\$6.7	\$3.4	\$0.6	\$0.0	\$1.8	\$1.7	\$6.0	\$28.8
Minnesota	517.1	\$5.0	\$3.9	\$0.7	\$0.7	\$0.2	\$0.0	\$0.0	\$0.2	\$0.0	\$0.8	\$5.0
Mississippi	511.1	\$5.0	\$3.9	\$0.7	\$0.7	\$0.2	\$0.0	\$0.0	\$0.2	\$0.0	\$0.8	\$5.0
Montana	54.6	\$2.1	\$1.6	\$0.4	\$0.4	\$0.2	\$0.1	\$0.0	\$0.1	\$0.0	\$0.6	\$2.0
North Carolina	5714.3	\$222.5	\$202.8	\$19.7	\$18.1	\$20.2	\$6.1	\$0.0	\$17.8	\$0.6	\$84.0	\$286.8
North Dakota	51.5	\$1.5	\$1.2	\$0.3	\$0.3	\$0.1	\$0.0	\$0.0	\$0.1	\$0.0	\$0.4	\$1.5
Ohio	574.1	\$33.5	\$26.0	\$7.5	\$3.9	\$4.9	\$0.9	\$0.0	\$1.5	\$0.1	\$10.0	\$33.5
New Hampshire	5130.2	\$54.3	\$42.2	\$12.1	\$11.1	\$4.5	\$1.1	\$0.0	\$2.8	\$0.3	\$13.7	\$52.0
New Jersey	513.4	\$6.0	\$4.7	\$1.4	\$1.6	\$0.5	\$0.1	\$0.0	\$0.3	\$0.0	\$1.0	\$6.0
New Mexico	5130.2	\$54.3	\$42.2	\$12.1	\$11.1	\$4.5	\$1.1	\$0.0	\$2.8	\$0.3	\$13.7	\$52.0
New York	5130.2	\$54.3	\$42.2	\$12.1	\$11.1	\$4.5	\$1.1	\$0.0	\$2.8	\$0.3	\$13.7	\$52.0
Ohio	5130.2	\$54.3	\$42.2	\$12.1	\$11.1	\$4.5	\$1.1	\$0.0	\$2.8	\$0.3	\$13.7	\$52.0
Oklahoma	546.7	\$216.7	\$163.9	\$52.8	\$42.6	\$16.4	\$3.7	\$0.0	\$12.4	\$0.7	\$57.5	\$198.8
Oregon	519.0	\$8.6	\$6.7	\$1.9	\$1.9	\$0.8	\$0.3	\$0.0	\$0.4	\$0.1	\$2.2	\$8.5
Pennsylvania	5244.2	\$110.0	\$101.3	\$8.7	\$8.3	\$2.0	\$1.2	\$0.0	\$6.8	\$0.3	\$28.8	\$139.1
Rhode Island	513.4	\$6.1	\$4.7	\$1.5	\$1.4	\$0.5	\$0.1	\$0.0	\$0.3	\$0.0	\$1.6	\$6.1
South Carolina	5183.2	\$82.7	\$64.3	\$18.4	\$13.1	\$8.6	\$2.6	\$0.0	\$4.4	\$0.3	\$18.8	\$77.1
South Dakota	56.3	\$2.8	\$2.2	\$0.6	\$0.7	\$0.3	\$0.0	\$0.0	\$0.1	\$0.0	\$0.8	\$2.8
Tennessee	5244.2	\$110.0	\$101.3	\$8.7	\$8.3	\$2.0	\$1.2	\$0.0	\$6.8	\$0.3	\$28.8	\$139.1
Texas	5244.2	\$110.0	\$101.3	\$8.7	\$8.3	\$2.0	\$1.2	\$0.0	\$6.8	\$0.3	\$28.8	\$139.1
Utah	527.0	\$12.2	\$9.5	\$2.7	\$2.1	\$1.4	\$0.3	\$0.0	\$0.6	\$0.0	\$3.0	\$12.2
Virginia	5205.9	\$93.0	\$72.3	\$20.7	\$21.3	\$9.2	\$2.2	\$0.0	\$4.8	\$0.1	\$27.1	\$98.9
U.S. Virgin Islands	51.1	\$0.5	\$0.4	\$0.2	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.5
Washington	525.5	\$37.2	\$28.9	\$8.3	\$6.7	\$3.6	\$0.0	\$0.0	\$1.9	\$0.2	\$10.7	\$34.0
West Virginia	556.9	\$25.7	\$20.0	\$5.7	\$4.7	\$3.1	\$0.8	\$0.0	\$1.3	\$0.1	\$5.6	\$23.6
Wyoming	510.8	\$4.9	\$3.7	\$1.0	\$1.2	\$0.3	\$0.1	\$0.0	\$0.3	\$0.0	\$1.4	\$4.7
Total	\$9,607.7	\$4,337.3	\$3,373.4	\$974.8	\$975.2	\$384.9	\$51.0	\$0.8	\$234.0	\$23.1	\$1,223.7	\$4,031.2



Figure 14: At Risk Wages & Benefits, Saved Unemployment Benefits, Additional Tax Revenues and Induced Spending, By State, for American (70% Avoided Furlough Assumption)

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO  
DR. MIKE TRETHEWAY

*U.S. Airline Industry Relief and International Comparisons.* In many ways, the United States was unique in its approach to ensuring the stability of our aviation sector and our economy with the Payroll Support Program. First, Congress acted very quickly when the pandemic hit, passing the CARES Act on March 27, 2020. Second, we set transparent and firm rules for Federal relief, like limitations on executive compensation and minimum service obligations for airlines. Third, we did not choose “winners” or “losers” among airlines.

The PSP program was open to all eligible applicants. Relief was not targeted to only airline and airport workers, but also sustained jobs in the supply chain, like at repair stations, airline contractors, and service providers.

*Question 1.* What are the successful features of the U.S. response that distinguish it from other models used by foreign countries? What other steps should the United States take to strengthen its aviation sector?

Answer. Other nations largely focused on supporting wages and/or a specific carrier, sometimes referred to as a ‘champion’ carrier.

The U.S. approach focused on the key policy objectives of a) maintaining a basic level of air transport connectivity, b) maintaining a workforce that is highly trained and focused on safety and security and c) supporting the entire air transport supply chain and not merely air carriers.

The focus on maintaining connectivity should be the fundamental objective in any crisis. Air transport supports not only the continuity and effectiveness of many economic sectors, it also provides social, medical, educational, social services delivery and disaster response connectivity. In Canada, one example among many others, while wage support was provided, many communities, including at least one provincial capital, lost all scheduled commercial air service. (I note that Canada did provide support linked to maintaining connectivity in the arctic, but not elsewhere.) Wage supports were useful, but they were not focused on the fundamental objective of maintaining connectivity during the pandemic. Commercial aviation was treated as any other sector in providing wage supports, but these were not linked to a requirement of maintaining connectivity.

Regarding maintain the workforce, I commented on this in my written brief. Not only does it take months and years (especially pilots and mechanics) to train aviation workers, but it has taken decades to develop and reinforce a culture of safety and security, which could be weakened with high rates of turnover during the pandemic crisis.

Providing support for a champion carrier, and not all carriers, as was done in many nations (*e.g.*, Germany, Singapore), undermines competition and market forces. The U.S. approach was fundamentally oriented to supporting the market, not selected champion carriers. As recovery occurs, the U.S. is in a better position to enjoy the considerable benefits of market competition. The U.S. approach lets the market be the adjudicator of success and survival, not the judgement of government.

The U.S. also recognized that airlines are dependent on an entire supply chain and the entire chain needed to continue. This included airports, ground and catering services, aircraft maintenance services and manufacturing. A chain is only as strong as its weakest link, and the U.S. policy provided support for the entire chain.

Regarding the issue of what other steps should the United States take to strengthen its aviation sector, I note that this is a very broad topic, and I will confine my comments to a few issues related to the pandemic's impact on aviation.

- First, I strongly urge action, either enforcement or new policy, on the issue raised in the oral hearing regarding passenger violence and non-conformity with safety and health regulations onboard flights and in the airport. At the very least, such behavior, if unconstrained, should be understood will affect retention of skill employees with a safety and security values, in addition to traveler attitudes toward flying.
- Second, with the upcoming 30th anniversary of the U.S. open skies initiative, U.S. policy should 'stay the course' on relying on market determination of international airline routes and fares, a policy that originated in the U.S. and which provided significant benefits for billions of air passengers (and cargo shippers) not only on flights to and from the U.S. but elsewhere in the world. The U.S. was and still is the global leader on many aspects of air policy. In the post-pandemic period, other nations may seek to pursue protectionist policies that favor the champion carriers they chose during the pandemic. It would be a mistake for the U.S. to accommodate this.
- Third, the issue was raised in the hearing of an expanded list of passenger rights. Certainly, regulations clarifying passenger rights helps balance the playing field. But I caution against any policy that seeks to establish cost-based prices or rates for specific auxiliary services provided by airlines. This would constitute a step into re-regulation of airline industry.
- Fourth, policy should support addressing long-term shortages of the skilled aviation workforce, especially regarding pilots and mechanics. The pilot and mechanic shortage predated the pandemic, and the policies put in place by the U.S. Congress in 2020 and 2021 were critical in ensuring that the shortage did not become worse, as it has in a number of other countries, but it does remain a long-term issue.
- Fifth, I urge a study of what happened in the industry during the pandemic to draw out lessons learned and best practices. Congress has mandated reviews of transportation policy and issues in the past, such as those done the Transportation Research Board, and these have guided subsequent policy development. My own observation is that some lessons learned in previous events, such as SARS in 2003, had been forgotten and were not utilized in the early days of the COVID-19 pandemic. There are lessons to be learned and remembered for future events, both from the aviation and medical communities.

*Question 2.* When do you forecast a return to pre-pandemic levels of air travel demand in the United States and globally?

Answer. There are two issues: When will air travel demand return to pre-pandemic levels and when will it return to long term trends. In answering this question, it is important to distinguish domestic from international air travel, as the latter is dependent upon policies of other nations and complex border health regulations.

While my company, InterVISTAS Consulting Inc., has prepared forecasts of air travel demand recovery, so too have others including the Federal Aviation Administration, the International Civil Aviation Organization, the International Air Transport Association, and Airports Council International. These are currently pointing to the following:

- There is increasing optimism for traffic recovery. For example, FAA's most recent forecast (November 2021) is for a more rapid recovery than it made a year earlier, in November 2020, the latter being a point in time prior to the U.S. vaccination program.
- The U.S. will have a more rapid recovery than most other nations/regions.
- Domestic U.S. travel recovery could reach pre-pandemic levels in late 2022 or early 2023. Recovery will be led by visiting friends and relatives (VFR) and tourism travel, with business travel lagging. The latter may not recover to 2019 levels until later in the 2020s. Business travel, while hard to precisely define and measure, has many segments. Some, such as conferences/exhibition and knowledge exchange events will recover fully and sooner. Other segments such as intra-corporate travel, will be permanently reduced, although to a large extent the pandemic merely accelerated a trend that was already in progress on the use of communications technologies.
- International air travel is not expected to recover to pre-pandemic levels until 2024 or later. This is a consequence of continuing and differing policies of nations for international border crossing. The requirement and inconvenience of testing, for example, raises the cash and time inconvenience costs of air travel.
- All of the forecasts also expect air travel demand to eventually return to previous long-term trends in the late 2020s or early 2030s. Here the forecasts differ in terms of whether other factors may have reduced long term travel demand, in particular regarding government policy and social attitudes regarding aviation's impact on climate change. Boeing, for example, which has an excellent record regarding long term aviation forecasts, has somewhat reduced its global long term traffic demand growth rate to 4 percent, down from 5 percent in some of their earlier forecasts.
- While forecasts became more optimistic as 2021 ended, all the forecasters indicate that there is still significant downward risk, primarily regarding potential evolution of the COVID-19 virus, with some concerns (less in the U.S. than a number of other nations) regarding downsized fleets and shortages of key aviation professionals, notably pilots and mechanics.

While Question 2 asks about air transport demand, markets also have a supply side. The policy and financial response of the U.S. Congress to the pandemic is observed to have retained the fleet capacity of the U.S. commercial airlines. This is not the case for many other nations who policies did not focus on maintaining air transport connectivity. There have been U.S. carrier fleet changes, of course. In particular (with the encouragement of Congress) the replacement of many older, high fuel consumption and carbon impact aircraft with newer more efficient aircraft. But the overall fleet capacity has been maintained and can accommodate demand recovery. This is not the case in many other nations, where fleets are now smaller. The U.S. focus on continuity of connectivity helped to retain the supply capacity needed to support demand recovery. Again, this underscores the effectiveness of the response of the U.S. Congress to the pandemic.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO  
DOUG PARKER

*Payroll Support Program Impact.* Congress created the Payroll Support Program to protect the airline industry's workforce, support the continuity of safe and essential travel, and ensure the industry's ability to remain viable to meet future consumer travel demand. The Department of the Treasury disbursed a total of \$54 billion to passenger airlines, across three rounds of PSP, to provide critical relief during the pandemic.

We know that PSP made a difference in December 2020, when Congress extended the program, because airline recipients had to recall thousands of employees who were furloughed after September 30, 2020 when the first round of PSP ended.

According to the Bureau of Transportation Statistics (BTS), between October 2020 and February 2021, major airlines hired or brought back 28,179 workers. These workers came back just in time for the air travel rebound, which took off in March 2021. As of September 2021, airlines were approximately 8.8 percent below their pre-pandemic employment levels according to BTS data. I am interested in learning from your airline on how the Payroll Support Program impacted your workforce and operations. Mr. Parker, American received \$12.6 billion in PSP funds.

*Question 1.* If not for PSP funding, what do you think the status of your workforce would look like today? Would your airline have been able to survive the pandemic, absent PSP funding?

Answer. It's not an exaggeration to say the Payroll Support Program saved the airline industry.

That's because the devastation created by the COVID-19 pandemic was profound and universal. In fact, nothing in history has ever come remotely close to negatively impacting demand for air travel like COVID-19. For American, in the final week of March 2020, our passenger revenues were 96 percent lower than the same period in 2019 and our load factor was 14 percent compared to 85 percent in the same week of March 2019, even though we had reduced our capacity by nearly two-thirds.

In response to the unprecedented evaporation of demand, we took aggressive self-help measures like grounding aircraft, canceling flying and implementing a major cost-reduction program. While these actions were necessary, they were not sustainable.

Were it not for PSP, most airlines would have survived by shutting down flying in April 2020, furloughing almost all our team members, and waiting for demand to return to levels strong enough to justify restoring flying. As it turns out, that would have been sometime in 2021.

Fortunately, PSP kept us flying by paying us to pay our team. In exchange, we agreed not to involuntarily separate anyone or reduce pay rates, and we agreed to maintain air service to the communities we served prior to the pandemic.

Because of the support U.S. airlines received, our team and our industry have been able to help prevent a hyper-stressed economy, shocked by the spread of a novel virus, from grinding to a halt. Throughout the worst stages of the pandemic, American Airlines continued leading the industry in number of U.S. communities served. We carried essential workers, including medical professionals, to the locations where they were most needed. And we were proud to transport critical supplies, including PPE and vaccines, on flights around the country and across the globe.

It's because of the assistance extended to us through the CARES Act and the PSP that we've been able to support a nation and a world in crisis. It's brilliant policy, written during a time of extraordinary uncertainty, and our entire industry remains incredibly grateful for it.

*Question 2.* Since receiving PSP funding, do you believe your airline is in a good position to meet current consumer travel demand?

Answer. As we made the case for the PSP, we understood that receiving financial support from the Federal government would come with an obligation to serve. It was an obligation we were ready, willing, and humbled to accept. Demand for air travel came back swiftly in the spring of 2021 as COVID-19 vaccines became available and more widely distributed. Thanks to the PSP and just as intended, U.S. airlines were ready, and we sprang into action.

At American, we grew our airline by 82 percent from the first quarter to the second quarter of 2021, providing significantly more service to the flying public than any of our competitors. We flew over 24 million customers in quarter one and 44 million customers in quarter two, which is about one-third more than our next-closest competitor in both cases.

This was an unprecedented ramp-up of our operation. No airline has ever attempted to expand at the pace we did after a demand shock of the magnitude we experienced during the pandemic. We took this aggressive approach because the central purpose of the PSP was to ensure we were able to provide air service when travelers decided they were ready to get back to flying. We knew we had an obligation to fulfill, and we are proud of how we have delivered.

We're pleased to report that our operational performance was as good or better than before the pandemic. In fact, American closed the month of September with the best operational performance in our airline's history, 2020 notwithstanding. More recently, over the Thanksgiving holiday period, American operated 95.7 per-

cent of the domestic capacity we operated during Thanksgiving 2019, and we did so with stellar performance.

We continued that positive trend over the December holiday period as well, despite the challenges associated with major winter storms and the impact of the Omicron variant. We safely transported nearly 9.7 million customers on more than 96,000 combined mainline and regional flights from Dec. 16th through January 2nd, canceling less than half the number of flights our top three major competitors canceled on a percentage basis. We did that while operating 35 percent more flights per day on average than those same competitors. That led us to outperform the entire industry in all combined operational metrics during the holiday period, ranking first in on-time departures, on-time arrivals. By every measure, we are ready to continue meeting current travel demand and we look forward to providing our customers with safe, reliable service in 2022.

*Airline Relationships with Labor.* Congress focused on sustaining the airline workforce and ensuring continuity of operations during a time of intense uncertainty.

From information shared with the Committee, it appears that those airlines and unions that worked together found solutions to COVID-19 challenges, from addressing new health risks in the workplace to ensuring currency and qualification of a highly-skilled workforce.

*Question.* How has your airline collaborated with unions to establish policies to meet workforce needs in response to the COVID-19 pandemic? How did your airline's relationship with relevant labor unions enhance your ability to meet operational needs and the rise in air travel demand?

*Answer.* American's strong collaboration with the unions which represent 84 percent of its team members began at the onset of the pandemic and continues today. Initially, AA instituted frequent regular meetings between the most senior leaders at AA, including our CEO and President, and union leaders to foster the shared goal of preserving jobs for our team members and services for our customers. And, over the past two years, AA and its unions made dozens of agreements outside of our collective bargaining agreements to support these same goals. Examples of these agreements include: first in the industry voluntary leave of absence programs which gave team members the option to continue their employment at a reduced wage while decreasing AA's labor costs; policies and agreements which provided paid time off to team members impacted by Covid-19; pay protection provisions for flight attendants whose schedules were impacted by reduced flying; providing reservations agents an enhanced ability to work from home during the pandemic; and programs to encourage vaccinations.

AA also worked extensively with its unions to create and enforce Covid-19 safe workplace measures. These agreements and initiatives, by keeping team members connected to their jobs and providing a safe work environment, also supported AA's ability to meet operational needs and add flying as air travel demand. AA and the unions continue to build on this collaborative working relationship. For instance, a recent agreement with our flight attendants union created a first in industry holiday incentive program that contributed to AA's operational success over the holiday period.

*Contract Workforce Role and Staffing.* At the height of the pandemic, airport and aviation workers stood with airlines and called on the Federal government to make sure our national air travel system remained strong, aviation jobs were protected, and that airlines were ready to meet consumer travel demand.

For decades, airlines have outsourced essential service airport jobs like cabin cleaners, wheelchair attendants, security officers, and baggage handlers to contractors at major airports across the country. Contract workers play a critical role in our aviation system and continue to work hard on the frontlines of the COVID-19 pandemic to keep travelers safe.

The pandemic has exposed problems with how domestic travel disruptions are being addressed and how such response affects the airline industry's workforce. For example, an August 2021 SEIU survey conducted in Houston to assess the experiences of contracted airport workers detailed incidents of short staffing and mandatory overtime policies causing workforce fatigue, which has created a strained operational environment.

*Question.* How will your airline ensure that the contracted workforce, which provides such critical services, is stable, well-trained, and has adequate staffing levels needed to respond to operational challenges?

*Answer.* Our vendors and suppliers are a critical extension of the American Airlines team. As such, they are expected to complete the same assigned training requirements that other AA team members must satisfy. In order to guarantee that

our high standards are being met, we conduct supplier auditing and training program review where applicable. Additionally, our stations, operations groups, and business support groups work with suppliers to ensure they have adequate staffing levels to perform the required contracted functions. We developed these standards and processes because we strongly believe that it's in our best interest to have an adequately staffed and properly trained contract workforce.

*Airline Workforce Recall.* The Committee is aware that, in 2020, airlines took varying approaches to temporarily reduce the number of active employees on their payroll to avoid involuntarily furloughing or laying off employees as they experienced growing pandemic-related financial difficulties. Many airlines offered employee programs to incentivize voluntary separations, including voluntary furloughs, early retirements, and temporary leaves of absences.

Airlines that extended voluntary leave options to their employees reserved the right to recall such employees from leave when necessary. To the Committee's knowledge, most airlines started broad workforce recall efforts in the first quarter of 2021, employing particularly concentrated efforts to bring back employees in January and February 2021. However, recalling employees has not been an easy process as airlines have reported higher workforce shortages and rates of absenteeism in certain workgroups, leaving the airlines more ill-equipped to meet consumer travel demand.

*Question 1.* Has your airline experienced challenges in recalling your workforce? If so, did your airline anticipate such issues in recalling employees from leave before initiating your recall efforts? Please describe the scope of the workforce recall challenges your airline faced in 2021.

Answer. On Oct. 1, 2020, approximately 19,000 American Airlines team members were furloughed in conjunction with the expiration of the original CARES Act and PSP. While we had recalled all furloughed team members in late December 2020, we were still working to return all team members to work, as the operation necessitated. When demand came back swiftly in the spring of 2021, we executed the largest ramp up in our operational history in order to deliver on the commitment we made in accepting PSP funds. That created training and onboarding constraints across several workgroups.

Our rapid growth in flying from Q1 to Q2 made pilot re-qualification especially challenging. We had over 1,300 pilots who needed to go through this training. First, the FAA's requirements of three takeoffs and landings in a 90-day rolling period imposed timing challenges. That, coupled with our own desire to train to pilot proficiency rather than just to the minimums, strained our ability to operate every flight that we had scheduled.

Not only were we returning 19,000 team members, but we were hiring thousands more to meet the seemingly overnight return of travel demand. Onboarding such a high volume of team members at the same time pressured our teams to keep up with everything from standard hiring procedures like background checks and fingerprinting, to getting all team members—either returned or new hires—up to speed on all training and compliance requirements.

*Question 2.* Has your airline's workforce fully returned as of January 1, 2022? How did the status of your workforce's recall from voluntary leave programs affect your airline's ability to meet consumer air travel demand in 2021?

Answer. Our team is the lifeblood of our airline, and in 2021 we were proud to welcome back team members who were furloughed when the PSP lapsed, while adding new hires to meet travel demand. In fact, we hired more than 16,000 new team members across all our workgroups last year. This included more than 1,350 pilots, over 1,600 flight attendants, an additional 1,000 tech ops and maintenance professionals, and more than 2,000 reservations agents. We believe demand for travel will remain strong in 2022, which is why we've set a target of hiring an additional 18,000 team members in 2022. These new hires will ensure that we have the team in place we need to operate the schedule we've planned.

#### **Airline Operational and Scheduling Data.**

*Question 1.* For the months of October, November, and December 2021, please provide the number of flights your airline operated, the number of flights cancelled, the number of flights delayed more than 15 minutes, the number of flights delayed more than 90 minutes, and the number of flights delayed more than six hours.

Answer.

*Arrival-Based Delay Measurement (Time of delay measured on scheduled arrival time)* Example: A flight scheduled to arrive at 08:00 with an actual arrival time of 09:45 would be counted in the total flights delayed >90 and >360 minutes, regardless of departure time.



<i>Arrival-Based Delay Measurement</i>						
<i>Carrier</i>	<i>Month</i>	<i>Total Operated Flights</i>	<i>Total Cancelled Flights</i>	<i>Flights Delayed &gt;15 Minutes</i>	<i>Flights Delayed &gt;90 Minutes</i>	<i>Flights Delayed &gt;360 Minutes</i>
<b>Combined ML+RG</b>	2021-10	168,339	4,798	27,367	6,556	850
	2021-11	169,094	1,880	24,426	4,697	663
	2021-12	171,911	2,032	28,721	5,507	888

**Question 2.** For the month of January 2022, please provide the number of daily flights your airline operated, the number of flights cancelled, the number of flights delayed more than 15 minutes, the number of flights delayed more than 90 minutes, and the number of flights delayed more than six hours.

Answer.

\*January 2022 MTD through 1/23/2022

<i>Arrival-Based Delay Measurement</i>						
<i>Carrier</i>	<i>Month</i>	<i>Total Operated Flights</i>	<i>Total Cancelled Flights</i>	<i>Flights Delayed &gt;15 Minutes</i>	<i>Flights Delayed &gt;90 Minutes</i>	<i>Flights Delayed &gt;360 Minutes</i>
<b>Combined ML+RG</b>	2022-01	117,700	7,402	21,002	4,848	563

**Question 3.** For the months of October, November, and December 2021, and January 2022, please detail any preemptive schedule changes that your airline made, including cancelling flights or changing the departure time by more than one hour.

Answer. During the normal course of airline operations, schedule changes close-in to departure can occur for a variety of reasons including, but not limited to, international government restrictions, local airport restrictions, civil unrests and major weather events. Between October and December 2021, we faced some of these circumstances, namely:

- Hurricane Ida resulted in cancellations of our flight schedule into New Orleans for several days in October as airport ground conditions improved.
- Government restrictions in Argentina required us to adjust our flight schedule in and out of Buenos Aires in October and November.
- Civil unrest in Haiti led to the cancellations of our Port-Au-Prince flights from MIA and FLL in the first half of December.

Additionally, in December 2021, we focused on fortifying our staffing and fine-tuning our schedule around the peak holiday period. After the major DFW weather disruption at the end of October, we recognized that we had to make adjustments to our schedule for the second half of December and trimmed our schedule, at a time when we typically grow our operations. This provided an additional buffer, allowing us to meet customer demand while ensuring our schedule was fully supportable by our staffing, especially as unforeseen issues arose. Even after we made these cuts, we still ran an operation larger than all our peers.

In early January 2022, we made proactive adjustments to our regional schedule to mitigate travel disruptions related to near-term pilot staffing challenges at several of our regional carriers, including impacts associated with the Omicron variant. We made these changes early to minimize disruptions to our customers' travel plans during their journeys.

American's network offers more daily departures than any other major U.S. carrier, and the number of customers affected by these changes has been minimal. Importantly, we consistently contacted those affected to provide alternate travel options to get them to their destinations.

**Airline Employment and Absenteeism Levels**

*Question 1.* For the months of October, November, and December 2021, please provide the number of full-and part-time employees employed by your airline.

Answer.

<i>AA Headcount by Month</i>	<i>October 2021</i>	<i>November 2021</i>	<i>December 2021</i>
<i>Full-Time Employees</i>	92,405	92,285	92,431
<i>Part-Time Employees</i>	10,233	10,683	10,795
<i>Total</i>	<i>102,638</i>	<i>102,968</i>	<i>103,226</i>

*Question 2.* For the months of October, November, and December 2021, and January 2022, please detail any significant absenteeism problems experienced by your airline.

Answer. We have made it clear to our team members throughout the pandemic that if they are sick, they should stay home from work. Importantly, we have a pandemic leave policy in place to ensure team members have paid time away if they have to miss work due to COVID-19. Like many businesses across the economy, we saw an increase in sick calls toward the end of the year as omicron spread throughout the country. We worked to address that challenge while protecting our team, our customers and our airline. We developed holiday pay programs for peak travel days from mid-November to early January to support our operation and customers as they return to travel. We are particularly proud of how we ended the year, certainly relative to our competitors. Our team handled far more customers than any other airline over the holidays and we did so with much less disruption than our primary competitors. American was the top performing airline among our peers in December on each of the key operating metrics.

*Pilot Training and Requalification Delays.* In early 2021, airlines started broad efforts to recall high numbers of employees from voluntary leaves of absences. Unlike other workgroups, pilots require significant flight training in order to meet qualifications to safely fly. With the rapid surge in air travel demand from the spring to the summer, the need to have pilots trained on time to fulfill airline schedules was crucial for airline flight operations.

American had a problem with recalled pilots tasked to fly the airline's Boeing 737 series fleet. It's the Committee's understanding that these pilots needed to be qualified and ready to fly by the start of the summer schedule. However, an estimated 40 pilots did not receive their final recertification training by the end of June. This training delay impacted flight lines during the summer and contributed to American cancelling up to 1 percent of flights during June and July 2021.

The Allied Pilots Association, representing 15,000 of American's pilots, noted in June 2021 that "every pilot that was furloughed must go through retraining before they can fly again. That's a key reason why the airline now finds itself short of fully trained, qualified pilots who can perform their tasks legally."

*Question 1.* Given that it takes months for a pilot to be retrained and requalified in the aircraft they are designated to fly, what were some of the reasons that these pilot training delays occurred?

Answer. American has as many or more pilots and flight attendants per scheduled crew block hour this year as we had in the years preceding the pandemic. This is the best measure of the adequacy of our crew staffing because it reflects the number of active pilots and flight attendants who are eligible to fly, the number of aircraft we have available and scheduled for deployment, and the number of crewmembers we need for each flight based on the equipment and the destination.

In early 2021, with the increased availability of COVID-19 vaccines, we saw demand for air travel return faster than predicted. In response, our team executed the

largest operational ramp-up in the history of our airline. This rapid growth presented challenges we've never experienced before, but ones we addressed proactively and aggressively.

As we began to ramp-up, we prioritized getting those pilots who had been furloughed back into training and recertification as quickly as possible. The vast majority of our recalled pilots completed training by the end of June 2021. However, it took us slightly longer than we anticipated to complete training for a subset of our pilots, especially Boeing 737 first officers. That meant some of our 737 pilots weren't available early in the summer.

We worked quickly to address this situation and after we fortified our pilot training and staffing, we entered July with a deeper bench of pilots. With that additional resilience, we saw continued operational improvement throughout the summer, which culminated in our best September operational performance in our airline's history. As noted above, we also performed well operationally—relative to our historical performance, and relative to our competitors—over the Thanksgiving, Christmas, and New Years holidays.

*Question 2.* For pilots and other workgroups, what steps are you taking to plan for and ensure enough time to properly train current and new employees? How have lessons learned from the pandemic informed how you conduct workforce training now?

Answer. As detailed previously, the training issues we experienced last spring were specific to Boeing 737 pilots and attributable to bringing back a large number of pilots very quickly. That backlog was remedied by summer and we experienced no further operational disruptions due to pilot training delays. We continue to monitor our training programs closely and we do not anticipate similar conditions arising in 2022.

*Airline Cancellations and Staffing.* Following the Biden Administration's vaccine rollout in the first quarter of 2021, consumer travel demand began to rebound. On January 1, 2021, less than 2 percent of Americans had received one vaccine dose, and on that same day, only 805,990 travelers passed through TSA security checkpoints.

But on March 25, 2021, when more than 30 percent of Americans had received at least one dose, over 1.4 million travelers passed through TSA checkpoints. This uptick encouraged airlines to ramp up projected flight schedules for summer travel.

American was one of a few airlines that set aggressive schedules to capture this demand. As one aviation data analyst observed, airlines acted "very bullish on domestic opportunities," and were "way more eager to be risk tolerant than they would [have been] pre-pandemic."

Some airlines struggled to provide staffing required to meet the returning demand, however, and were forced to cancel or delay thousands of flights during the peak travel periods over the summer. From March to the end of September, for example, American cancelled nearly 17,000 flights. In these cases, bad weather was exacerbated by staffing shortages, exposing a brittle system susceptible to even minor hiccups. And of course, when flights are cancelled it is consumers that are the ultimate victims.

Operations did get better. The airline industry, including American, has performed much better, particularly over the Thanksgiving holiday period when passenger volumes reached 90 percent of pre-pandemic levels. TSA set COVID-era record of 2.4 million passengers screened on November 28, yet we didn't hear any reports of mass cancellations and delays, or hours-long lines.

In fact, the airlines hit an on-time performance rate of 85 percent during the Thanksgiving period, the best since 2017. American cancelled less than 1 percent of its mainline and regional flights during this time.

*Question 1.* In your view, did American have enough staff to meet the return of air travel demand this year?

Answer. Thanks to the PSP, we have the team we need to operate the schedule we've planned. We've continued to welcome team members back to the company, and we are aggressively onboarding new hires. To be more specific, American has as many or more pilots and flight attendants per scheduled crew block hour this year as we had in the years preceding the pandemic. This is the best measure of the adequacy of our crew staffing because it reflects the number of active pilots and flight attendants who are eligible to fly, the number of aircraft we have available and scheduled for deployment, and the number of crewmembers we need for each flight based on the equipment and the destination.

*Question 2.* What did American and the industry as a whole do differently that enabled travel during the Thanksgiving holiday to go so smoothly?

Answer. The holidays are a time our customers count on us most and we take that responsibility seriously. To ensure that we could provide certainty for both our customers and team members, we took aggressive measures to address potential absenteeism by offering extra pay to frontline employees during the holidays. This holiday pay program was targeted to peak travel days through early-January. Put another way, we doubled down on our efforts to ensure a smooth operation and I'm proud to say we delivered.

During the Thanksgiving holiday period—from November 19th through November 30th—we safely transported more than 6.7 million customers on more than 66,000 flights. On average, American operated nearly 1,500 more flights per day than our major competitors. This represents about 92 percent of our 2019 domestic flying for the same period. And while we're proud of these numbers and what they represent for American and the industry, it's the way we operated this holiday travel season that is even more impressive:

- *On-time departures:* Our combined mainline and regional D-0 was 70.9 percent, our best departure performance over the Thanksgiving period since 2017 (excluding 2020).
- *On-time arrivals:* Our combined mainline and regional A+14 was 85.3 percent, 1.1 points better than our goal for the period and our best A+14 Thanksgiving performance since 2017 (excluding 2020).
- *Completion factor:* Our combined mainline and regional completion factor was 99.5 percent. This was 0.4 points better than our goal for the period and our best Thanksgiving completion factor performance since 2017 (excluding 2020).

*Hiring Delays.* The Payroll Support Program allowed U.S. carriers to continue to employ almost 700,000 American workers as the pandemic decimated travel. Those workers and their families were able to keep the lights on and food on the table during an incredibly uncertain time in our Nation's history. I am happy that PSP worked, and jobs were saved. That was the goal. But now, it is up to the airlines to continue hiring to reach full capacity.

This spring, as people returned to travel, staffing gaps were clear. Staffing shortages coupled with outside forces like weather, IT issues, or staff calling in sick left a fragile system vulnerable to disruption. These are the conditions that we saw over the summer. While some airlines have made progress in hiring, overall, U.S. passenger airlines employ 8.8 percent fewer employees than in pre-pandemic September 2019.

*Question.* For the last several months instead of hiring more employees, it appears that American is falling more and more short of 2019 levels according to information from DOT. Does American need to hire more employees to meet travel demand?

Answer. Many of the reductions in our team have come from management and support staff, as opposed to frontline team members. American has as many or more pilots and flight attendants per scheduled crew block hour this year as we had in the years preceding the pandemic. This is the best measure of the adequacy of our crew staffing because it reflects the number of active pilots and flight attendants who are eligible to fly, the number of aircraft we have available and scheduled for deployment, and the number of crewmembers we need for each flight based on the equipment and the destination.

Despite the rapid return of travel demand in 2021, our airline operations remain below 2019 levels, so we do not believe our 2019 staffing levels are the best measure for evaluating our current staffing needs. Early in the pandemic, we recognized that American would be smaller moving forward and we had to right-size all aspects of our airline to adjust to that new reality. However, when we did experience a rise in travel demand, we were pleased to begin recalling team members who had been on voluntary leave. The recovery was strong enough that we were even able to add 16,000 new employees across all our workgroups. We believe demand for travel will remain strong in 2022, which is why we've set a target of hiring an additional 18,000 team members in 2022. These hires will ensure that we continue to have the team in place we need to operate the schedule we've planned.

*Consumer Refunds.* In 2020, the Department of Transportation ("DOT") received 29,687 refund complaints against U.S. airlines, a 4,634 percent increase over 2019. And while the problem has started to get better, DOT still received 5,129 refund complaints in September 2021, well above the 627 filed against U.S. airlines for all of 2019.

DOT has a rulemaking in the Unified Agenda which says that it is looking at defining what constitutes a "cancellation" and a "significant delay"—the two things that entitle a customer to a refund. Currently, DOT lets airlines make their own

determinations as to whether or not a flight is cancelled, and the number of hours that account for a “significant” delay.

*Question 1.* In your view, how many hours does a flight have to be delayed before a passenger is entitled to a refund?

Answer. American Airlines offers refunds to our customers if their flights are cancelled or delayed for more than four hours. We provide even greater flexibility closer to travel. Specifically, if there is a schedule change or delay of more than 90 minutes within 72 hours of scheduled travel, we will also provide a refund.

*Question 2.* If the reluctance to issue refunds was just an issue of preserving cash on hand, then why were refund complaints still so high in 2021?

Answer. AA has honored its refund policy and processes refund requests within the Department of Transportation’s (DOT) refund processing timelines. We did not withhold refunds, attempt to give travel credit when refunds were due, or retroactively apply a change to the contract of carriage. We have honored our commitments, in a timely fashion, throughout the pandemic, which is evidenced by the fact that we paid \$3.2 billion in refunds in 2020 alone.

*PSP Compliance.* Under section 4116(a)(2) of the CARES Act, no corporate officer or employee of your airline whose total compensation exceeded \$425,000 in calendar year 2019 (other than an employee whose compensation is determined through an existing collective bargaining agreement entered into prior to the enactment of the CARES Act) was permitted to receive from your airline, severance pay or other benefits upon termination of employment which exceeds twice the maximum total compensation received by the corporate officer or employee in 2019. Yet in the first quarter of 2021, your airline reported to the Department of the Treasury that some employees and corporate officers had received severance pay or other benefits after March 24, 2020 which more than doubled their 2019 total compensation.

*Question 1.* Please explain whether the severance pay or other benefits provided to these employees and corporate officers complied with the CARES Act and associated Payroll Support Program requirements.

Answer. American Airlines did not have any employees or corporate officers who received severance pay or other benefits after March 24, 2020 that exceeded twice their 2019 total compensation. Accordingly, in our first quarter 2021 compliance report to the Department of the Treasury (UST), we reported this amount as 0. Since we received your question, we have looked at the way our Q1 2021 reporting was recorded by UST and it appears UST may have recorded our response incorrectly. We are reaching out to UST to ensure their reporting system reflects the response we provided.

*Question 2.* Are you aware of any non-compliances associated with your airline’s receipt of Payroll Support Program funding?

Answer. No.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RICHARD BLUMENTHAL TO  
DOUG PARKER

*Compensation for Consumers.* Since March 2020, flight delays and cancellations have disrupted plans for countless travelers—and the most recent cancellations left people stranded in airports and away from family during the winter holiday season. Senator Markey and I have repeatedly called for full cash refunds for impacted consumers. But U.S. airlines have been slow to provide credits and legally-required refunds and have hidden behind vague ticketing policies. Media reports indicate that airlines are currently holding approximately \$20 billion worth of travel vouchers and unrefunded ticket values.

*Question 1.* What is the total value of unrefunded tickets, unredeemed flight credits, and other similar stored value mechanisms that American Airlines currently owes consumers? Please provide the amount of each value mechanism as well.

Answer. American Airlines offers refunds to our customers if their flights are cancelled or delayed for more than four hours. We provide even greater flexibility closer to travel. Specifically, if there is a schedule change or delay of more than 90 minutes within 72 hours of scheduled travel, we will also provide a refund.

AA has honored its refund policy and processes refund requests within the Department of Transportation’s (DOT) refund processing timelines. We did not withhold refunds, attempt to give travel credit when refunds were due, or retroactively apply a change to the contract of carriage. We have honored our commitments, in a timely fashion, throughout the pandemic, which is evidenced by the fact that we

paid \$3.2 billion in cash refunds in 2020 alone—about 2.5x more than the \$1.3 billion in cash refunds we issued in 2019.

We also eliminated change fees on a broad basis allowing customers the flexibility to change their travel plans.

For people who purchased a nonrefundable ticket and then wanted to cancel their plans, we are proud of the additional flexibility we have offered to these customers during the pandemic. For tickets purchased in 2019 and 2020 that were scheduled to expire or were for scheduled travel from March 1, 2020 through March 31, 2021 we have extended the period for travel to March 31, 2022. In addition, customers with stored value related to unused tickets for travel to several international destinations can use the value of their unused ticket through December 31, 2022.

If special circumstances prevent a customer from traveling by these dates, our team will work closely with that customer to ensure they are well cared for.

*Question 2.* Does American Airlines gain revenue (such as from interest) from the value of unused travel vouchers that are currently held in company accounts? If so, how much revenue has American Airlines collected from the funds in your accounts that are linked to unused travel vouchers since March 2020?

Answer. Since the beginning of the pandemic in early 2020 AA has incurred significant cash operating losses, even after the application of funds from the Payroll Support Program, due to the material deterioration in our revenues. Any cash proceeds related to unused tickets were utilized to fund operations rather than generate additional revenue such as interest income.

*Question 3.* If American Airlines still owes consumers under Question 1, by when will it have completed issuing its refunds? What is the reason for this delay?

Answer. American Airlines has honored its refund policy<sup>1</sup> and consistently processes refund requests within the Department of Transportation's refund processing timelines.

*Question 4.* American Airlines reportedly cancelled nearly 200 flights in the last week. How many consumers were impacted by these cancellations?

Answer. During the holiday period (the last half of December, American Airlines performed better than the entire industry in all combined operational metrics, ranking first in on-time departures (D-0), on-time arrivals (A+14) and completion factor, including two zero-cancel mainline days during the period. By and large, American was the most reliable carrier by an incredible margin, including delivering a D-0 that was 15 percentage points higher and completion factor that was a full 2.5 percentage points better than the industry average. Moreover, American Airlines achieved these industry-leading metrics while operating 35 percent more flights per day on average than those same competitors. For the period from December 24th through 28th, 51,116 passengers out of more than 2.5 million were affected by cancellations. Of those passengers impacted, 66 percent were rebooked automatically by our systems with 55 percent of those re-booked on flights for the same day. The balance of the impacted passengers were accommodated by our airport or reservations teams, in compliance with our Customer Service Plan.

*Question 5.* Will American Airlines commit to providing full cash refunds to all impacted consumers? If not, explain why not and what compensation you will issue to consumers.

Answer. As stated previously, American Airlines has honored its refund policy<sup>2</sup> and consistently processes refund requests within the DOT's refund processing timelines. That remains the case for passengers impacted by cancellations during the recent holiday season.

*Question 6.* What is the total value of unrefunded tickets, unredeemed flight credits, and other similar stored value mechanisms that American Airlines owe consumers for these cancellations? Please provide the amount of each value mechanism as well.

Answer. American Airlines prioritized the rebooking of impacted passengers and has provided refunds for those customers whose flights were canceled. We continue to process refund requests within the DOT's refund processing timelines.

<sup>1</sup>American Airlines offers refunds to our customers if their flights are cancelled or delayed for more than four hours. We provide even greater flexibility closer to travel. Specifically, if there is a schedule change or delay of more than 90 minutes within 72 hours of scheduled travel, we will also provide a refund.

<sup>2</sup>American Airlines offers refunds to our customers if their flights are cancelled or delayed for more than four hours. We provide even greater flexibility closer to travel. Specifically, if there is a schedule change or delay of more than 90 minutes within 72 hours of scheduled travel, we will also provide a refund.

*Question 7.* By when does American Airlines plan to have fully reimbursed consumers?

Answer. As stated in previous responses, AA has consistently honored its refund policy and processes refund requests within the DOT's refund processing timelines. That remains the case for passengers impacted by cancellations during the recent holiday season.

*Question 8.* Please explain the causes of the recent flight cancellations as well as the steps that American Airlines is implementing to prevent a repeat of these cancellations.

Answer. American Airlines, like others in the industry, has been impacted by the Omicron surge, which resulted in higher than normal COVID-related sick calls. In some instances, we made the difficult decision to pre-cancel some flights to allow us to proactively notify and accommodate our customers and avoid last-minute disruptions at the airport.

Our operation was also impacted by significant winter weather, including winter storms in Chicago, the Washington, D.C. region, and certain popular skiing destinations. We recovered our operation quickly from each storm and worked in advance to pre-cancel flights when appropriate to prevent late-arising disruptions for our customers.

Despite these challenges, during the busy holiday travel season, American performed better than its peers in all combined (mainline and regional) operational metrics including completion factor, D-0 and A+14. Moreover, we accomplished this while operating 35 percent more flights per day than our major competitors.

We've recovered our operation quickly after each weather event and for other cancels from this period, but there could be additional weather events that cause disruption to our operation and our crew members' flight sequences. As we did during the holidays, we'll be as proactive as possible in our approach to accommodate both customers and our team members.

Our COVID-related sick rates have been consistent over the past few days and our crew scheduling team is managing any open crew time.

*Question 9.* Does American Airlines maintain interline agreements with other carriers to allow passengers affected by disruptions an alternate means of getting to their destinations? If not, why not?

Answer. American Airlines is a participant in many interline agreements with other U.S. and international carriers including but not limited to our *oneworld* and codeshare partners. Re-accommodation of customers is part of these agreements and is routinely used to ensure customers get to their destinations.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. BRIAN SCHATZ TO  
DOUG PARKER

*Question 1.* The Hawaiian Tourism Authority has made available public service videos to educate the public about being respectful tourists when they visit Hawaii.\*

- In what ways are these videos made available to Hawaii-bound travelers on your aircraft?
- Is one or more of these videos mandatory in some form for in-bound Hawaii travelers using in-flight entertainment?
- If not, what hardware, software or policy barriers prevent the videos from being made mandatory?
- Will you commit to making these videos mandatory for all Hawaii-bound travelers using in-flight entertainment within the next six months?

\*Videos available here: <https://www.youtube.com/c/gohawaii>

Answer. As the world's largest airline, American Airlines operates numerous different aircraft across our fleet, and those aircraft contain a variety of in-flight entertainment systems. Because we operate both aircraft that have seatback in-flight entertainment systems and those without, we do not make route specific video passenger announcements mandatory for our passengers. However, we have instructed flight attendants on Hawaii-bound flights, using aircraft with seatback in-flight entertainment systems, to play a short video describing the plants and animals declaration form the State of Hawaii requires passengers to complete upon arrival. In November 2021, at the request of the Hawai'i Visitors & Convention Bureau, we added a 30-second video from the Malama Hawaii series that now plays immediately after the video describing the agricultural declaration form.

*Question 2.* The 2018 FAA reauthorization directed the agency to establish minimum seat sizes. There was an acknowledgement at the time that tighter seats and

cramped quarters were causing conflicts between passengers and a potential safety hazard if there was an emergency. That seems even more important today. Most of the airline industry opposed the measure and the last administration failed to advance the rulemaking.

- Do you oppose minimum seat size standards?
- Do you believe the FAA should finalize regulations on minimum seat dimensions?

Answer. Safety will always be American's top priority. We supported the provision you referenced during the consideration of the FAA bill, and we continue to fully support the FAA's evaluation of seat sizes and evacuation procedures. We believe any study and evaluation will show that American's current seat sizes across our various fleets are safe for the travelling public.

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RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. JACKY ROSEN TO  
DOUG PARKER

*Jet Fuel Supply.* In July of this year, Reno-Tahoe Airport, the second largest airport in Nevada, faced a severe shortage of jet fuel available for aircrafts flying out of the airport. This was a potentially catastrophic issue that could have adversely impacted tens of thousands of travelers coming to and from Nevada and risked delays in vital cargo coming to the state. We have since learned that jet fuel shipments are based on travel trends from the previous year to decide how much jet fuel pipeline space they need to purchase in order to meet current travel demand. But in 2020, demand was artificially low, as we dealt with an unpredictable global pandemic that completed halted air travel. As such, the data on air travel trends for 2020 was not a reliable gauge for predicting air travel demand in 2021, or the jet fuel necessary to accommodate that demand. Fortunately, my office, in partnership with the airport and impacted airlines, worked together to manage the situation. However, we must be better prepared to face similar situations in the future—it was jet fuel this time, but one could easily imagine relying on past year's numbers to determine future demand for staffing, scheduled flights, or supply purchases—potentially with serious negative effects.

*Question.* Mr. Parker, would you please briefly discuss what American Airlines is doing to ensure that you have sufficient jet fuel supply to meet demand for travel in 2022, which may very well significantly exceed travel in 2021? And can you discuss how you make predictions for future air travel demand, generally, given that 2020 was a statistical anomaly?

Answer. As you noted, jet fuel shortages at Reno-Tahoe Airport (RNO) this summer contributed to concerns over the potential for operational disruptions at the airport. The situation required numerous airlines to employ measures such as tankering, technical stops and outright flight cancellations to reduce jet fuel uplifts and conserve limited inventory at RNO. However, it should be noted that the situation at RNO this summer did *not* occur because airlines failed to procure enough fuel. Rather, the challenge was attributable to a lack of available capacity for jet fuel shippers on the Kinder Morgan North Line to get the fuel that we did have to the right location amid supply chain challenges.

The primary challenge in RNO is pipeline allocation, which is derived by prior 12-month shipping history. Due to a dramatic decrease in aviation operations because of COVID-19, much of jet shippers' line space was shifted to gasoline and diesel shippers as demand for road fuels did not fall as dramatically as demand for air travel. The challenge in RNO was further compounded by a lack of alternatives to get fuel into the airport. This is attributable to the national truck driver shortage, which was further amplified by intense forest fire fighting that also needed fuel trucked in. Additionally, our ability to tanker fuel to RNO was hampered by the extreme heat and high altitude of the location.

We recognized the significance of this issue even before the busy summer travel season and the aviation industry was engaged with FERC to find solutions to the allocation impacts on airlines in an effort to restore pipeline capacity to pre-pandemic levels. However, such efforts ultimately did not come to fruition. We have asked FERC to improve transparency on basic, non-proprietary statistics about the types and volume of product moved on a given pipeline, which would dramatically improve our ability to predict pipeline fuel supply shortfalls, and plan accordingly. Additionally, we continue to seek a restoration of pipeline capacity and improvement in the availability of trucks and truck drivers to transport fuels to prevent the same situation from happening again.



RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RAPHAEL WARNOCK TO  
DOUG PARKER

*Crew Safety.* The Payroll Support Program has been a critical tool for protecting airline workers' jobs throughout the pandemic. Most of the airlines testified to the various policies and programs they have implemented to help protect passengers and prevent further spread of the coronavirus. However testimony was also given about the terrible harassment and violent abuse airline crew members have faced at an alarming rate since the beginning of the pandemic. The Federal Aviation Administration and Department of Justice, under the Biden Administration have stepped up enforcement and prosecution efforts related to unruly passengers.

*Question.* What is your airline doing to protect your employees' physical health and wellbeing—not just against COVID, but unruly passengers, as well?

*Answer.* As you know, customer misconduct incidents have increased over the last 18 months. And while these incidents are decreasing now, even one is too many and we are continuing to do everything we can to mitigate them. Since this disturbing trend began, we have taken numerous steps to protect our team members and lessen the severity and number of these incidents, including:

- Enforcing a zero-tolerance policy against harmful or threatening behavior toward our team members and placing any customer who violates this policy on our Internal Refuse List, ensuring they're never allowed to fly with American Airlines again;
- Ending the sale of alcohol in the main cabin;
- Working with our airport, law enforcement and union partners, as well as government agencies, to find ways to mitigate passenger misconduct on the ground and in the air, including by discouraging vendors from permitting "to go" alcohol sales in airports;
- Encouraging participation in TSA's Crew Member Self Defense Program for interested crewmembers;
- Staying in regular contact with state and local law enforcement agencies, the FAA, FBI and TSA to ensure incidents are followed through on and properly prosecuted; and,
- Hosting town halls throughout our network to hear team member concerns and share updates.

*Voluntary Separation Programs & Rebuilding the Workforce.* The Payroll Support Program was able to keep hundreds of thousands of hard working Americans—including many Georgians—on the job throughout the pandemic. However, no one Federal program could make up for all the losses or solve all the challenges inflicted upon the airline industry by the pandemic. And airlines had to adjust. As a result, we saw the airline workforce reduced significantly—mostly through voluntary separation and early retirement packages offered by airlines.

*Question 1.* Could you expound on the need for these programs and how you worked with your employees to implement them?

*Answer.* At the outset of the COVID-19 pandemic, American Airlines had to act quickly to adjust to dramatically lower demand for air travel. These changes included significantly reducing our schedule beginning in March 2020 and continuing into the summer. The company considered different options that would help adjust to lower demand and to do what's best for team members.

From the time the CARES Act was signed in March 2020, we had a stated goal of avoiding furloughs because we believed demand for air travel would steadily rebound as the impact of COVID-19 dissipated. That unfortunately was not the case. In June 2020, our passenger revenues were more than 80 percent lower than June 2019. And with infection rates increasing and several states reestablishing quarantine restrictions, demand for air travel was slowing again.

We knew American would be smaller moving forward and we had to right-size all aspects of our airline to adjust to that new reality. Although we did not want to lose any team members, we created generous programs—all of which were voluntary—intended to help offset as many frontline furloughs as possible. We worked with our union partners to offer both (a) packages to encourage early retirements for those to whom it made sense; and (b) packages to encourage temporary leaves for those to whom it made sense. We asked everyone to carefully consider the voluntary options as they thought about what was best for their families.

*Question 2.* How did these programs allow you to invest in and support your employees?

Answer. These programs allowed us to care for as many team members as possible in a manner that met their individual needs. It also meant that we would be in a position to have the team necessary to ramp up operations as soon as demand for travel returned. As travel rebounded quicker than anticipated, it necessitated canceling the voluntary leaves of absence for some of our team members.

Ultimately, these programs and the overwhelming success of PSP mean that we now have the team we need to operate an ambitious schedule that matches consumer demand.

*Question 3.* As air traffic has begun to bounce back, what are your plans for rehiring and rebuilding your workforce?

Answer. Our team is the lifeblood of our airline, and in 2021 we were proud to welcome back team members who were furloughed when the PSP lapsed. We were also pleased to share with the committee that American hired more than 16,000 new team members across all our workgroups last year. This included more than 1,350 pilots, over 1,600 flight attendants, an additional 1,000 tech ops and maintenance professionals, and more than 2,000 reservations agents. Early indicators suggest that demand for travel remains strong, which is why we've set a target of hiring an additional 18,000 team members in 2022.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO  
GARY C. KELLY

*Payroll Support Program Impact.* Congress created the Payroll Support Program to protect the airline industry's workforce, support the continuity of safe and essential travel, and ensure the industry's ability to remain viable to meet future consumer travel demand. The Department of the Treasury disbursed a total of \$54 billion to passenger airlines, across three rounds of PSP, to provide critical relief during the pandemic.

We know that PSP made a difference in December 2020, when Congress extended the program, because airline recipients had to recall thousands of employees who were furloughed after September 30, 2020 when the first round of PSP ended.

According to the Bureau of Transportation Statistics (BTS), between October 2020 and February 2021, major airlines hired or brought back 28,179 workers. These workers came back just in time for the air travel rebound, which took off in March 2021. As of September 2021, airlines were approximately 8.8 percent below their pre-pandemic employment levels according to BTS data. I am interested in learning from your airline on how the Payroll Support Program impacted your workforce and operations. Mr. Kelly, Southwest received \$7.2 billion in PSP funds.

*Question 1.* If not for PSP funding, what do you think the status of your workforce would look like today? Would your airline have been able to survive the pandemic, absent PSP funding?

Answer. At Southwest Airlines, the Payroll Support Program (PSP) helped preserve our Employees' jobs, pay, and benefits, protecting the livelihoods of thousands of airline workers. If PSP funding had not become available, we would have faced the likely potential of furloughing thousands of Employees and cutting the pay of many thousands more—two actions we have never done in our 51-year history. Southwest would have survived the pandemic without PSP—thanks in part to having record cash-on-hand, low debt, and investor-grade credit—but our Company would have been a lot smaller in terms of Employee headcount and the number of cities served. PSP allowed us to not only maintain service at every one of our domestic airports, but we were able to add 18 new airports in 2020 and 2021 because the Company had the people and the planes to serve new markets. We also implemented voluntary, temporary paid leave programs for our Employees, with reduced flight schedules to align supply with the reduced demand for air travel. PSP allowed us to build programs that could also support quick recall and training of Employees to aid in our business recovery.

*Question 2.* Since receiving PSP funding, do you believe your airline is in a good position to meet current consumer travel demand?

Answer. As explained above, in addition to the critical support provided by PSP, Southwest Airlines entered the pandemic in a strong financial position and responded with aggressive measures to keep the company solvent. These actions allowed us to maintain service at every domestic airport we served before the pandemic. In addition, in the last 22 months, we launched service to 18 new airports, meeting rising consumer demand for adventure and outdoor travel as well as driving competition in the market. We have also continually made adjustments to our

schedule to better align our resources, hire more people, and prepare for continual challenges in this fluid environment to better serve our Customers.

*Airline Relationships with Labor.* Congress focused on sustaining the airline workforce and ensuring continuity of operations during a time of intense uncertainty.

From information shared with the Committee, it appears that those airlines and unions that worked together found solutions to COVID-19 challenges, from addressing new health risks in the workplace to ensuring currency and qualification of a highly-skilled workforce.

*Question.* How has your airline collaborated with unions to establish policies to meet workforce needs in response to the COVID-19 pandemic? How did your airline's relationship with relevant labor unions enhance your ability to meet operational needs and the rise in air travel demand?

*Answer.* Southwest Airlines is in near-daily contact with our unions to work through the numerous unique issues this pandemic has caused. We have strong, productive working relationships with each of the eight unions who represent 12 Employee workgroups. During the pandemic we have implemented Company policies and negotiated a number of contractual changes with our unions to further safety, wellness, and a successful operation. These include agreements on quarantine leave and pay policies, changes to our onboard cleaning procedures, and many others.

Like many industries, Southwest is faced with the challenge of retaining and hiring enough staff to keep up with demand and the high rates of absenteeism that each of these COVID-19 spikes can cause. We have worked with our unions to address starting pay for a number of our operational positions in order to present desirable career opportunities in a very competitive hiring environment. Additionally, to help make the holiday travel season successful, our unions partnered with us on multi-layered incentive plans, allowing our airline to be better staffed during a very high-demand time of the year.

*Contract Workforce Role and Staffing.* At the height of the pandemic, airport and aviation workers stood with airlines and called on the Federal government to make sure our national air travel system remained strong, aviation jobs were protected, and that airlines were ready to meet consumer travel demand.

For decades, airlines have outsourced essential service airport jobs like cabin cleaners, wheelchair attendants, security officers, and baggage handlers to contractors at major airports across the country. Contract workers play a critical role in our aviation system and continue to work hard on the frontlines of the COVID-19 pandemic to keep travelers safe.

The pandemic has exposed problems with how domestic travel disruptions are being addressed and how such response affects the airline industry's workforce. For example, an August 2021 SEIU survey conducted in Houston to assess the experiences of contracted airport workers detailed incidents of short staffing and mandatory overtime policies causing workforce fatigue, which has created a strained operational environment.

*Question.* How will your airline ensure that the contracted workforce, which provides such critical services, is stable, well-trained, and has adequate staffing levels needed to respond to operational challenges?

*Answer.* The challenges you referenced are not limited to the airline industry. We have witnessed staffing shortages throughout the travel and hospitality sectors. This includes hotels and airport concessions, as well as airport and airline contracting services. While the majority of our workforce is comprised of full-time and unionized Southwest Employees, we have a network of suppliers that manage various lines of business. We are working with our suppliers to make sure they can perform the contracts to our standards and to our Customers' standards. This includes in many cases our suppliers raising their wage rates well above the Federal or state minimum wage.

Overall, we are pursuing a myriad of solutions in an effort to overcome the staffing challenge, including:

#### *Supplier Stability*

- Ensuring our suppliers' pay rates are competitive and sustainable (adjustments due to minimum and living wage changes and market challenges)
- Empowering multiple teams (at both the local and corporate levels) to review contracts and manage relationships
- The ability for Southwest to request financials from suppliers as needed

- Having a performance plan in place. If a supplier is not performing, they will be placed on probation, and if they continue to have poor performance, they would be replaced

#### *Training*

- Requiring third-party suppliers to successfully complete Southwest and Federally required training (initial and recurrent)
- Requiring below-the-wing suppliers to receive on-the-job training prior to attending initial training class
- Tracking training compliance in our Vendor Management System and our internal training management system
- Dedicating a Team of Southwest Employees to oversight of contracted workforce training

#### *Staffing*

- Requiring staffing updates on a regular basis during peak operational timeframes and holding regularly scheduled meetings with suppliers to better understand any specific challenges that they may be having as well as what is being done to address them
- Holding operational calls with suppliers and their corporate representatives to address challenges and request action plans

*Airline Workforce Recall.* The Committee is aware that, in 2020, airlines took varying approaches to temporarily reduce the number of active employees on their payroll to avoid involuntarily furloughing or laying off employees as they experienced growing pandemic-related financial difficulties. Many airlines offered employee programs to incentivize voluntary separations, including voluntary furloughs, early retirements, and temporary leaves of absences.

Airlines that extended voluntary leave options to their employees reserved the right to recall such employees from leave when necessary. To the Committee's knowledge, most airlines started broad workforce recall efforts in the first quarter of 2021, employing particularly concentrated efforts to bring back employees in January and February 2021. However, recalling employees has not been an easy process as airlines have reported higher workforce shortages and rates of absenteeism in certain workgroups, leaving the airlines more ill-equipped to meet consumer travel demand.

*Question 1.* Has your airline experienced challenges in recalling your workforce? If so, did your airline anticipate such issues in recalling employees from leave before initiating your recall efforts? Please describe the scope of the workforce recall challenges your airline faced in 2021.

Answer. As explained below, there are hurdles in quickly recalling certain Employees who require extensive and specialized training, with our Pilots (Flight Operations) being the one work group that requires the most lead time and coordination. As mentioned in Southwest's August 2, 2021 letter to Senator Cantwell, there were two issues we did not foresee a year ago, which are related to the Employee recall issue. First, the rapid increase in consumer demand beginning around June of 2020 and thus the need to recall more Employees at a faster rate than anticipated. And second, higher-than-normal rate of Employee absenteeism since June of last year, which requires more Employees to operate the schedule (*i.e.*, more Employees per flight on average) than it did prior to the pandemic.

In Southwest's Flight Operations department, there were known training resource constraints that limited the rate of recalls for our Pilots. Pilots were metered in from June 1, 2021 through January 1, 2022, and the last remaining group will be recalled effective February 1, 2022. Requalifying Pilots is a lengthy process that can take up to two months because of the recency requirements involved in maintaining FAA-required currency. For those Pilots who participated in our Extended Time Off ("ExTO") programs, many lost their currency which requires a training curriculum of ground school and flight training upon recall to active status. Upon the return of Customer demand in early 2021, we acted quickly to become adequately staffed again and began recalling Pilots with a planned recall process that involved both voluntary and involuntary recall actions. Pilots voluntarily wishing to return before their scheduled ExTO return date were recalled before those not wishing to return in order to best serve our People while supporting the restoration of air service.

For Southwest's Inflight department, we followed our process for recalling Flight Attendants. Six-month ExTO Flight Attendants came back in March 2021 after six months of the ExTO program were completed. All 12-and 18-month ExTO Flight Attendants were recalled early to support the summer operation. They were notified of this in spring 2021 and were officially returned on June 1, 2021. The 12-month

ExTO program was designed for Flight Attendants to have returned in September 2021, and the 18-month program was designed for them to return in March 2022.

*Question 2.* Has your airline's workforce fully returned as of January 1, 2022? How did the status of your workforce's recall from voluntary leave programs affect your airline's ability to meet consumer air travel demand in 2021?

*Answer.* We had 244 Employees still on ExTO as of January 1, 2022. Of those, 115 Employees returned to work on January 2, 2022, leaving 129 on ExTO.

The vast majority of these Employees are Pilots. All Pilots have now been notified of their recall with the last 125 Pilots returning effective February 1, 2022. We expect Pilots returning on February 1, 2022 to enter into requalification training and the vast majority to integrate within our operation by March 31, 2022. A limiting factor on our ability to train more Pilots is the supply of Flight Instructors. The current training time from hiring to completion of training for a Flight Instructor is just over six months.

For Inflight, no Flight Attendants remained on ExTO after June 1, 2021.

#### **Airline Operational and Scheduling Data.**

*Question 1.* For the months of October, November, and December 2021, please provide the number of flights your airline operated, the number of flights cancelled, the number of flights delayed more than 15 minutes, the number of flights delayed more than 90 minutes, and the number of flights delayed more than six hours.

*Answer.*

	October 2021	November 2021	December 2021
<b>Flights Scheduled</b>	103,299	97,398	97,339
<b>Flights Operated</b>	99,149	96,785	96,068
<b>Cancelled Flights</b>	3,972	490	1,099
<b>Diverted Flights</b>	178	123	172
<b>Flights Delayed &gt;= 15 minutes</b>	29,844	18,120	27,566
<b>Flights Delayed &gt;= 90 minutes</b>	3,666	1,647	3,206
<b>Flights Delayed &gt;= 360 minutes</b>	23	14	29

*Question 2.* For the month of January 2022, please provide the number of daily flights your airline operated, the number of flights cancelled, the number of flights delayed more than 15 minutes, the number of flights delayed more than 90 minutes, and the number of flights delayed more than six hours.

*Answer.*

	January 2022 (as of 1/20/22)
<b>Flights Scheduled</b>	62,170
<b>Flights Operated</b>	56,547
<b>Cancelled Flights</b>	5,542
<b>Diverted Flights</b>	81
<b>Flights Delayed &gt;= 15 minutes</b>	13,782
<b>Flights Delayed &gt;= 90 minutes</b>	2,271
<b>Flights Delayed &gt;= 360 minutes</b>	11

*Question 3.* For the months of October, November, and December 2021, and January 2022, please detail any preemptive schedule changes that your airline made, including cancelling flights or changing the departure time by more than one hour.

Answer. As is the normal course of business for airlines, we adjust our flight schedules on a regular basis to address a variety of issues.

#### **Airline Employment and Absenteeism Levels.**

*Question 1.* For the months of October, November, and December 2021, please provide the number of full-and part-time employees employed by your airline.

Answer.

	October 2021	November 2021	December 2021
<b>Full-Time Employees</b>	56,473	57,418	57,999
<b>Part-Time Employees</b>	1,534	1,488	1,457
<b>TOTAL</b>	<b>58,007</b>	<b>58,906</b>	<b>59,456</b>

*Question 2.* For the months of October, November, and December 2021, and January 2022, please detail any significant absenteeism problems experienced by your airline.

Answer. Southwest Airlines has experienced higher rates of absenteeism, not unlike many companies during the pandemic, and the reasons for the absenteeism are varied. Despite the challenges we have faced, our Employees continue to demonstrate integrity and pride in their work. They are our greatest strength. In response to the added pressures that our Employees now operate under, we have offered several different pay incentives over the past few months.

This includes paying time-and-a-half for original trips and double-time for extra trips during the week of Thanksgiving, the last two weeks of December, and continuing through February 8, 2022, with further extensions possible.

For Inflight, absenteeism rates are higher than historical rates. We continue to plan more Flight Attendant Reserves to account for this increase in the trends. We have also experienced higher rates of Inactive Flight Attendants (*i.e.*, Flight Attendants who are not bidding for work, mostly due to long-term medical leaves).

*Pilot Training and Requalification Delays.* In early 2021, airlines started broad efforts to recall high numbers of employees from voluntary leaves of absences. Unlike other workgroups, pilots require significant flight training in order to meet qualifications to safely fly. With the rapid surge in air travel demand from the spring to the summer, the need to have pilots trained on time to fulfill airline schedules was crucial for airline flight operations.

The Southwest Airlines Pilots Association (“SWAPA”) expressed concerns to airline management in early 2021 about having enough pilots to carry out Southwest’s 2021 flight schedule. SWAPA recommended recalling flight crews early for training to get them requalified to fly again before peak summer travel periods. SWAPA warned in July they anticipated it would take until August for recalled pilots to get requalified. Southwest experienced notable operational disruptions in June and July 2021. In discussions with the Committee, Southwest admitted it took longer than anticipated to recall pilots from leave and get them requalified through flight simulator training and other means.

*Question 1.* Given that it takes an extended period of time for a pilot to be retrained and requalified in the aircraft they are designated to fly, what were some of the reasons that these pilot training delays occurred?

Answer. Recall efforts for Southwest Pilots began as soon as airline industry demand began to recover. Training resources were added as quickly as possible by initiating a recall of all Flight Instructors on voluntary leave, beginning the hiring process of additional Flight Instructors, and training additional Check Pilots.

While a number of factors—including facilities, devices, and personnel—limit the amount of training that can be conducted in any given month, our ability to train has been particularly limited by the supply of our Flight Instructor workgroup. Flight Instructors conduct the majority of classroom and simulator training. As a whole, the group has been near 100 percent utilization every month since the start of 2021.

As with employees from many work groups, Flight Instructors participated in the Company’s voluntary separation program (“VSP”) and ExTO. As such, we were re-

quired to build our Flight Instructor Team which includes hiring and training a new group of employees. The work is ongoing today and we are in the process of more than doubling the Flight Instructor Team. The current training time from hiring to completion of training for a Flight Instructor is just over six months. In the meantime, the constraints on our Flight Instructor Team requires us to balance our load of other Training demands between recurrent training (Continuing Qualification), Flight Instructor New Hire, Extended-range Twin-engine Operations Performance (ETOPS), FAA required 737-MAX8 Return to Service training, and Requalification for Pilots returning from ExTO to have available Pilots for the operation.

*Question 2.* For pilots and other workgroups, what steps are you taking to plan for and ensure enough time to properly train current and new employees? How have lessons learned from the pandemic informed how you conduct workforce training now?

Answer. With the onset of the COVID-19 pandemic, SWA University (“SWA U”) leveraged all training modalities—classroom training, online learning, on-the-job training, and virtual training—to accomplish required training. Because regulations dictate most of our training requirements, we constantly monitor compliance and proficiency reports, partnering with our scheduling teams to prioritize training scheduling when opportunities are identified. The pandemic also helped reinforce the importance of running effective and efficient programs to enable Employees to be competent and confident. We continue to focus on leveraging all training modalities to match the evolving needs of our Employees.

In Southwest’s Flight Operations department, we track available Employee time, resources, and required training to staff for the training load. In addition, our recordkeeping system is frequently checked by the FAA to confirm the training was conducted and signed off properly. The FAA also attends our classes as an oversight function utilizing a Data Collection Tool. Lessons learned from the pandemic include rethinking the hiring pipeline and adding curriculum/days to the requalification course. These changes were very successful and continue to be used. Southwest’s Tech Operations department, which includes our aviation mechanic workforce, did not defer or extend Training Requirements through the pandemic, so the hourly commitment to training did not change. Our Employees in Tech Ops maintained their training currency and qualifications so Southwest could continue to support our Customers and Flight Operations. In regard to lessons learned, we are now better prepared to manage the delivery of our training programs more effectively, as we can now deliver training virtually and are equipped to quickly add Instructors and/or increase class capacity to fulfill our training requirements, with an emphasis on meeting regulatory training demands first.

*Airline Cancellations and Staffing.* Following the Biden Administration’s vaccine rollout in the first quarter of 2021, consumer travel demand began to rebound. On January 1, 2021, less than 2 percent of Americans had received one vaccine dose, and on that same day, only 805,990 travelers passed through TSA security checkpoints.

But on March 25, 2021, when more than 30 percent of Americans had received at least one dose, over 1.4 million travelers passed through TSA checkpoints. This uptick encouraged airlines to ramp up projected flight schedules for summer travel.

American was one of a few airlines that set aggressive schedules to capture this demand. As one aviation data analyst observed, airlines acted “very bullish on domestic opportunities,” and were “way more eager to be risk tolerant than they would [have been] pre-pandemic.”

Some airlines struggled to provide staffing required to meet the returning demand, however, and were forced to cancel or delay thousands of flights during the peak travel periods over the summer. From March to the end of September, for example, Southwest cancelled over 13,000 flights. In these cases, bad weather was exacerbated by staffing shortages, exposing a brittle system susceptible to even minor hiccups. And of course, when flights are cancelled it is consumers that are the ultimate victims.

Operations did get better. The airline industry, including Southwest, has performed much better, particularly over the Thanksgiving holiday period when passenger volumes reached 90 percent of pre-pandemic levels. TSA set COVID-era record of 2.4 million passengers screened on November 28, yet we didn’t hear any reports of mass cancellations and delays, or hours-long lines.

In fact, the airlines hit an on-time performance rate of 85 percent during the Thanksgiving period, the best since 2017. Southwest had only 12 cancellations the entire Thanksgiving week.

*Question 1.* In your view, did Southwest have enough staff to meet the return of air travel demand this year?

Answer. Yes, we operated well into June 2021 fully staffed, as leisure demand ramped up quickly reaching over 90 percent load factors in many of our airports. We entered the summer with a strong operational strategy designed with appropriate summer staffing levels based on historical methodologies to operate our published schedule. For example, the ratio of crew per aircraft in service—both Pilots and Flight Attendants—was well within the acceptable and historical norms for running an on-time operation. However, like many employers in the travel/hospitality industries and the economy at large, lower labor force participation—in terms of both people leaving the workforce (aka, the “*Great Resignation*”) and higher absenteeism/sick rates for current workers—and increased competition from other employers have collectively made it challenging to meet personnel requirements. In response, we are pursuing short-term strategies to meet present and future growth, including hiring more than 5,000 new Employees in 2021. We are making additional investments to attract and retain talent, including our recent decision to further raise our starting hourly pay rates to a minimum of \$17 per hour (plus health, leave, and retirement benefits). We are currently in discussions with our workgroups to enact this increase in pay rates.

*Question 2.* What did Southwest and the industry as a whole do differently that enabled travel during the Thanksgiving holiday to go so smoothly?

Answer. During the Thanksgiving Holiday period, Southwest Airlines was able to offer reliable operational performance primarily due to the favorable weather conditions across the country. Additionally, our Incentive Program helped improve the staffing environment for Pilots, Flight Attendants, and Airport employees. All of this allowed our On-Time Performance to jump to an impressive 88.3 percent while enplaning over 3,000,000 passengers and only cancelling 12 flights.

*Consumer Refunds.* In 2020, DOT received 29,687 refund complaints against U.S. airlines, a 4,634 percent increase over 2019. And while the problem has started to get better, DOT still received 5,129 refund complaints in September 2021, well above the 627 filed against U.S. airlines for all of 2019.

The Department of Transportation (“DOT”) has a rulemaking in the Unified Agenda which says that it is looking at defining what constitutes a “cancellation” and a “significant delay”—the two things that entitle a customer to a refund. Currently, DOT lets airlines make their own determinations as to whether or not a flight is cancelled, and the number of hours that account for a “significant” delay.

*Question 1.* In your view, how many hours does a flight have to be delayed before a passenger is entitled to a refund?

Answer. Southwest distinguishes between a significant delay (which we view as close-in to the date of departure) and a significant schedule change (which we consider to be an itinerary change that is at least 3 days prior to departure). Southwest applies a common sense, pro-consumer approach in each scenario.

Like DOT, Southwest evaluates the significance of each delay or schedule change on a case-by-case basis to determine whether to make a cash refund available in addition to the option to rebook or receive travel funds. This gives our Employees flexibility to exercise good judgment and do right by our Customers. Our goal is to be flexible and responsive insofar as the Customer Service we provide.

In the future, Southwest may revise our Contract of Carriage to define these terms. However, as DOT has recognized, each situation is unique, and it can be advantageous to the Customer to not have specific definitions.

*Question 2.* If the reluctance to issue refunds was just an issue of preserving cash on hand, then why were refund complaints still so high in 2021?

Answer. Southwest Airlines was not reluctant to issue refunds to Customers who qualified for refunds. Of the \$3.4 billion in flight credits that were originally issued or extended following the onset of the COVID-19 pandemic, as of September 30, 2021, only \$1.4 billion in Customer flight credits remain available to redeem for future travel, with a September 7, 2022, expiration date. Customers continued to redeem flight credits throughout fourth quarter 2021 and continue to do so into 2022.

Southwest has previously and will continue to comply with all regulatory refund requirements as defined by the DOT Aviation Consumer Protection guidelines or implementing rule 14 CFR Part 374. Southwest has not changed its refund policies in recent years, other than to extend the expiration date for unused flight credits during the pandemic.

The majority of refund complaints are from Customers who purchased *non-refundable* itineraries that the Customers chose to not utilize (*i.e.*, the airline operated the flight and the Customers made the decision to not travel) who were given flight credits but not cash refunds. Southwest does not control when or how often a Cus-



tomers file a DOT complaint. Customers may still file a complaint when the Company has operated and acted in accordance with DOT guidelines. That said, Southwest has had the lowest ratio of Refund Complaints per 100,000 enplaned passengers out of all the other Marketing Carriers in 2020 and 2021.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RICHARD BLUMENTHAL TO  
GARY C. KELLY

*Compensation for Consumers.* Since March 2020, flight delays and cancellations have disrupted plans for countless travelers—and the most recent cancellations left people stranded in airports and away from family during the winter holiday season. Senator Markey and I have repeatedly called for full cash refunds for impacted consumers. But U.S. airlines have been slow to provide credits and legally-required refunds and have hidden behind vague ticketing policies. Media reports indicate that airlines are currently holding approximately \$20 billion worth of travel vouchers and unrefunded ticket values.

*Question 1.* What is the total value of unrefunded tickets, unredeemed flight credits, and other similar stored value mechanisms that Southwest Airlines currently owes consumers? Please provide the amount of each value mechanism as well.

Answer. Southwest Airlines does not have any unfulfilled refund requests that fall outside of the parameters defined by the Department of Transportation Aviation Consumer Protection guidelines or implementing rule 14 CFR Part 374.

Of the \$3.4 billion in flight credits that were originally issued or extended following the onset of the COVID-19 pandemic, as of September 30, 2021, only \$1.4 billion in Customer flight credits remain available to redeem for future travel, with a September 7, 2022, expiration date. Customers continued to redeem flight credits throughout fourth quarter 2021 and continue to do so into 2022.

In summer 2020, in order to provide additional flexibility to Customers who hold unredeemed flight credits, the Company significantly relaxed its pre-COVID-19 policies with regard to the time period within which these flight credits can be redeemed, which is typically twelve months from the original date of purchase. Specifically, for all Customer flight credits (1) that expired between March 1, 2020 and September 7, 2020, and (2) were created because the Customer cancelled a flight between March 1 and September 7, 2020, the Company extended the expiration date to September 7, 2022—an extension of at least two years.

*Question 2.* Does Southwest Airlines gain revenue (such as from interest) from the value of unused travel vouchers that are currently held in company accounts? If so, how much revenue has Southwest Airlines collected from the funds in your accounts that are linked to unused travel vouchers since March 2020?

Answer. No, Southwest Airlines does not gain revenue (such as from interest) from the value of unused travel vouchers or Customer flight credits. Southwest does not hold vouchers or flight credits in any interest bearing account. To be clear, Southwest does earn interest on the cash that Customers have provided to the Company for travel bookings.

Southwest invests cash on hand primarily in short-term U.S. government obligations and government focused money market funds (which invest in U.S. government obligations). Per the most recent public SEC filing, the Company's interest income on its investment balances was minimal.

*Question 3.* If Southwest Airlines still owes consumers under Question 1, by when will it have completed issuing its refunds? What is the reason for this delay?

Answer. Southwest Airlines does not have any unfulfilled refund requests that fall outside of the parameters defined by the Department of Transportation Aviation Consumer Protection guidelines or implementing rule 14 CFR Part 374.

*Question 4.* Southwest Airlines reportedly cancelled more than 100 flights in the last week. How many consumers were impacted by these cancellations?

Answer. Of the roughly 22,500 flights scheduled to operate from December 19–25, 2021, only 110 flights (or 0.0049 percent of Southwest flights) were canceled—primarily due to winter weather. These cancellations impacted approximately 0.47 percent of our Customers traveling that week.

Southwest completed over 98 percent of our scheduled service from December 23–29, 2021, and we completed over 88 percent of our scheduled service from December 30, 2021, through January 5, 2022.

For the Customers who were affected by bad weather-related flight disruptions, Southwest offered rebooking at no cost, vouchers to offset incidental travel expenses, and refunds upon request for any unused portions of itineraries.

*Question 5.* Will Southwest Airlines commit to providing full cash refunds to all impacted consumers? If not, explain why not and what compensation you will issue to consumers.

*Answer.* Southwest Airlines has previously and will continue to comply with all regulatory refund requirements as defined by the Department of Transportation Aviation Consumer Protection guidelines or implementing rule 14 CFR Part 374.

For Customers impacted by Southwest Airlines-initiated flight cancellations, Southwest works with each Customer to book alternate flights or issue a flight credit for the value of the fare paid for unused travel. We also provide a refund to the original form(s) of payment upon the Customer's request if they choose not to be rebooked, were unable to travel, or did not choose a flight credit. Gift card holders are provided a flight credit.

*Question 6.* What is the total value of unrefunded tickets, unredeemed flight credits, and other similar stored value mechanisms that Southwest Airlines owe consumers for these cancellations? Please provide the amount of each value mechanism as well.

*Answer.* For Customers impacted by Southwest Airlines-initiated flight cancellations, Southwest works with each Customer to book alternate flights or issue a flight credit for the value of the fare paid for unused travel. We also provide a refund to the original form(s) of payment upon the Customer's request if they choose not to be rebooked, were unable to travel or did not choose a flight credit. Gift card holders are provided a flight credit.

Southwest has previously and will continue to comply with all regulatory refund requirements as defined by the Department of Transportation Aviation Consumer Protection guidelines or implementing rule 14 CFR Part 374.

*Question 7.* By when does Southwest Airlines plan to have fully reimbursed consumers?

*Answer.* Southwest Airlines is well within the Department of Transportation defined guidelines for issuing Customer refunds, and the Company will continue to comply with all regulatory refund requirements as defined by the Department of Transportation Aviation Consumer Protection guidelines or implementing rule 14 CFR Part 374.

For Customers impacted by Southwest Airlines-initiated flight cancellations, Southwest works with each Customer to book alternate flights or issue a flight credit for the value of the fare paid for unused travel. We also provide a refund to the original form(s) of payment upon the Customer's request if they choose not to be rebooked, were unable to travel, or did not choose a flight credit. Gift card holders are provided a flight credit.

*Question 8.* Please explain the causes of the recent flight cancellations as well as the steps that Southwest Airlines is implementing to prevent a repeat of these cancellations.

*Answer.* The winter storms before Christmas through the end of the calendar year caused significant operational challenges at several commercial airports and thus our entire network. Thankfully, the weather-related challenges were not long-lived nor did they cause extended service outages. That said, we have had to work around some recurring bad weather patterns after New Year's Eve/Day.

On top of the winter weather, the impact of the COVID-19 pandemic on Employee retention, recruitment, and absenteeism remain incredibly challenging. Southwest's priority throughout the pandemic has been to staff all areas of our operation appropriately. Since the surge in Customer demand beginning in the summer of 2021, our People Department has aggressively hired new Employees, with over 5,000 new hires in 2021 and a goal of another 8,000 Employees in 2022. We have worked to improve our hiring process, as well as shorten the time it takes to clear background. We also raised our minimum pay to \$15/hour, began offering Employee referral bonuses, and are holding hiring events across the country.

Southwest is not immune to "The Great Resignation" and the resulting nationwide labor shortages. Our Operational Teams partnered with our Network Planning Department to rein in our capacity plans so they mirror our current staffing environment, specifically reducing the peak days in our flight schedule for November and December 2021.

On top of winter weather and pandemic-related challenges, the potential disruptions caused by the Federal government's failure to approve the rollout of 5G in the C-band frequency in a way that does not cause aviation safety concerns or result in flight restrictions at airports could make an extremely challenging operating environment all the more difficult.

*Question 9.* Does Southwest Airlines maintain interline agreements with other carriers to allow passengers affected by disruptions an alternate means of getting to their destinations? If not, why not?

Answer. Southwest has long had resources and policies in place to minimize the inconvenience to our Customers when significant disruptions occur. This includes re-accommodating a Customer on another flight, issuing flight credits, or refunding the unused portion of the ticket. We also empower our Employees to make decisions to deploy these tools based on their best judgment to minimize inconveniences to Customers. As a general rule, for passengers affected by controllable disruptions, Southwest may purchase travel on other carriers when passengers are not scheduled to arrive within 24 hours and no availability exists on our flights.

Even when disruptions impact our On-Time Performance (OTP), lower OTP does not necessarily translate into higher numbers of displaced Customers and therefore a lower completion factor. It only means flights ran late so Customers could still get to their intended destinations. The table below provides data to that effect, using the last week of December as an illustrative example:

<b>Date</b>	<b>Southwest OTP (%)</b>	<b>Flights Canceled (#)</b>	<b>Completion Factor (%)</b>
23-Dec	71.8	12	99.5
24-Dec	77.8	5	99.7
25-Dec	87.9	4	95.3
26-Dec	64.3	79	97.8
27-Dec	40.4	60	97.9
28-Dec	53	85	97.5
29-Dec	56	12	99.3
30-Dec	48	25	98.9
31-Dec	67	102	96.4

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. BRIAN SCHATZ TO  
GARY C. KELLY

*Mandatory Public Service Videos.* The Hawaiian Tourism Authority has made available public service videos to educate the public about being respectful tourists when they visit Hawaii.

*Question 1.* In what ways are these videos made available to Hawaii-bound travelers on your aircraft?

Answer. At Senator Schatz's request and in support of the Hawaii Tourism Authority (HTA), Southwest includes these HTA videos in pre-trip e-mails sent to our Hawaii-bound Customers. We periodically review and update the content of these e-mails as we strive to provide concise and manageable pre-trip messages, particularly given the need to communicate Hawaii-related restrictions during the COVID-19 pandemic.

*Question 2.* Is one or more of these videos mandatory in some form for in-bound Hawaii travelers using in-flight entertainment?

Answer. The HTA videos are included among our inflight entertainment options (*i.e.*, movies, on-demand TV shows, and live TV), which are completely free to Customers. Customers are able to view these entertainment options at their discretion using their personal devices and headphones. Therefore, use of the in-flight entertainment system is entirely voluntary.

*Question 3.* If not, what hardware, software, or policy barriers prevent the videos from being made mandatory?

Answer. Southwest provides free in-flight entertainment to all Customers via their devices. We choose not to include seat-back screens on any of our aircraft because they add weight (which creates additional fuel burn and emissions), increase costs (which are then passed on to Customers), and add complexity to aircraft maintenance. Without seat-back screens, we cannot show mandatory videos. Also, our aircraft that serve the Hawaiian Islands (including our interisland service) are not limited to Hawaii flights. These aircraft operate throughout our national and international network, and the in-flight entertainment system cannot be adjusted based on the route that a particular aircraft is serving on a particular date.

*Question 4.* Will you commit to making these videos mandatory for all Hawaii-bound travelers using in-flight entertainment within the next six months?

Answer. We will continue to share these videos via our pre-trip e-mails to our Hawaii-bound Customers. Our in-flight entertainment system is accessed voluntarily and therefore does not support mandatory videos.

*Minimum Seat Size.* The 2018 FAA reauthorization directed the agency to establish minimum seat sizes. There was an acknowledgement at the time that tighter seats and cramped quarters were causing conflicts between passengers and a potential safety hazard if there was an emergency. That seems even more important today. Most of the airline industry opposed the measure and the last administration failed to advance the rulemaking.

*Question 1.* Do you oppose minimum seat size standards? Do you believe the FAA should finalize regulations on minimum seat dimensions?

Answer. Southwest Airlines does not oppose Federal minimum seat size standards, provided they are based solely on passenger safety (as the statute prescribes) and rely completely on objective scientific and data-based reviews and analyses. With that said, we do not believe any seating configuration among the U.S. airlines is unsafe. For Southwest, our average seat pitch and widest seat width have actually increased with our newer planes (*i.e.*, the Boeing 737-800 and 737 MAX-8) as our older planes (*i.e.*, the 737-700) are being gradually retired and replaced through our fleet modernization program.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RAPHAEL WARNOCK TO  
GARY C. KELLY

*Crew Safety.* The Payroll Support Program has been a critical tool for protecting airline workers' jobs throughout the pandemic. Most of the airlines testified to the various policies and programs they have implemented to help protect passengers and prevent further spread of the coronavirus. However testimony was also given about the terrible harassment and violent abuse airline crew members have faced at an alarming rate since the beginning of the pandemic. The Federal Aviation Administration and Department of Justice, under the Biden Administration have stepped up enforcement and prosecution efforts related to unruly passengers.

*Question 1.* What is your airline doing to protect your employees' physical health and wellbeing—not just against COVID-19, but unruly passengers, as well?

Answer. As of December 2021, 93 percent of Southwest Airlines Employees are vaccinated against COVID-19 or have been granted an accommodation. We appreciate that our Employees have taken this action to support the comfort and well-being of Customers and fellow Employees during the ongoing pandemic. This development does not change the fact that we continue to encourage all Employees who are able to get vaccinated against COVID-19, including getting a booster vaccination.

In May 2020, Southwest initiated the *Southwest Promise*—a series of measures to protect the physical health and well-being of our Employees and Customers. As part of the *Southwest Promise*, we have employed stringent cleaning practices, such as using electrostatic and anti-microbial spray treatments in the aircraft cabin; daily cleanings of the ticket counters, gate hold rooms, and baggage claim areas; and providing masks and hand sanitizer in airport common areas and disinfecting

wipes in the cabin. As always, Southwest will remain focused on creating a safe environment for all who travel with us or come to work—Employees and Customers alike.

With respect to unruly passengers, we protect our Employees in several ways. When passengers threaten or assault our Employees, we can ban those passengers from future travel on Southwest. In addition to summoning law enforcement to respond, we support the arrest and prosecution of those passengers. In fact, Southwest led the airline industry's effort to seek greater DOJ involvement in holding unruly passengers accountable for physical assaults against airline Employees. Finally, we encourage our Employees to cooperate fully with law enforcement officers and the judicial system, giving them paid time off to do so.

*Voluntary Separation Programs & Rebuilding the Workforce.* The Payroll Support Program was able to keep hundreds of thousands of hard-working Americans—including many Georgians—on the job throughout the pandemic. However, no one Federal program could make up for all the losses or solve all the challenges inflicted upon the airline industry by the pandemic. And airlines had to adjust. As a result, we saw the airline workforce reduced significantly—mostly through voluntary separation and early retirement packages offered by airlines.

*Question 1.* Could you expound on the need for these programs and how you worked with your employees to implement them?

Answer. Southwest Airlines introduced voluntary extended time off (ExTO) and a voluntary separation program (VSP) in July 2020 with the goal of aligning staffing to the reduced flight schedules we had that year and in early 2021. Approximately 15,000 Employees—representing almost 25 percent of our workforce—volunteered and were approved for participation in these two programs based on careful consideration of the facts and forecasts that were available at that time, given the unpredictable nature of a once-in-a-century global pandemic. When making those staffing decisions, we also closely assessed our current and future operational needs, optimal staffing levels by work group, and the regional distribution to provide a balanced operation. Over 4,200 Employees initially elected to participate in VSP and left the Company, while roughly 11,000 Employees took varying lengths of ExTO. We have since recalled those Employees on ExTO, in many cases far earlier than they had planned on returning to work full time.

*Question 2.* How did these programs allow you to invest in and support your employees?

Answer. Under ExTO, we provided Employees with partial income and full health care and other benefits. Under VSP, we provided generous separation packages, including health care and other benefits. Southwest Airlines is known for its commitment to its Employees, and we have proudly maintained our 50-year history of no involuntary furloughs, layoffs, or pay cuts throughout the COVID-19 pandemic. We would not have maintained our proud tradition without the Payroll Support Program, and Southwest remains deeply grateful for that critical support during our darkest hour as a Company.

Because we are mindful of the impact working through this pandemic has had on our People, Southwest launched various Holiday Incentive Programs for our Customer-facing workgroups to reward those frontline Employees for their continued hard work in a challenging operating environment. Our Employees are Southwest Airlines' greatest asset. Their resilience and resolve have been nothing short of inspirational during this critical and unpredictable time for our Company, so we do all we can to invest in them and support them as they do the work of serving our Customers.

*Question 3.* As air traffic has begun to bounce back, what are your plans for rehiring and rebuilding your workforce?

Answer. In 2021, Southwest reached our goal of hiring approximately 5,000 new Employees. For context, we hired a little over 5,200 People for the entire year in 2019, and that was our last year of full hiring pre-pandemic. We worked to improve our hiring process, raised our minimum pay to \$15/hour, began offering Employee referral bonuses, and held hiring events across the country. In 2022, we plan to add at least 8,000 new Employees.

If accomplished, our workforce should exceed 2019 employment levels by the end of 2022.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. ROGER WICKER TO  
GARY C. KELLY

*Question.* One condition of the Payroll Support Program was that recipients of the funds were required to continue air service to the communities they previously served, unless a waiver was received from the Secretary of Transportation. However, with the expiration of PSP and passenger travel on the rebound airlines are beginning to make adjustments to their service routes, and there are concerns smaller communities will bear a brunt of the cuts. According to a recent news article, Delta Air Lines intends to cut service to seven routes to three small communities. United Airlines announced last month they will be pulling out of eleven small communities, all serviced by regional airline partners.

Several airlines have announced cuts in service to small communities in the last month or so. As I am sure you are aware, small communities rely on their air service to connect them to the rest of the country. In light of recent service cuts to small communities can you assure us that air service to small and rural communities will remain at or above pre-COVID levels once your networks return to those same levels?

*Answer.* The Payroll Support Program enabled Southwest Airlines to avoid involuntary layoffs, furloughs, and pay cuts and to maintain service. In fact, as passenger numbers declined during the pandemic, Southwest not only did not exit any of our U.S. airports, we expanded our domestic network to 18 additional airports, including Jackson, Mississippi (JAN); Bozeman, Montana (BZN); and Bellingham, Washington (BLI). This expansion allowed us to bring Southwest's low fares and Hospitality to more communities (including many smaller communities) and Customers, and it provided needed work for our Employees while putting idle aircraft to use. We cannot guarantee the permanent continuation of service to any airport, as we respond to changes in Customer demand and costs. However, we are committed to the communities served by Southwest, and we take great pride in working hard to continue bringing our service to all such communities.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. SHELLEY MOORE CAPITO TO  
GARY C. KELLY

*Question 1.* Based on today's testimonies, domestic commercial aviation is on the rebound. According to the TSA, just under 21 million travelers were screened during the 10-day Thanksgiving holiday. That is near the 2019 record of 26 million travelers for the same period. Do you anticipate passenger travel to be at or near 2019 levels for the Christmas season?

*Answer.* While demand trends have been choppy in this environment, Southwest has observed a fairly strong return of leisure travel demand in 2021. On January 27, 2022, we reported our Q4 2021 financial performance, including the results of passenger travel demand during the holiday season. During calendar year 2021, Southwest carried over 99 million revenue passengers, which is an 83 percent increase from 2020, during which we carried 54 million revenue passengers. While we made significant progress in 2021, the Omicron variant has delayed the demand improvement we were previously expecting in early 2022. With COVID-19 cases trending downward, we are optimistic about trends beginning in March 2022.

For industrywide context, the Transportation Security Administration (TSA) has reported checkpoint throughput for the month of December 2021. Passenger throughput numbers in December 2021 were 83.7 percent of December 2019 levels, but more than double the numbers from December 2020.

TSA checkpoint monthly travel numbers:

- 58,863,955 (Dec. 2021)
- 26,417,472 (Dec. 2020)
- 70,250,692 (Dec. 2019)

*Question 2.* Have you seen an increase in airfare over the past couple months? If so, what do you contribute for this increase?

*Answer.* Southwest is proud to be the leading low-cost carrier in the United States. Our average airfare for the fourth quarter 2021 was in-line with our average airfare in fourth quarter 2019 in terms of nominal dollars (slightly lower in constant or real dollars). We fight hard to keep fares low and competitive for our Customers. Notably, our base fare includes two free checked bags (weight and size limits apply) and no change or cancellation fees. We regularly offer sales with fares as low as \$49 on many routes, as well as a fare sale in January with fares as low as \$39 one-

way. As one would expect, Southwest's average passenger fares have fluctuated with demand during the COVID-19 pandemic.

For context, the airline industry is highly competitive. According to the U.S. Department of Transportation's Bureau of Transportation Statistics (BTS), average airfares have been at an all-time low in recent years, including the year immediately preceding the COVID-19 pandemic.

*Question 3.* In 2018, Congress passed a bipartisan five-year reauthorization of the FAA. In the near future, Congress will have to consider and debate policy in order to reauthorize the FAA before 2023. An important component of the reauthorization will be the FAA's Next Generation Transportation System (NextGen) initiative and its deployment. The success of this initiative is entirely dependent on how quickly the FAA and aircraft operations can fully implement NextGen. Could you each discuss some of the investments your airlines have made in implementing NextGen?

Answer. Years ahead of any mandate, Southwest Airlines invested roughly \$175 million to fully equip our entire fleet to be compatible with core NextGen technologies and to train all Southwest Pilots to utilize NextGen procedures. Our investments make Southwest NextGen-ready, including with Required Navigation Performance (RNP) capabilities, DataComm retrofits, and Automatic Dependent Surveillance-Broadcast (ADS-B) equipage. We made these early investments in good faith, relying on the FAA's then-assurance that the best-equipped aircraft for NextGen would be best-served by the Air Traffic Control system. Put simply, we were told if we invested to equip our aircraft in NextGen capabilities, we would be able to take advantage of more energy-efficient, modernized flight operations, such as performance-based navigation (PBN) approaches to airports. The government has not lived up to its side of the equation in this regard, even at airports where PBN procedures have been published but not fully utilized despite the environmental benefits associated with PBN.

*Question 4.* In your opinion, what are some of the current barriers to NextGen implementation?

Answer. In March 2021, the DOT Inspector General found that "NextGen's actual and projected benefits have not kept pace with initial projections due to implementation challenges, optimistic assumptions, and other factors" and that "benefits actually achieved to date have been minimal and difficult to measure." Southwest agrees with this assessment. While it is difficult to provide a concise summary of the current barriers to NextGen implementation, we do have a few suggestions. First, there should be a dedicated Performance Based Navigation (PBN) Program Office at the FAA to oversee the program elements such as procedure design, community outreach, and the suite of controller "tools" that enable the management and sequencing of aircraft. Second, the FAA should prioritize PBN projects that lead to significant reduction in greenhouse gas emissions and energy consumption. Third, Congress should dedicate robust funding for the PBN Office and direction that safety and reducing emissions should be the PBN Office's guiding priorities for its future work.

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RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. JERRY MORAN TO  
GARY C. KELLY

*Question.* As you continue working to restore and rebuild your network and schedule to pre-pandemic levels, can you comment on the role the 737 MAX will play in your efforts?

Answer. Rebuilding our network is a priority for Southwest. As you know, Southwest operates the largest all-Boeing/all-737 fleet in the world, and we have been committed to the 737 throughout our 51-year history. Southwest recognizes and appreciates the tremendous aerospace workforce in Kansas and across our country, which builds and contributes components to the 737 MAX. Southwest currently has 69 737 MAX8's in our fleet. As explained in our Q4 2021 quarterly earnings report, Southwest's current order book with Boeing contains 406 MAX firm orders (271 MAX-7's and 135 MAX-8's) and 226 MAX options (-7 or -8) for years 2022 through 2031. As you can see, Southwest remains committed to the Boeing 737, and the 737 MAX will play an important role in the restoration of our network and schedule, not to mention the significant environmental and noise reduction benefits associated with the MAX aircraft.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RICK SCOTT TO  
GARY C. KELLY

*Question 1.* Last year, the American taxpayers bailed out the airline industry with nearly \$54 billion in tax dollars, while many small and medium-sized businesses closed their doors for good. Your company entered an agreements with the U.S. Treasury with the promise of return on the taxpayers' investment. Can you provide an update on what kind of return on investment the American taxpayers can expect?

Answer. One-hundred percent of the assistance provided by the Payroll Support Program (PSP) went to the salaries, wages, and benefits of our Employees—including thousands of Florida-based Southwest Employees. Our country enjoyed a return on this investment in that we still have an airline industry that is able to connect people to what's important in their lives, including the approximately 114 million people who traveled on airlines to and from Florida in the most recent 12-month period for which data are available. Southwest was able to grow our route map, including new service to airports in Florida, such as Miami International Airport (MIA), Sarasota Bradenton International Airport (SRQ), and Destin-Fort Walton Beach Airport (VPS). The expansion of our route map to these new Florida destinations would not have occurred without the ability to keep our Employees on the payroll during the pandemic. The PSP also enabled us to maintain service to all the Florida communities Southwest served prior to the pandemic: Ft. Lauderdale (FLL), Ft. Myers/Naples (RSW), Jacksonville (JAX), Orlando (MCO), Panama City Beach (ECP), Pensacola (PNS), Tampa (TPA), and West Palm Beach (PBI). Notably, approximately 30 percent of the payroll support provided was in the form of loans, which the industry must repay. In addition to direct benefits to the U.S. economy by keeping airplanes flying and Employees on the payroll, secondary benefits included increased Federal and state tax revenue, reduced unemployment payments, additional consumer spending (*e.g.*, tourist dollars flowing into the Florida economy), and economic benefits related to incremental airline passenger and cargo capacity.

*Question 2.* It has been reported that both United and American have entered agreements to sell planes to the Bank of China Aviation, which is a state-owned bank, and lease them back to their companies long-term. Does Southwest also participate in this practice?

Answer. Southwest owns the vast majority of the aircraft in our fleet of over 700 aircraft, and our preferred approach remains buying our aircraft directly from Boeing. Sale-leaseback transactions can provide needed capital, and Southwest occasionally enters into such arrangements with various aircraft lessors, consistent with applicable U.S. law and state laws. Leasing aircraft can provide added flexibility in our fleet strategy, as well. Such leases provide quiet enjoyment provisions that prevent the owners of the leases from taking aircraft from Southwest, unless we are in default. We have no obligation to any entity other than to make our payments and perform our normal duties under such leases.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RON JOHNSON TO  
GARY C. KELLY

*Question 1.* On what basis are you mandating the vaccine for your employees? Is it only because of the Federal contractor mandate or is it also due to a company decision?

Answer. The purpose of Southwest's COVID-19 Vaccine Policy is to comply with Executive Order 14042, which requires Employees of Federal contractors to be fully vaccinated against COVID-19. This policy was not based on a Company decision. Exemptions are allowed and are granted as required by applicable law. Employees with a disability, medical condition, or sincerely held religious belief that prohibits vaccination against COVID-19 are strongly encouraged to request an accommodation. Please note that, so long as the Federal government is not enforcing the vaccine mandate for Federal contractors, we will not either; instead, we continue to encourage our Employees to vaccinate or seek accommodations.

*Question 2.* What data are you keeping related to infections of COVID-19 and reactions to vaccines among your employees and passengers?

Answer. When an Employee reports a COVID-19 infection, we note that information and provide them with needed support. Questions related to vaccine reactions can be best answered by the Food and Drug Administration, which has managed the Vaccine Adverse Event Reporting System (VAERS) since 1990. We do not maintain a database of COVID-19 health information related to our Customers.



*Question 3.* How many employees have had COVID-19?

Answer. We do not plan to share information related to our Employees' health externally.

*Question 4.* How many were hospitalized?

Answer. We do not plan to share information related to our Employees' health externally.

*Question 5.* How many died?

Answer. We do not plan to share information related to our Employees' health externally.

*Question 6.* How many were vaccinated versus unvaccinated?

Answer. We do not plan to share information related to our Employees' health externally.

*Question 7.* How many fully vaccinated employees have had a breakthrough case of COVID-19?

Answer. We do not plan to share information related to our Employees' health externally.

*Question 8.* Have there been any COVID-19 outbreaks that were traced to a commercial flight? If so, how many?

Answer. A multi-layered approach helps to provide for our Customers' comfort and well-being during the COVID-19 pandemic. We equip all our aircraft with a sophisticated air distribution system that introduces fresh, outdoor air and HEPA (High Efficiency Particulate Air) filtered air into the cabin. HEPA filters onboard remove at least 99.7 percent (measuring 0.3 micrometers or greater in diameter passing through the filter) of airborne particles. HEPA filters are also used in hospitals. We have employed stringent cleaning practices such as using electrostatic and anti-microbial spray treatments in the cabin. Our Employees wear masks, and Customers are also required to wear masks due to the Transportation Security Administration's (TSA) mask requirements. As you know, with the prevalence of infections, it is difficult to trace a specific COVID-19 case or "outbreak" to a particular point of transmission. We continue to evaluate our policies and procedures based on public health guidance, scientific research, and advice from medical and aviation organizations, such as: Harvard T.H. Chan School of Public Health, IATA, Boeing, and our own medical professionals and infectious disease experts that we've retained to advise us during the pandemic.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. ROY BLUNT TO  
GARY C. KELLY

*Question 1.* There are a lot of challenges that continue to face the airline industry, whether it's decreased passenger ridership, workforce related challenges, or continued emergence of COVID variants. Can you elaborate and share with the Committee what you think the airline industry needs in order to operate successfully during these challenging times, and what can Congress do to help the airline industry return to pre-pandemic operational levels? Do you ever see the airline industry returning to how it used to operate before the pandemic?

Answer. Airlines and the aviation industry are deeply affected by broad economic conditions. Air carriers face cost pressures associated with the effects of the COVID-19 pandemic and other economic factors, such as fuel and labor costs, as well as a reduction in revenue due to lower consumer demand for air travel, especially from business travelers. A period of economic stability and growth would help the industry to regain its footing and to reduce the impact of self-help measures (*i.e.*, debt) that the industry took on during the pandemic. In general, Congress can assist with our industry's recovery by implementing policies that will enable post-pandemic economic recovery. For airlines, unnecessary and burdensome new regulations would drive-up costs. Increased taxes or fees on passengers will discourage a return to travel. Most recently, on top of the pandemic-related challenges, the potential disruptions caused by the Federal government's failure to approve the rollout of 5G in the C-band frequency in a way that does not cause aviation safety concerns or result in flight restrictions at airports could make an extremely challenging operating and revenue environment all the more difficult. However, it is important to continue to keep in mind how much worse shape the airline industry would be if the Payroll Support Program (PSP) had not been enacted. So we remain ever so grateful for the support our Employees received from Congress via three tranches of PSP assistance. The question now is how much time will be required to rebuild and restore the industry to pre-pandemic levels.

*Question 2.* Ms. Nelson mentioned in her testimony that not all aircrafts are equipped with high efficiency particulate (HEPA) filters used to create a safe traveling environment in airplane cabins. Can you provide the Committee which aircrafts in your fleet currently have these HEPA filters installed and which aircrafts do not? For those aircrafts that do not have these HEPA filters currently in place, what plans, if any, are there to ensure smaller, regional aircrafts have these safety measures installed?

*Answer.* We operate an all-737 fleet, and we equip all our aircraft with a sophisticated air distribution system that introduces fresh, outdoor air and HEPA filtered air into the cabin. HEPA filters onboard remove at least 99.7 percent (measuring 0.3 micrometers or greater in diameter passing through the filter) of airborne particles.

*Question 3.* I would agree with all the airlines executive witnesses that some of the success stories from the earlier CARES act packages are the investments Congress made in programs like the Payroll Support Program (PSP) and the Paycheck Protection Program (PPP) to help sectors like the airline industry sustain during the pandemic. I have spoken with many of you throughout the pandemic and leading up to today's hearing. And an interesting observation I have noticed that has emerged from the pandemic is a general shift in how employees view work nowadays and the reluctance to return to the workplace. Can the airlines offer the Committee your thoughts on this and the challenges you have experienced in addressing this mentality shift in terms of incentivizing and encouraging employees to return to work?

*Answer.* Southwest is known as one of the best places to work, and yet we have faced unprecedented hurdles in our efforts to hire and retain Employees in 2020 and 2021. There are numerous reasons for this phenomenon, many of which are not unique to the airline industry. As I explained in my written response to the Committee's inquiry in August, we have introduced financial incentives (e.g., paying time-and-a-half or double pay) to address Employee absenteeism. Concerning staffing, our People Department has aggressively hired new Employees, with over 5,000 new hires in 2021 and a goal of another 8,000 Employees in 2022. We have worked to improve our hiring process, as well as shorten the time it takes to clear background. We also raised our minimum pay, began offering Employee referral bonuses, and are holding hiring events across the country. The higher wage rates represent increases for new hires and other entry-level Employees at call centers and within our airport operations. The higher wage scales will be in addition to industry-leading health and retirement benefits.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO  
SCOTT KIRBY

*Payroll Support Program Impact.* Congress created the Payroll Support Program to protect the airline industry's workforce, support the continuity of safe and essential travel, and ensure the industry's ability to remain viable to meet future consumer travel demand. The Department of the Treasury disbursed a total of \$54 billion to passenger airlines, across three rounds of PSP, to provide critical relief during the pandemic.

We know that PSP made a difference in December 2020, when Congress extended the program, because airline recipients had to recall thousands of employees who were furloughed after September 30, 2020 when the first round of PSP ended.

According to the Bureau of Transportation Statistics (BTS), between October 2020 and February 2021, major airlines hired or brought back 28,179 workers. These workers came back just in time for the air travel rebound, which took off in March 2021. As of September 2021, airlines were approximately 8.8 percent below their pre-pandemic employment levels according to BTS data. I am interested in learning from your airline on how the Payroll Support Program impacted your workforce and operations. Mr. Kirby, United received \$10.9 billion in PSP funds.

*Question 1.* If not for PSP funding, what do you think the status of your workforce would look like today? Would your airline have been able to survive the pandemic, absent PSP funding?

*Answer.* The COVID-19 pandemic is the most disruptive global crisis in the history of commercial aviation. In addition to the devastating human toll, at the beginning of April 2020, we saw the sharpest, deepest drop in market demand on record. We cut our domestic and international schedules by 90 percent and were burning as much as \$100 million per day.

United Airlines would be in a very different position today had Congress not passed the Payroll Support Program and refunded the program twice. United took

several self-help actions to reduce the significant losses, including reducing flying, voluntary pay cuts for executive and management staff, raising private funding, and other efforts to reduce our costs. Without funding from the PSP, we would likely have needed to both suspend flying for a period as well as involuntarily furlough a significant number of employees, having devastating personal and economic consequences of our workforce. PSP funding allowed us to maintain our workforce, pay employees, ensure employees' training remained current and they were able to meet travel demand once travelers returned to the skies. Additionally, it allowed us to move critical medical supplies and personnel during the most challenging days of the pandemic when we may otherwise have needed to suspend flying to survive. While United would have survived the pandemic without PSP funds, it would have been significantly less able to meet travel demand, connect people and cargo to communities across the globe.

*Question 2.* Since receiving PSP funding, do you believe your airline is in a good position to meet current consumer travel demand?

Answer. Yes. Thanks to the support of the PSP program, as well as our own self-help measures, United is well positioned to meet today's travel demand. PSP, as well as the many self-help steps United has taken, have positioned us to serve travelers through growth in demand.

*Airline Relationships with Labor.* Congress focused on sustaining the airline workforce and ensuring continuity of operations during a time of intense uncertainty.

From information shared with the Committee, it appears that those airlines and unions that worked together found solutions to COVID-19 challenges, from addressing new health risks in the workplace to ensuring currency and qualification of a highly-skilled workforce.

*Question.* How has your airline collaborated with unions to establish policies to meet workforce needs in response to the COVID-19 pandemic? How did your airline's relationship with relevant labor unions enhance your ability to meet operational needs and the rise in air travel demand?

Answer. We coordinated closely with our unions, who stepped up to work on creative agreements to get us through the crisis, reduce the number of affected employees where possible, and set up the airline for a strong rebound. United worked with our union partners on the many challenges of the pandemic, including day-to-day operational challenges, such as cleaning aircraft, modifying service and crew travel issues into international markets. Additionally, United worked closely with our pilots' union to reach a unique agreement in the summer of 2020 which prevented any involuntary furloughs of our pilots once PSP expired, including during the 3 months in the fall of 2020 when there was significant uncertainty regarding a second round of funding for the program. Thanks to our union partners, the Air Line Pilots Association (ALPA), International Brotherhood of Teamsters (IBT), International Association of Machinists and Aerospace Workers (IAM), Association of Flight Attendants (AFA) and Professional Airline Flight Control Association (PAFCA) for understanding the enormity of the challenge we collectively faced, for keeping our employees engaged, and for working with us to prevent furlough(s).

*Contract Workforce Role and Staffing.* At the height of the pandemic, airport and aviation workers stood with airlines and called on the Federal government to make sure our national air travel system remained strong, aviation jobs were protected, and that airlines were ready to meet consumer travel demand.

For decades, airlines have outsourced essential service airport jobs like cabin cleaners, wheelchair attendants, security officers, and baggage handlers to contractors at major airports across the country. Contract workers play a critical role in our aviation system and continue to work hard on the frontlines of the COVID-19 pandemic to keep travelers safe.

The pandemic has exposed problems with how domestic travel disruptions are being addressed and how such response affects the airline industry's workforce. For example, an August 2021 SEIU survey conducted in Houston to assess the experiences of contracted airport workers detailed incidents of short staffing and mandatory overtime policies causing workforce fatigue, which has created a strained operational environment.

*Question.* How will your airline ensure that the contracted workforce, which provides such critical services, is stable, well-trained, and has adequate staffing levels needed to respond to operational challenges?

Answer. United works with our vendor partners to meet our standards for training and providing services to our customers. Given the workforce challenges in the larger economy, no industry or service provider is immune from staffing challenges

at this time. Each local labor market may face unique issues too, including low unemployment levels that can make it difficult to fill open positions.

Additionally, United has established daily touch points with our vendors at all hub and large line stations to assess staffing and the impact of Omicron. Our vendors continue to be very dedicated to maintaining safety, proper staffing levels and direct leadership/oversight, to ensure United can operate the schedule as efficiently as possible, while never compromising on safety.

**Airline Workforce Recall.** The Committee is aware that, in 2020, airlines took varying approaches to temporarily reduce the number of active employees on their payroll to avoid involuntarily furloughing or laying off employees as they experienced growing pandemic-related financial difficulties. Many airlines offered employee programs to incentivize voluntary separations, including voluntary furloughs, early retirements, and temporary leaves of absences.

Airlines that extended voluntary leave options to their employees reserved the right to recall such employees from leave when necessary. To the Committee's knowledge, most airlines started broad workforce recall efforts in the first quarter of 2021, employing particularly concentrated efforts to bring back employees in January and February 2021. However, recalling employees has not been an easy process as airlines have reported higher workforce shortages and rates of absenteeism in certain workgroups, leaving the airlines more ill-equipped to meet consumer travel demand.

**Question 1.** Has your airline experienced challenges in recalling your workforce? If so, did your airline anticipate such issues in recalling employees from leave before initiating your recall efforts? Please describe the scope of the workforce recall challenges your airline faced in 2021.

**Answer.** United has not experienced any issues with recall of our workforce who have been participating in temporary leave programs.

**Question 2.** Has your airline's workforce fully returned as of January 1, 2022? How did the status of your workforce's recall from voluntary leave programs affect your airline's ability to meet consumer air travel demand in 2021?

**Answer.** The vast majority of our workforce has returned from voluntary temporary leave programs. Note, as a normal course of business, United offers voluntary temporary leave programs given the seasonality of some parts of our operation and staffing needs. These programs have not impacted our ability to meet customer demand. Additionally, United hired 6,500 new employees in 2021 with plans to hire another 9,500 employees in 2022.

#### **Airline Operational and Scheduling Data.**

**Question 1.** For the months of October, November, and December 2021, please provide the number of flights your airline operated, the number of flights cancelled, the number of flights delayed more than 15 minutes, the number of flights delayed more than 90 minutes, and the number of flights delayed more than six hours.

**Answer.**

Month	Scheduled Departures	Cancellations	Flights Departing more than 15 Minutes Late	Flights Departing more than 90 Minutes Late	Flights Departing more than 360 Minutes Late
Oct-21	58,156	331	28,521	1,253	84
Nov-21	58,194	287	9,187	1,768	92
Dec-21	62,036	1,911	16,046	2,953	130

*Note: Includes United Mainline operations only*

**Question 2.** For the month of January 2022, please provide the number of daily flights your airline operated, the number of flights cancelled, the number of flights delayed more than 15 minutes, the number of flights delayed more than 90 minutes, and the number of flights delayed more than six hours.

**Answer.**

Month	Scheduled Departures	Cancellations	Flights Departing more than 15 Minutes Late	Flights Departing more than 90 Minutes Late	Flights Departing more than 360 Minutes Late
Jan-22	33,891	1,869	8,627	1,856	103

*Note: Includes United Mainline operations only, through 1/18/2022*

**Question 3.** For the months of October, November, and December 2021, and January 2022, please detail any preemptive schedule changes that your airline made, including cancelling flights or changing the departure time by more than one hour.

**Answer.** United proactively reduced its scheduled departures by up to 6 percent for this period to provide more operational flexibility and risk mitigation resources:

	Oct-21	Nov-21	Dec-21	Jan-22
Scheduled Flights—60 Days Out1 (000s)	128.5	125.9	129.5	122.0
Actual Scheduled Flights (000s)	122.1	119.0	121.5	113.9
Schedule Reduction percent	(5.0%)	(5.5%)	(6.2%)	(5.8%)

1. As measured from the start of month, includes all mainline and regional flights by affiliate airlines operating under a capacity purchase agreement

#### Airline Employment and Absenteeism Levels.

**Question 1.** For the months of October, November, and December 2021, please provide the number of full-and part-time employees employed by your airline.

Answer.

U.S.-Based Employees:

October 2021: 77,828

November 2021: 78,115

December 2021: 78,852

**Question 2.** For the months of October, November, and December 2021, and January 2022, please detail any significant absenteeism problems experienced by your airline.

Answer. Prior to late December 2021, United's absentee rates were consistent with previous years and did not impact our ability to operate our committed schedule. When Omicron began to spike in late December, the new variant drove unprecedented levels of absenteeism as our essential workforce began to test positive for COVID. Just as an example, in one day alone at Newark in late December, nearly one-third of our workforce called out sick.

**Refund Complaints.** Mr. Kirby, even though many airlines had challenges over the summer and even this fall, you have told me that United was able to avoid these problems by being more conservative with scheduling, and by negotiating with your pilots to keep them on payroll and current on their training.

In 2020, DOT received 29,687 refund complaints against U.S. airlines, a 4,634 percent increase over 2019. And while the problem has started to get better, DOT still received 5,129 refund complaints in September 2021, well above the 627 filed against U.S. airlines for all of 2019. Unfortunately, United was responsible for about 34 percent of all refund complaints against U.S. airlines 2020, and 24 percent from January through September of 2021.

The pandemic was unprecedented and I know that as bookings suddenly plummeted, there was an immediate concern about a liquidity crisis that could be caused by processing mass refunds. I applaud United and many of its peers for voluntarily waiving flight change fees during the pandemic, even for non-refundable flights. However, when the airline is the one cancelling the flight, or when the flight is delayed for several hours, it seems pretty basic for consumers to be entitled to a refund and receive that refund within a reasonable timeframe.

**Question 1.** Why has United been the subject of so many of these refund complaints—more than twice as many as any other U.S. airline in 2020? What is United doing to improve here?

Answer. By virtue of our network, United was impacted earlier and more acutely than many of our competitors. There was great uncertainty at the beginning of the pandemic and a real risk that such widespread disruption could shut down the system. With the benefit of hindsight, we would do things differently. But ultimately, we worked to ensure that we provided refunds to all passengers who were owed them and worked closely with regulators to answer their questions and alleviate their concerns.

**Question 2.** The U.S. Public Interest Research Group recently estimated that airlines are sitting on \$10 billion worth of liquidity from flight credits, and a CBS News article suggested that number might actually be as high as \$20 billion. What is the dollar-number value of the flight credits that United has issued during the pandemic? What is the dollar value of the United flight credits that consumers have not yet utilized?

Answer. Since the start of the pandemic, United processed more than \$5 billion dollars in refunds. United currently does not owe any long-standing refunds to passengers. The refunds that United currently owes to passengers are from recent refund requests and the company is processing those expeditiously and in accordance with the legal requirements (e.g., for credit card purchases within 7 days). For example, United's average response time for refund requests for 2021 was within 3.8 days.

*Question 3.* The Department of Transportation (DOT) has a rulemaking in the Unified Agenda which says that it is looking at defining what constitutes a “cancellation” and a “significant delay”—the two things that entitle a customer to a refund. Currently, DOT lets airlines make their own determinations as to whether or not a flight is cancelled, and the number of hours that account for a “significant” delay. In your view, how many hours does a flight have to be delayed before a passenger is entitled to a refund? If the reluctance to issue refunds was just an issue of preserving cash on hand, then why were refund complaints still so high in 2021?

*Answer.* Carriers should be given some leeway to define these terms for its passengers with guardrails from the DOT. United currently treats a flight as significantly delayed if the arrival or departure time changes by more than 2 hours for both domestic and international flights. But all carriers should not be required to adopt United’s policy and there should be room within the rules for carriers to differentiate themselves from one another. As the DOT has pointed out, whether a delay is significant or not will depend on the circumstances (*e.g.*, length of flight, duration of trip, time of schedule). In the initial stages of the pandemic, there were significant numbers of refund complaints because carriers could not respond quickly to the huge volume of refund requests. The number of refund complaints currently pales in comparison to the volume of refund complaints initially during the pandemic. But refund complaints are relatively high—compared to before the pandemic—because there remains significant uncertainty driven by the pandemic. For example, passengers may be traveling to see family and that family may develop COVID symptoms shortly before the trip—causing the passengers to no longer wish travel. Additionally, the pandemic has driven second and third order impacts that have caused passengers to want to cancel their trips or shift their travel (*e.g.*, museum temporarily closes due to staffing shortages). Although passengers have the option to purchase refundable tickets, many chose not to do so.

*PSP Compliance.* Under section 4116(a)(2) of the CARES Act, no corporate officer or employee of your airline whose total compensation exceeded \$425,000 in calendar year 2019 (other than an employee whose compensation is determined through an existing collective bargaining agreement entered into prior to the enactment of the CARES Act) was permitted to receive from your airline, severance pay or other benefits upon termination of employment which exceeds twice the maximum total compensation received by the corporate officer or employee in 2019. Yet in the first quarter of 2021, your airline reported to the Department of the Treasury that some employees and corporate officers had received severance pay or other benefits after March 24, 2020 which more than doubled their 2019 total compensation.

*Question 1.* Please explain whether the severance pay or other benefits provided to these employees and corporate officers complied with the CARES Act and associated Payroll Support Program requirements.

*Answer.* No response required due to error in report. United is in full compliance and did not report severance pay double employees’ 2019 compensation.

*Question 2.* Are you aware of any non-compliances associated with your airline’s receipt of Payroll Support Program funding?

*Answer.* United is in full compliance with the requirements of the Payroll Support Program.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RICHARD BLUMENTHAL TO  
SCOTT KIRBY

*Compensation for Consumers.* Since March 2020, flight delays and cancellations have disrupted plans for countless travelers—and the most recent cancellations left people stranded in airports and away from family during the winter holiday season. Senator Markey and I have repeatedly called for full cash refunds for impacted consumers. But U.S. airlines have been slow to provide credits and legally-required refunds and have hidden behind vague ticketing policies. Media reports indicate that airlines are currently holding approximately \$20 billion worth of travel vouchers and unrefunded ticket values.

*Question 1.* What is the total value of unrefunded tickets, unredeemed flight credits, and other similar stored value mechanisms that United Airlines currently owes consumers? Please provide the amount of each value mechanism as well.

*Answer.* Since the start of the pandemic, United processed more than \$5 billion dollars in refunds. United currently does not owe any long-standing refunds to passengers. The refunds that United currently owes to passengers are from recent refund requests and the company is processing those expeditiously and in accordance with the legal requirements (*e.g.*, for credit card purchases within 7 days). For ex-

ample, United's average response time for refund requests for 2021 was within 3.8 days.

We have also taken other steps to give customers travel flexibility, including:

- Permanently eliminated change fees.
- Extended validity period for travel credits.
- Credit purchased before December 31, 2021 will be valid through December 31, 2022.
- Allowing greater flexibility to combine and share travel credits.
- Made travel credits easier to apply when rebooking.

*Question 2.* Does United Airlines gain revenue (such as from interest) from the value of unused travel vouchers that are currently held in company accounts? If so, how much revenue has United Airlines collected from the funds in your accounts that are linked to unused travel vouchers since March 2020?

Answer. No, United issues travel vouchers for a variety of reasons including goodwill compensation and, in some cases, credit for customers who are not eligible for refunds. Travel vouchers are carried on our accounts as liability for provision of as-yet unbooked future transportation and are not recognized as revenue until the bearer's travel is completed.

*Question 3.* If United Airlines still owes consumers under Question 1, by when will it have completed issuing its refunds? What is the reason for this delay?

Answer. Please see Question 2.

*Question 4.* United Airlines reportedly cancelled more than 200 flights in the last week. How many consumers were impacted by these cancellations?

Answer. During the week of December 20th, United and its United Express partners cancelled a total of 986 operations, or 3.4 percent of consolidated flights, affecting a total of 104,254 customers. Notwithstanding, we were able to re-accommodate 80 percent of those customers:

- 40 percent reached their final destination within four hours of their originally scheduled arrival time, including 20 percent that arrived before their originally scheduled time of arrival
- 40 percent reached their final destination with a delay of four hours or more
- 6 percent were issued refunds
- 14 percent had not requested a refund or resumed travel as of January 4th, 2022. Their travel funds remain available as a credit for future flights.

*Question 5.* Will United Airlines commit to providing full cash refunds to all impacted consumers? If not, explain why not and what compensation you will issue to consumers.

Answer. As stated in Question 4, 80 percent of impacted passengers were re-accommodated. Six percent were issued refunds. The remaining passengers' travel funds remain available for future flights.

*Question 6.* What is the total value of unrefunded tickets, unredeemed flight credits, and other similar stored value mechanisms that United Airlines owe consumers for these cancellations? Please provide the amount of each value mechanism as well.

Answer. Please see Question 4.

*Question 7.* By when does United Airlines plan to have fully reimbursed consumers?

Answer. Please see Question 4.

*Question 8.* Please explain the causes of the recent flight cancellations as well as the steps that United Airlines is implementing to prevent a repeat of these cancellations.

Answer. Since the beginning of December, the majority of mainline cancellations have been due to uncontrollable circumstances, like weather. In those cases, we reach out as early as possible to customers booked on those flights to offer alternative plans. Toward the end of December, however, we started experiencing a high volume of COVID-related sick calls from our flight crew members. To mitigate this, we are taking a multiprong approach by pre-cancelling flights up to 7 days in advance, allowing us to re-accommodate passengers with ample notice, reducing scheduled operations further out and offering economic incentives for non-affected crew members to pick up uncovered lines of flying.

*Question 9.* Does United Airlines maintain interline agreements with other carriers to allow passengers affected by disruptions an alternate means of getting to their destinations? If not, why not?

Answer. When it is not possible to re-accommodate customers on United-branded flights, we will re-accommodate on other airlines, including direct competitors. As an example, of the 104,254 customers affected by cancellations during the week of December 20th, six percent of affected customers were re-accommodated on other carriers.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. BRIAN SCHATZ TO  
SCOTT KIRBY

*Question 1.* The Hawaiian Tourism Authority has made available public service videos to educate the public about being respectful tourists when they visit Hawaii.\*

- In what ways are these videos made available to Hawaii-bound travelers on your aircraft?
- Is one or more of these videos mandatory in some form for in-bound Hawaii travelers using in-flight entertainment?
- If not, what hardware, software or policy barriers prevent the videos from being made mandatory?
- Will you commit to making these videos mandatory for all Hawaii-bound travelers using in-flight entertainment within the next six months?

Answer. All of the Malama videos produced by Hawaiian Visitors and Conventions Bureau are available on the video library on flights serving Hawaii, including our “Personal Device Entertainment” library which passenger access through the on-board Wi-Fi system.

Inflight crew encourages and invites all passengers to watch the Malama videos.

We have also added language referencing the Malama videos in the announcements to our classic “Halfway to Hawaii” game.

Up to 80 percent of flights to Hawaii are onboard aircraft that either do not have seatback entertainment or the ability to push videos to customers throughout the cabin. As part of our United Next plan announced in June 2021, we will be adding seatback entertainment screens to nearly all mainline narrowbody aircraft by 2025. Additionally, we are working on our next-generation IFE system that has more capabilities of serving more tailored messaging to customers that we anticipate will debut in 2023.

Beginning in later part of 1st quarter of 2022, this landing page to plan trips (Book flights to Hawaii | United Airlines) will include Malama messaging. United’s Global Community Engagement team leads United’s relationship with Conservation International (CI). The work with CI is focused on efforts to amplify the Malama sentiment across multiple platforms. CI has a contractual relationship with State of Hawaii’s Department of Education to integrate the pledge locally and eventually will be made available to United and our customers.

*Question 2.* The 2018 FAA reauthorization directed the agency to establish minimum seat sizes. There was an acknowledgement at the time that tighter seats and cramped quarters were causing conflicts between passengers and a potential safety hazard if there was an emergency. That seems even more important today. Most of the airline industry opposed the measure and the last administration failed to advance the rulemaking.

- Do you oppose minimum seat size standards?
- Do you believe the FAA should finalize regulations on minimum seat dimensions?

Answer. Each time the FAA has examined the issue, it has concluded that existing aircraft seat configurations do not present a safety hazard in the event of an emergency. A variety of seat dimensions are available in the market for customers to select a travel experience that best fits their preferences and budgets. United makes every effort to inform customers of their seating options, and we believe travel purchasers are well aware of these options when they book. We have in place a thorough, multi-layered strategy to prevent and de-escalate potential in-flight conflicts, as described in more detail in United’s answer to Sen. Warnock’s question below, that has proven effective regardless of passengers’ seat dimensions.

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\* Videos available here: <https://www.youtube.com/c/gohawaii>



RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. JACKY ROSEN TO  
SCOTT KIRBY

*Jet Fuel Supply.* In July of this year, Reno-Tahoe Airport, the second largest airport in Nevada, faced a severe shortage of jet fuel available for aircrafts flying out of the airport. This was a potentially catastrophic issue that could have adversely impacted tens of thousands of travelers coming to and from Nevada and risked delays in vital cargo coming to the state. We have since learned that jet fuel shipments are based on travel trends from the previous year to decide how much jet fuel pipeline space is needed to purchase in order to meet current travel demand. But in 2020, demand was artificially low, as we dealt with an unpredictable global pandemic that completed halted air travel. As such, the data on air travel trends for 2020 was not a reliable gauge for predicting air travel demand in 2021, or the jet fuel necessary to accommodate that demand. Fortunately, my office, in partnership with the airport and impacted airlines, worked together to manage the situation. However, we must be better prepared to face similar situations in the future—it was jet fuel this time, but one could easily imagine relying on past year's numbers to determine future demand for staffing, scheduled flights, or supply purchases—potentially with serious negative effects.

*Question.* Mr. Kirby, would you please briefly discuss what United Airlines is doing to ensure that you have sufficient jet fuel supply to meet demand for travel in 2022, which may very well significantly exceed travel in 2021? And can you discuss how you make predictions for future air travel demand, generally, given that 2020 was a statistical anomaly?

*Answer.*

*Jet Fuel Supply:* In summer of 2021, with rapid recovery in domestic leisure demand and a pandemic-induced subordination of jet fuel in the transportation fuel supply chain, we and other passenger and cargo air carriers faced an unprecedented level of supply challenges at up to 40 airports at one time. We took all possible measures to prevent or mitigate customers from being impacted by these challenges that were driven by lower pipeline allocations for jet fuel and the scarcity of trucking resources, particularly in smaller leisure-focused destinations. At RNO, United, with extraordinary efforts, was in a relatively well-situated supply position compared to other airlines, however, we do not wish to see fuel supply chain challenges at any airport we serve, big or small.

To that end, our planning and operational teams are working even more closely to continually adjust our fuel supply planning and logistics and build more flexibility to rapidly adapt to changes in our requirements at every airport. This continual assessment and re-assessment helps us identify and proactively address potential developing gaps while engaging our third-party suppliers, infrastructure and service providers. At the same time, there is only so much we can do as United alone with fuel supply infrastructure, which is largely inflexible in the short term. In cooperation with A4A, we have petitioned the FERC regarding the pipeline allocation issue and have exhausted all options to help jet fuel recover its rightful space on major pipelines and reduce its dependence on trucking. With continued travel demand recovery and potential increase in 2022 demand relative to pre-pandemic, there is a prospect of inadequate jet fuel shipments on pipelines impacting large airports that are dependent on them.

*Future Travel Demand:* Forecasting of future year demand is done by two core areas at the airline: Network Planning (builds the schedule) and Revenue Management (sells/prices the schedule). In normal times, these groups typically start with the prior year demand metrics and then make adjustments for known dynamics such as GDP growth and high growth cities/geographic areas. In 2021, traditional demand forecasting was not applicable given the significant disruption in air travel in 2020. Rather, we focused on deploying capacity in more leisure-focused markets, as well as adjusted schedules to localized demand changes as they developed throughout the year. For 2022, traditional demand forecasting is also not applicable. Our general approach has been to assume a 2019-like demand profile, with some general adjustments such as durable gains in many leisure-oriented markets (e.g., Florida). Business travel is also expected to have an uneven recovery in 2022, and demand recovery expectations have been tempered in business travel-heavy markets (e.g., Chicago to Boston).

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RAPHAEL WARNOCK TO  
SCOTT KIRBY

*Crew Safety.* The Payroll Support Program has been a critical tool for protecting airline workers' jobs throughout the pandemic. Most of the airlines testified to the various policies and programs they have implemented to help protect passengers and prevent further spread of the coronavirus. However, testimony was also given about the terrible harassment and violent abuse airline crew members have faced at an alarming rate since the beginning of the pandemic. The Federal Aviation Administration and Department of Justice, under the Biden Administration have stepped up enforcement and prosecution efforts related to unruly passengers.

*Question.* What is your airline doing to protect your employees' physical health and wellbeing—not just against COVID, but unruly passengers, as well?

Answer.

- United is taking concrete actions to reduce the number and rate of unruly passenger incidents.
- At the forefront of these initiatives, United addresses unruly passenger behavior utilizing our robust, industry-leading safety program (established over a decade ago) that includes a cross-functional committee tasked with investigating and determining the appropriate corporate response following physically abusive or physically threatening behavior by passengers against United Airlines employees.
- United's passenger programs under this safety program's umbrella have been expanded beyond employee-assault incident reviews to include investigations into passengers who:
  - (1) Violate the Federal face mask-mandate
  - (2) Physically assault other passengers, or
  - (3) Directly impact our operations by their unruly behavior.
- The program includes post-incident employee support, such as access to Employee Assistance Programs ("EAP") and legal guidance. It also ensures accountability for passengers involved in incidents at the airport and on-board United Airlines or United Express aircraft. We regularly communicate to our team members that they have the full support of the airline to report incidents and access to company resources should an employee wish to press charges resulting from such an incident.
- In addition, United's commitment to mitigating unruly passenger behavior is further reflected in our collaborative engagement with a broad spectrum of industry stakeholders to develop and advocate for best practices, such as with our airport partners and concessionaires to seek more consistent and frequent messaging throughout the air travel journey about expected behavior and the ramifications for unruly incidents.
- United has a vaccine requirement for all U.S.-based employees subject to certain exemptions, which includes our FAs who are domiciled in the U.S.
- United had the first mask requirement for FAs in the industry (April 2020). Provisioning KN95 masks onboard for any FA would like one.
- United had a customer mask requirement predating the Federal mandate. Additionally, Flight attendants are provided with mask compliance cards in 16 languages that they may hand out to non-compliant customers. These cards outline the Federal mandate and the potential penalties for non-compliance.
- De-escalation training is included in continuing qualification for flight attendants and included in initial training for new hires. The mandatory training includes specific scenarios and tools to navigate conflict.
- Basic self-defense training is included in continuing qualification for flight attendants and included in initial training for new hires. The approved required training includes instructor-facilitated lessons with interactive hands-on basic self-defense techniques training, including assailant restraint training with on-board restraint devices.
- Resources through EAP (both company and AFA), as well as Ginger (a confidential, on-demand mental healthcare at no cost for all full-and part-time U.S.-based United employees and their dependents ages 18 and older), for mental wellbeing support.

*Voluntary Separation Programs & Rebuilding the Workforce.* The Payroll Support Program was able to keep hundreds of thousands of hard-working Americans—including many Georgians—on the job throughout the pandemic. However, no one

Federal program could make up for all the losses or solve all the challenges inflicted upon the airline industry by the pandemic. And airlines had to adjust. As a result, we saw the airline workforce reduced significantly—mostly through voluntary separation and early retirement packages offered by airlines.

*Question 1.* Could you expound on the need for these programs and how you worked with your employees to implement them?

Answer. United offered both voluntary unpaid leaves of absence and voluntary separation programs during 2020 and 2021. At the end of 2021, we had a small number of employees still participating in leave of absence programs. Regarding voluntary separation programs:

- During 2020, the Company offered voluntary separation programs (“VSPs”) to its U.S.-based front-line employees and management and administrative employees. The Company offered certain of its eligible front-line employees, based on employee group, age and completed years of service, special termination benefits in the form of additional years of pension service and additional subsidies for retiree medical costs. Approximately 5,500 employees elected to voluntarily separate from the Company.
- During the first quarter of 2021, the Company offered Voluntary Separation Leave (“VSL”) programs to certain U.S.-based front-line employees. The Company offered, based on employee group, age and completed years of service, pay continuation while on leave of absence, health care coverage and travel benefits. Approximately 4,800 employees elected to voluntarily separate from the Company.

*Question 2.* How did these programs allow you to invest in and support your employees?

Answer. The rapid implementation of the Payroll Support Program (PSP) prevented what would have been an unprecedented shutdown of air service that would have impacted the U.S. and world economy for years to come. The PSP allowed us to maintain operational consistency, avoiding the challenges that shutdowns, mass involuntary layoffs and furloughs would have created. In addition, the PSP enabled us to maintain our workforce and protect the livelihoods of tens of thousands of United employees—keeping pilots and others current and at-the-ready to respond to a rebound in demand.

*Question 3.* As air traffic has begun to bounce back, what are your plans for rehiring and rebuilding your workforce?

Answer. Through 2026, we expect to create 25,000 new careers, totaling thousands of openings at each of our seven domestic hubs. These union jobs have compensation above the Federal minimum wage and come with company-sponsored medical coverage, company-funded retirement programs, paid sick leave and vacation, and flight benefits. We are not interested in offering just a job. We want to provide a rewarding, long-term career—69 percent of the senior leaders at United came up through the ranks in jobs like these. The following tables provide our hiring targets and goals for 2021 and 2022 in each job category.

2021 Hiring Results

	Jan–Nov 2021	Dec 2021 (projected)	2021 Total
Pilots	1,300	100	1,400
Flight Attendants	850	300	1,150
Airport Ops	2,200	200	2,400
Technicians	300	50	350
Other (including M&A)	950	50	1,000
<i>Totals</i>	5,600	700	6,300

2022 Hiring Forecast

	2022 (projected)
Pilots	2,000
Flight Attendants	2,500
Airport Ops	2,600
Technicians	600
Other (including M&A)	1,800
<i>Totals</i>	9,500

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. ROGER WICKER TO  
SCOTT KIRBY

*Question.* One condition of the Payroll Support Program was that recipients of the funds were required to continue air service to the communities they previously served, unless a waiver was received from the Secretary of Transportation. However, with the expiration of PSP and passenger travel on the rebound airlines are beginning to make adjustments to their service routes, and there are concerns smaller communities will bear a brunt of the cuts. According to a recent news article, Delta Air Lines intends to cut service to seven routes to three small communities. United Airlines announced last month they will be pulling out of eleven small communities, all serviced by regional airline partners.

Several airlines have announced cuts in service to small communities in the last month or so. As I am sure you are aware, small communities rely on their air service to connect them to the rest of the country. In light of recent service cuts to small communities can you assure us that air service to small and rural communities will remain at or above pre-COVID levels once your networks return to those same levels?

*Answer.* Providing comprehensive access to customers from communities of all sizes, including small communities, is a fundamental objective of United's global route network. However, the ongoing operating environment within the regional airline space has resulted in a need to prioritize due to limited pilot staffing resources. In addition, some individual markets have become or remained unprofitable, making them even more difficult to sustain in light of this pilot shortage.

The nation's mainline carriers are in the midst of a massive pilot hiring initiative as a result of record fleet growth and a large buildup of mandatory near-term pilot retirements. Given the limited flow of military pilots into the commercial ranks, the vast majority of these vacancies are being filled by the current regional pilot population. To put this into context, projected industry mainline hiring through 2023 alone is greater than the entire U.S. regional pilot workforce today.

We are working on solutions in collaboration with our pilot union that will address pilot supply to our regional carriers, but over time, the mainline pilot recruitment issue will grow. Service to small and mid-sized communities continues to be an important component of United's network and we continue to look for opportunities to provide our customers access to these locations.

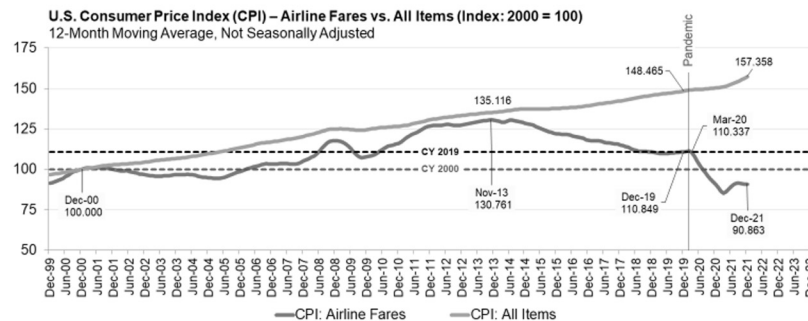
RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. SHELLEY MOORE CAPITO TO  
SCOTT KIRBY

*Question 1.* Based on today's testimonies, domestic commercial aviation is on the rebound. According to the TSA, just under 21 million travelers were screened during the 10-day Thanksgiving holiday. That is near the 2019 record of 26 million travelers for the same period. Do you anticipate passenger travel to be at or near 2019 levels for the Christmas season?

*Answer.* United's passenger volumes for the period December 16, 2021–January 2, 2022, were down 21 percent compared to the same day-of-week mapped period in 2019. Seat capacity for the same period was down 17 percent. It is important to note this period was impacted by the surge in Omicron cases which drove higher levels of passenger cancellations and operational disruptions.

**Question 2.** Have you seen an increase in airfare over the past couple months? If so, what do you contribute for this increase?  
 Answer:

**BLS Data Show Airfares Remain Lower Than 2000 and 2019 Even Before Adjusting for Inflation**  
 U.S. Airfares Have *Not* Kept Pace With Overall U.S. Inflation



Source: Bureau of Labor Statistics (CPI series CUUR0000SE1T001 and CUUR0000SE1T002)



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**Question 3.** In 2018, Congress passed a bipartisan five-year reauthorization of the FAA. In the near future, Congress will have to consider and debate policy in order to reauthorize the FAA before 2023. An important component of the reauthorization will be the FAA's Next Generation Transportation System (NextGen) initiative and its deployment. The success of this initiative is entirely dependent on how quickly the FAA and aircraft operations can fully implement NextGen. Could you each discuss some of the investments your airlines have made in implementing NextGen?

Answer. Since 2018, United has made significant investments in NextGen in several ways, not least of which is in aircraft equipage, specifically in:

- 1) Required Nav Performance—Authorization Required (RNP AR)
- 2) Advanced RNP
- 3) GPS Landing System (GLS)
- 4) DataComm—Datalink Clearance (DCL) and Controller Pilot Datalink Communication (CPDLC)
- 5) Automatic Dependent Surveillance—Out (ADS-B Out—FAA Mandate)

Our human capital investments have been significant as well. The United employees are ever present in the industry engagement and collaborative sessions vital to the FAA's implementation of NextGen. United was very involved in airspace redesign, NextGen Advisory Committee, Performance Based Operations ARC, RTCA, and many other meetings to support, inform and deploy NextGen initiatives. We have also made IT infrastructure investments to align with FAA's System Wide Information System (SWIM) evolution, an important building block for NextGen in terms of data exchange and more rapid development of operational support capabilities.

**Question 4.** In your opinion, what are some of the current barriers to NextGen implementation?

Answer. Some of the current barriers to NextGen implementation are structural in nature. For example, the FAA's self-imposed and broken acquisition management system. While it works, perhaps, for procuring systems like radar systems, it is not nearly nimble enough to keep pace with emerging technologies. A glaring example is the FAA's antiquated and fragile Traffic Flow Management System. By the time TFMS is replaced the solution will likely be considered old technology. Another challenge is the FAA's inconsistent funding stream, which makes it difficult for them to plan. While the funding stream has improved in recent years, there is likely more that can be improved upon.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RICK SCOTT TO  
SCOTT KIRBY

*Question 1.* Last year, the American taxpayers bailed out the airline industry with nearly \$54 billion in tax dollars, while many small and medium-sized businesses closed their doors for good. Your company entered an agreement with the U.S. Treasury with the promise of return on the taxpayers' investment. Can you provide an update on what kind of return on investment the American taxpayers can expect?

Answer. United is immensely grateful for the CARES Act and its Payroll Support Program (PSP) which enabled the industry, a driver of the economy, to survive the most disruptive crisis in commercial aviation. The PSP prevented what would have been an unprecedented shutdown of air service that would have impacted the U.S. economy for years to come. The PSP allowed us to maintain operational consistency, avoiding the challenges that shutdowns, mass involuntary layoffs and furloughs would have created. In addition, the PSP enabled us to maintain our workforce and protect the livelihoods of tens of thousands of United employees—keeping pilots and others current and at-the-ready to respond to a rebound in demand. Importantly, we supplemented this Federal support with our own, unprecedented cost-cutting and fundraising efforts. The PSP gave us the time and the bridge to capital markets where we raised \$23 billion in debt and equity that were crucial to our survival and our ability to serve a role in the COVID response and in the economy. To support the pandemic response, we activated our people and capabilities to operate more than 130 repatriation flights bringing home more than 18,000

Americans who were stranded abroad, and booked nearly 3,000 free flights for medical professionals to areas in need. Through a combination of cargo-only and passenger flights, United transported more than 401 million pounds of freight, including 154 million pounds of vital shipments, such as medical kits, PPE, pharmaceuticals, and medical equipment, and more than 3 million pounds of military mail and packages. And once the vaccines were ready for distribution, we sprang into action. United has flown approximately 400 million vaccines around the world. Throughout the pandemic, United has been committed to providing our unique resources and relationships to assist in those areas hardest hit by COVID-19. We are grateful to Congress for recognizing the importance of the industry's workforce, the service we provide, and our role as a driver of the economy.

*Question 2.* I am hearing from Floridians who work for your company that they are being placed on UNPAID leave after being granted a religious exemption to your vaccine mandate. Title VII of the Civil Rights Act prohibits employment discrimination based on religion<sup>[1]</sup>, and yet your company is placing employees who decline to receive the COVID vaccine based upon their sincerely held religious beliefs on unpaid leave. Do you believe you are currently in compliance with Title VII of the Civil Rights Act?

Answer. United's vaccine policy is in full compliance with all applicable laws, including Title VII. The policy was implemented in response to the grave risks posed by COVID-19. The data available at that time showed that unvaccinated individuals were about 50 times more likely to be hospitalized for COVID-19 than a vaccinated person, and nearly 300 times more likely to die. Before we implemented the policy, more than one United employee per week, on average, was dying of COVID-19. Since our vaccine policy went into effect, the hospitalization rate among our employees has been 100 times lower than the general population. Based on United's prior experience and the nationwide data related to COVID fatalities among the unvaccinated, that means there are approximately 8–10 United employees who are alive today because of our vaccine requirement.

In accordance with Federal law, our policy provides for religious and medical accommodations. United welcomed and carefully considered on a case by case basis all applications. Indeed, we went beyond the minimum legal requirements and accepted requests based on any valid medical ground (not just disability) and/or any sincerely held belief. That is reflected in the fact that we granted the majority of religious accommodation requests and medical accommodation requests. Employees seeking an accommodation under United's policy were required to submit their requests through Help Hub, a web-based portal maintained by United. Based on the information submitted, follow-up requests for information were issued, clarification questions were asked, or third-party attestations were requested.

At present, none of our accommodated employees are required to remain on unpaid leave; they all have other alternatives. Our "non-customer facing" employees—including ramp service employees, mechanics, and other "below the wing" personnel—remain at work in their regular positions, subject to masking and testing requirements. Others, including customer service representatives, were transitioned

to temporary assignments that do not require direct interaction with customers. Similar measures were not possible for flight crew—pilots and flight attendants—due to their unique working conditions as well as constraints imposed by union contracts and Federal regulations. As a result, they were placed on temporary unpaid leave, but they all have preferential consideration to available non-customer facing jobs at United. Because there are many open positions, there is abundant opportunity for accommodated employees on leave to apply for these roles and earn a paycheck.

*Question 3.* Mr. Kirby, during the hearing I asked you, rather than putting employees on unpaid leave if they did not get vaccinated, to offer testing every day instead. You stated that United Airlines does not do this because it's all about "safety". What could be safer than having proof, in the form of a negative test, that your employees do not have COVID? We know that breakthrough infections occur, so even for fully vaccinated individuals the safest option would still be frequent testing.

Answer. United made the decision to require COVID-19 vaccines because those who are vaccinated have a significantly reduced risk of contracting a serious case of COVID that requires hospitalization or leads to death. While testing is certainly a tool to support a strategy aimed at reducing the spread of COVID-19, it is not a replacement for vaccination. Testing only provides a snapshot in time of a person's COVID-19 status but does not provide the vaccine's reduction in risk of death or severe disease. Please also refer to the vaccine policy answer to question No. 2 above.

*Question 4.* Does United Airlines vaccine mandate for employees including provisions for individuals who have natural immunity having recovered from COVID-19 infection? If not, why?

Answer. At the time it was implemented, the policy allowed, on a case by case basis, for certain employees who had contracted COVID-19 to delay vaccination. The policy does not otherwise provide for exemptions based on natural immunity. Following Centers for Disease Control and Prevention (CDC) guidance, vaccination is the best form of protection against COVID-19. A study by the CDC found unvaccinated people who have had COVID-19 are more than twice as likely to be reinfect with the virus compared with people who were fully vaccinated after contracting the virus. Please also refer to the vaccine policy answer to question No. 2 above.

*Question 5.* Other companies on this panel have created policies that do not effectively fire their employees, while still complying with all Federal laws. Why have you taken the stance that denying a paycheck to employees who object to the vaccines based upon a sincerely held religious belief is appropriate and fair?

Answer. Please refer to the vaccine policy answer to question No. 2 above which describes that employees who were approved for a religious exemption to the policy were provided accommodation options that enabled them to remain working.

*Question 6.* It has been reported United has entered agreements to sell planes to the Bank of China Aviation, which is a state-owned bank, and lease them back to their companies long-term. Do you believe there are national security implications with the Bank of China Aviation owning your assets? Do you plan to continue this practice?

Answer. Investors all over the world are eager to invest in the U.S. aviation sector. United complies with all applicable laws and safeguards in international aircraft transactions.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RON JOHNSON TO  
SCOTT KIRBY

*Question 1.* On what basis are you mandating the vaccine for your employees? Is it only because of the Federal contractor mandate or is it also due to a company decision?

Answer. United's vaccine policy is in full compliance with all applicable laws, including Title VII. The policy was implemented in response to the grave risks posed by COVID-19. The data available at that time showed that unvaccinated individuals were about 50 times more likely to be hospitalized for COVID-19 than a vaccinated person, and nearly 300 times more likely to die. Before we implemented the policy, more than one United employee per week, on average, was dying of COVID-19. Since our vaccine policy went into effect, the hospitalization rate among our employees has been 100 times lower than the general population. Based on United's prior experience and the nationwide data related to COVID fatalities among the

unvaccinated, that means there are approximately 8–10 United employees who are alive today because of our vaccine requirement.

In accordance with Federal law, our policy provides for religious and medical accommodations. United welcomed and carefully considered on a case by case basis all applications. Indeed, we went beyond the minimum legal requirements and accepted requests based on any valid medical ground (not just disability) and/or any sincerely held belief. That is reflected in the fact that we granted the majority of religious accommodation requests and medical accommodation requests. Employees seeking an accommodation under United's policy were required to submit their requests through Help Hub, a web-based portal maintained by United. Based on the information submitted, follow-up requests for information were issued, clarification questions were asked, or third-party attestations were requested.

At present, none of our accommodated employees are required to remain on unpaid leave; they all have other alternatives. Our "non-customer facing" employees—including ramp service employees, mechanics, and other "below the wing" personnel—remain at work in their regular positions, subject to masking and testing requirements. Others, including customer service representatives, were transitioned to temporary assignments that do not require direct interaction with customers. Similar measures were not possible for flight crew—pilots and flight attendants—due to their unique working conditions as well as constraints imposed by union contracts and Federal regulations. As a result, they were placed on temporary unpaid leave, but they all have preferential consideration to available non-customer facing jobs at United. Because there are many open positions, there is abundant opportunity for accommodated employees on leave to apply for these roles and earn a paycheck.

In further response to your question, we implemented the vaccine policy prior to the Federal Contractor mandate being issued.

*Question 2.* What data are you keeping related to infections of COVID-19 and reactions to vaccines among your employees and passengers?

Answer. We are only keeping data related to COVID-19 infections as provided by United employees to the company. We do not have any information related to employee reactions to vaccines or any information related to customers' vaccine records or potential reactions to COVID-19 vaccinations.

*Question 3.* How many employees have had COVID-19?

Answer. As of January 27, 2022, United has had approximately 18,800 employees report to the company that they have tested positive for COVID.

*Question 4.* How many were hospitalized?

Answer. Since our vaccine policy went into effect, the hospitalization rate among our employees has been 100 times lower than the general population.

*Question 5.* How many died?

Answer. Before we implemented the policy, more than one United employee per week, on average, was dying of COVID-19.

*Question 6.* How many were vaccinated versus unvaccinated?

Answer. Ultimately, 99.7 percent of our domestic U.S.-based employees, excluding those individuals who requested and were approved for an exemption, were vaccinated.

*Question 7.* How many fully vaccinated employees have had a breakthrough case of COVID-19?

Answer. Since our vaccine policy went into effect, the hospitalization rate among our employees has been 100 times lower than the general population.

*Question 8.* Have there been any COVID-19 outbreaks that were traced to a commercial flight? If so, how many?

Answer. We do not have any information from the CDC that indicates a COVID-19 outbreak was traced to a United commercial flight.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. ROY BLUNT TO  
SCOTT KIRBY

*Question 1.* Mr. Kirby, in your testimony you referenced a pilot shortage multiple times. According to data from the Federal Aviation Administration (FAA), over the past 10 years the U.S. has issued an average of 6,000 Airline Transport Pilots (ATPs) certificates to new pilots each year while the number of retirements from all the airlines has averaged about 1,800 each year during that same time. Based upon these figures it seems like we are producing more pilots than there are jobs



for them, so where is the pilot shortage coming from that you said is causing your airline to pull out of small communities like Columbia, MO?

Answer. While approximately 6,000 Airline Transport Pilot (ATP) certificates are issued annually and the industry expects approximately 2,600 annual retirements in the coming years, we are facing a dramatic shortfall in pilot supply due to a number of factors. COVID caused many airlines to offer early retirements and other exits to thousands of pilots and that, coupled with the cessation of hiring for nearly two years, has created a short-term industry deficit of more than 5,000 pilots. Additionally, industry growth will require thousands of incremental pilots annually for many years. ATP certificates are also issued to pilots who gain employment outside the U.S. certificated airline (Part 121) world and Part 121 attrition includes factors beyond retirement such as medical retirements and exits to career opportunities outside of aviation.

*Question 2.* There are a lot of challenges that continue to face the airline industry, whether it's decreased passenger ridership, workforce related challenges, or continued emergence of COVID variants. Can you elaborate and share with the Committee what you think the airline industry needs in order to operate successfully during these challenging times, and what can Congress do to help the airline industry return to pre-pandemic operational levels? Do you ever see the airline industry returning to how it used to operate before the pandemic?

Answer. Two proposals currently under consideration in Congress that would benefit the airline industry include increasing access to financial assistance for student pilots and improving security screening. A challenge that existed prior to the pandemic, but has been accelerated by the pandemic, is pilot supply. Pilot shortages are not impacting United mainline hiring but are a challenge for the regional carriers today which impacts the ability of United and other mainline carriers to support desired regional aircraft flying schedules. Congress should pass legislation to improve access to student loan funding for aspiring pilots as the high cost of pilot training can prevent those with the aptitude but not the means from becoming a commercial airline pilot. Another recommendation to help the airline industry is for Congress to pass legislation establishing a one-stop security pilot program to reduce redundant screening at TSA checkpoints and allow TSA to focus its resources on passengers who have not yet been screened. Congress should also work to modernize air traffic management through the Next Generation Air Transportation System (NextGen) to improve aviation fuel usage and efficiency; and establish a Sustainable Aviation Fuel (SAF) Blender's Tax Credit to help scale production.

We have full confidence that all types of travel will return, however we still face a number of challenges. If the virus evolves from being pandemic to endemic, and hospitalizations and deaths wane, we would encourage the government to reevaluate the travel requirements that exist today. Decisions to modify these requirements must be rooted in science-based data to clearly demonstrate to the traveling public how and why these decisions are being made.

*Question 3.* Ms. Nelson mentioned in her testimony that not all aircrafts are equipped with high efficiency particulate (HEPA) filters used to create a safe traveling environment in airplane cabins. Can you provide the Committee which aircrafts in your fleet currently have these HEPA filters installed and which aircrafts do not? For those aircrafts that do not have these HEPA filters currently in place, what plans, if any, are there to ensure smaller, regional aircrafts have these safety measures installed?

Answer. All United mainline aircraft are equipped with HEPA filters on air recirculation systems. For our United Express partner aircraft, all aircraft used in the Express fleet are equipped with HEPA filters on air recirculation systems, with the exception of the CRJ200 fleet which is not equipped with an air recirculation system (no recirculated air, no HEPA filter needed). Note that the EMB145 aircraft was not equipped with HEPA filters on the air recirculation system pre-pandemic. United worked with our Express partner and industry to implement a retrofit of HEPA filters on the air recirculation system for this fleet. That retrofit effort has been completed on all EMB145 aircraft.

*Question 4.* I would agree with all the airlines executive witnesses that some of the success stories from the earlier CARES act packages are the investments Congress made in programs like the Payroll Support Program (PSP) and the Paycheck Protection Program (PPP) to help sectors like the airline industry sustain during the pandemic. I have spoken with many of you throughout the pandemic and leading up to today's hearing. And an interesting observation I have noticed that has emerged from the pandemic is a general shift in how employees view work nowadays and the reluctance to return to the workplace. Can the airlines offer the Committee your thoughts on this and the challenges you have experienced in addressing

this mentality shift in terms of incentivizing and encouraging employees to return to work?

Answer. Most United Airlines employees work in the operation—helping customers or working on aircraft—and have continued to come to work throughout the pandemic. Airline work is challenging and rewarding and airline jobs are highly desirable. For most jobs, we receive applications for far more people than we can hire. We have adjusted to changes in a few categories of jobs, for example by offering hiring or referral bonuses in select positions and markets for some airport jobs to make sure we can attract the best applicants, and by offering additional pay for select roles during busy times, as well as overtime and shift options. For office-based workers, we have shifted to a hybrid approach where that combines our past in-person culture with flexibility set by each department. At every United location, our masking rules are in line with local regulations to maximize safety for all of our employees.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MIKE LEE TO  
SCOTT KIRBY

*Question 1.* In your testimony you referenced your partnerships with DARPA and the Cleveland Clinic to study the unique airflow configuration of airplanes. And you proudly noted that United uses HEPA filtration systems. In response to a question from Senator Wicker, you noted that airplanes “are far safer” than most other indoor environments related to COVID-19 transmission. Given your acknowledgment that airplanes “are far safer” than most indoor environments, do you believe Federal mask mandates on planes are necessary? Why or why not?

Answer. As an industry, we’ve been proactive and successful in implementing multi-layered, risk-based measures to protect travelers and employees. We implemented a mask mandate for passengers and employees as one of these measures before the Federal mask mandate was established. The current mandate is set to expire in March. If the virus evolves from being pandemic to endemic, and hospitalizations and deaths wane, we would encourage the government to reevaluate the travel requirements that exist today. Decisions to modify these requirements must be rooted in science-based data to clearly demonstrate to the traveling public how and why these decisions are being made.

*Question 2.* Do you support COVID-19 vaccination mandates for domestic air passengers?

Answer. It is the government’s responsibility to determine if a vaccination mandate for domestic air travel is in the best interest of the traveling public. For example, the Federal government has now instituted a vaccine requirement for all international flights to the U.S., with limited exceptions, and we are in compliance with that. Our focus with our vaccine policy was to ensure the safety of our employees and our workplace.

*Question 3.* Have you advocated to any official within the White House or a Federal agency advocating or supporting such a mandate for interstate domestic air travel?

Answer. No.

*Question 4.* Has the White House or any Federal official advocated that you or United Airlines implement a COVID-19 vaccination mandate for domestic air passengers?

Answer. No.

*Question 5.* During the hearing you noted that United Airlines implemented its vaccine mandate “well ahead of any government directive” and you proudly stated that “we remain the only airline to successfully complete a vaccination requirement for employees.” Given the other airlines have chosen to not comply with the Federal vaccine mandate, or not impose a mandate of their own, along with the lack of evidence that the virus has spread on airplanes, why did you implement such a mandate; especially if as noted above there is little to no evidence that aircraft pose a greater risk of spread than indoor environments?

Answer. United’s vaccine policy was implemented in response to the grave risks posed by COVID-19. The data available at that time showed that unvaccinated individuals were about 50 times more likely to be hospitalized for COVID-19 than a vaccinated person, and nearly 300 times more likely to die. Before we implemented the policy, more than one United employee per week, on average, was dying of COVID-19. Since our vaccine policy went into effect, the hospitalization rate among our employees has been 100 times lower than the general population. Based on United’s prior experience and the nationwide data related to COVID fatalities

among the unvaccinated, that means there are approximately 8–10 United employees who are alive today because of our vaccine requirement.

Moreover, any risk of transmission on airplanes is not the sole or even primary consideration. Our flight crew employees also spend time outside of airplanes in environments where they could be exposed to the virus, including in airports, crew vans, hotels, and other indoor facilities. In addition, many of our employees, such as ground crew, do not work inside of our aircrafts and instead work in more traditional indoor environments that do not have the same filtration systems.

*Question 6.* How many employees of United Airlines have you terminated due to being unvaccinated?

Answer. There are approximately 190 employees who did not comply with the policy and did not seek or were not approved for an exemption and accordingly have been separated from the company.

*Question 7.* How many employees of United Airlines have you placed on unpaid leave, due to being unvaccinated?

Answer. There are approximately 1,080 employees who are presently on a temporary unpaid leave of absence and who have elected not to pursue alternative employment within the company.

In accordance with Federal law, our policy provides for religious and medical accommodations. United welcomed and carefully considered on a case by case basis all applications. Indeed, we went beyond the minimum legal requirements and accepted requests based on any valid medical ground (not just disability) and/or any sincerely held belief. That is reflected in the fact that we granted the majority of religious accommodation requests and medical accommodation requests. Employees seeking an accommodation under United's policy were required to submit their requests through Help Hub, a web-based portal maintained by United. Based on the information submitted, follow-up requests for information were issued, clarification questions were asked, or third party attestations were requested.

At present, none of our accommodated employees are required to remain on unpaid leave; they all have other alternatives. Our "non-customer facing" employees—including ramp service employees, mechanics, and other "below the wing" personnel—remain at work in their regular positions, subject to masking and testing requirements. Others, including customer service representatives, were transitioned to temporary assignments that do not require direct interaction with customers. Similar measures were not possible for flight crew—pilots and flight attendants—due to their unique working conditions as well as constraints imposed by union contracts and Federal regulations. As a result, they were placed on temporary unpaid leave, but they all have preferential consideration to available non-customer facing jobs at United. Because there are many open positions, there is abundant opportunity for accommodated employees on leave to apply for these roles and earn a paycheck.

*Question 8.* Does "unpaid leave" come with the loss of unemployment benefits and/or healthcare coverage?

Answer. The benefits available to employees on a leave is dependent on the type of leave being taken and the terms of the applicable collective bargaining agreement governing the employee. In some instances, employees on a leave of absence may be eligible for unemployment benefits which depends on state specific requirements. Please also refer to the vaccine policy answer above.

*Question 9.* How many employees of United Airlines have you granted religious exemptions from the vaccine mandate? And how many have you denied?

Answer. Over 2000 requests for religious and medical accommodations were granted. Please also refer to the vaccine policy answer to question No. 7 above.

*Question 10.* Is "unpaid leave" the only "reasonable accommodation" that you provide for an individual whose religious exemption is approved? If not, what are the other "reasonable accommodations that you provide" and how often have you provided them?

Answer. Temporary unpaid leaves were not the only accommodation option made available to employees who were approved for an exemption. For details on the types of accommodation options offered, please refer to the vaccine policy answer to question No. 7 above. In addition, the company has accommodated some employees who have non-operational job duties with a fully remote work schedule.

*Question 11.* How many employees of United Airlines have you granted medical exemptions from the vaccine mandate? And how many have you denied?

Answer. Over 2000 requests for religious and medical accommodations were granted. Please also refer to the vaccine policy answer to question No. 7 above.

*Question 12.* As I'm sure you are aware, Title VII of the Civil Rights Act of 1964 requires that medical and religious exemptions be made available in the context of COVID-19 vaccination requirements, including at United Airlines. I was sent a YouTube video of you speaking at an internal United townhall meeting dated August 25, 2021<sup>1</sup> where you stated,

"By the way there are going to be very few people that get through the medical and religious exemptions. There are some pretty strict rules about that. So, any pilot or any employee that's all of a sudden decided that 'I'm really religious'. . .you're putting your job on the line. You better be very careful about that."

This statement seems to show hostility to employees who might want to seek a religious accommodation. Does United have a presumption that someone seeking a religious accommodation to the vaccine mandate should be denied?

*Answer.* We carefully considered all requests for exemptions based on a person's sincerely held religious belief and deny that employees were discouraged from seeking exemptions. As previously noted in our response to question No. 7 above, the majority of religious exemption requests were granted. The quoted statement was addressing the problem of individuals who might try to submit an exemption request for reasons other than a sincerely held belief, which is not appropriate under company policy or applicable law.

*Question 13.* In your testimony, you noted that "we are proud of our actions and transparency on diversity, equity, and inclusion." Does your DEI policy cover religious beliefs?

*Answer.* Yes, our DEI policies include religion and religious beliefs.

*Question 14.* I've heard from former United Airlines employees that the process for filing for a religious exemption at your company requires individuals to submit a third-party letter from a pastor, clergy member, or other religious leader that "vouches" for the employee's sincerely held religious beliefs. In 29 CFR 1605.1, the Federal Equal Employment Opportunity Commission (EEOC's) regulations note that "The fact that no religious group espouses such beliefs or the fact that the religious group to which the individual professes to belong may not accept such belief will not determine whether the belief is a religious belief of the employee or prospective employee." How does your "third-party letter requirement" comply with current Federal EEOC regulations?

*Answer.* Our policy and the review and approval process for exemption requests was in full compliance with Title VII and EEOC regulations. In addition, please refer to the vaccine policy answer to question No. 7 above.

*Question 15.* During the hearing you mentioned that you had a worker shortage, including pilots. You've stated that United Airlines has fired employees who refused to get the COVID-19 vaccine. Aren't you exacerbating your own workforce shortage?

*Answer.* We experienced a small number of terminations of employees who refused to comply with the policy or obtain an exemption, but the numbers were so small and decentralized that they didn't impact our operation.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARSHA BLACKBURN TO  
SCOTT KIRBY

*Question 1.* Please indicate how many employees United had on the following dates:

a. March 27, 2020

*Answer.* 89,432

b. August 27, 2021

*Answer.* 78,820

c. December 15, 2021

*Answer.* 78,852

*Question 2.* How many employees applied for a religious accommodation from United's COVID-19 vaccine?

*Answer.* In accordance with Federal law, our policy provides for religious and medical accommodations. United welcomed and carefully considered on a case by case basis all applications. Indeed, we went beyond the minimum legal requirements and accepted requests based on any valid medical ground (not just disability) and/or any sincerely held belief. That is reflected in the fact that we granted the

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<sup>1</sup><https://www.youtube.com/watch?v=OU95QYSEOXQ>

majority of religious accommodation requests and medical accommodation requests. Employees seeking an accommodation under United's policy were required to submit their requests through Help Hub, a web-based portal maintained by United. Based on the information submitted, follow-up requests for information were issued, clarification questions were asked, or third-party attestations were requested.

*Question 3.* How many of these applications for religious were granted?

Answer. Over 2000 requests for religious and medical accommodations were granted. Please also refer to the vaccine policy answer to question No. 2 above.

*Question 4.* During our hearing, Mr. Kirby indicated that United granted most of the requests for a religious accommodation. Prior to processing the accommodation request, were United's employees informed that this accommodation would be in the form of unpaid leave? Please provide the committee a sample of this notification.

Answer. As described earlier, employees approved for an accommodation under our policy were provided various types of accommodations. For example, non-customer facing employees such as ramp service employees and mechanics have remained working in their regular positions, subject to masking and testing requirements. Information regarding temporary unpaid leaves of absence as an accommodation was communicated to employees the second week of September 2021, before the accommodation application process for employees closed.

Furthermore, United's vaccine policy is in full compliance with all applicable laws, including Title VII. The policy was implemented in response to the grave risks posed by COVID-19. The data available at that time showed that unvaccinated individuals were about 50 times more likely to be hospitalized for COVID-19 than a vaccinated person, and nearly 300 times more likely to die. Before we implemented the policy, more than one United employee per week, on average, was dying of COVID-19. Since our vaccine policy went into effect, the hospitalization rate among our employees has been 100 times lower than the general population. Based on United's prior experience and the nationwide data related to COVID fatalities among the unvaccinated, that means there are approximately 8–10 United employees who are alive today because of our vaccine requirement.

In accordance with Federal law, our policy provides for religious and medical accommodations. United welcomed and carefully considered on a case by case basis all applications. Indeed, we went beyond the minimum legal requirements and accepted requests based on any valid medical ground (not just disability) and/or any sincerely held belief. That is reflected in the fact that we granted the majority of religious accommodation requests and medical accommodation requests. Employees seeking an accommodation under United's policy were required to submit their requests through Help Hub, a web-based portal maintained by United. Based on the information submitted, follow-up requests for information were issued, clarification questions were asked, or third-party attestations were requested.

At present, none of our accommodated employees are required to remain on unpaid leave; they all have other alternatives. Our "non-customer facing" employees—including ramp service employees, mechanics, and other "below the wing" personnel—remain at work in their regular positions, subject to masking and testing requirements. Others, including customer service representatives, were transitioned to temporary assignments that do not require direct interaction with customers. Similar measures were not possible for flight crew—pilots and flight attendants—due to their unique working conditions as well as constraints imposed by union contracts and Federal regulations. As a result, they were placed on temporary unpaid leave, but they all have preferential consideration to available non-customer facing jobs at United. Because there are many open positions, there is abundant opportunity for accommodated employees on leave to apply for these roles and earn a paycheck.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TED CRUZ TO  
SCOTT KIRBY

*Question 1.* Mr. Kirby, during the hearing, we discussed United's COVID-19 vaccine mandate. Specifically, we discussed the impact the mandate is having on a number of United employees. I would like to get more information from you on that as well as some of the specifics of exactly when things occurred. On August 6, 2021 United announced it would require all employees to be fully vaccinated by October 25, but then pushed that deadline up to September 27 after the FDA fully approved the Pfizer-BioNTech COVID vaccine.

Did United publish the process for requesting a religious or medical exemption at the same time it announced the vaccine mandate on August 6? If not, when did United publish the procedures for applying for a religious or medical exemption?

Answer. United's vaccine policy is in full compliance with all applicable laws, including Title VII. The policy was implemented in response to the grave risks posed by COVID-19. The data available at that time showed that unvaccinated individuals were about 50 times more likely to be hospitalized for COVID-19 than a vaccinated person, and nearly 300 times more likely to die. Before we implemented the policy, more than one United employee per week, on average, was dying of COVID-19. Since our vaccine policy went into effect, the hospitalization rate among our employees has been 100 times lower than the general population. Based on United's prior experience and the nationwide data related to COVID fatalities among the unvaccinated, that means there are approximately 8–10 United employees who are alive today because of our vaccine requirement.

In accordance with Federal law, our policy provides for religious and medical accommodations. United welcomed and carefully considered on a case by case basis all applications. Indeed, we went beyond the minimum legal requirements and accepted requests based on any valid medical ground (not just disability) and/or any sincerely held belief. That is reflected in the fact that we granted the majority of religious accommodation requests and medical accommodation requests. Employees seeking an accommodation under United's policy were required to submit their requests through Help Hub, a web-based portal maintained by United. Based on the information submitted, follow-up requests for information were issued, clarification questions were asked, or third-party attestations were requested.

At present, none of our accommodated employees are required to remain on unpaid leave; they all have other alternatives. Our "non-customer facing" employees—including ramp service employees, mechanics, and other "below the wing" personnel—remain at work in their regular positions, subject to masking and testing requirements. Others, including customer service representatives, were transitioned to temporary assignments that do not require direct interaction with customers. Similar measures were not possible for flight crew—pilots and flight attendants—due to their unique working conditions as well as constraints imposed by union contracts and Federal regulations. As a result, they were placed on temporary unpaid leave, but they all have preferential consideration to available non-customer facing jobs at United. Because there are many open positions, there is abundant opportunity for accommodated employees on leave to apply for these roles and earn a paycheck.

*Question 2.* My understanding is that the process to request a religious accommodation initially required a third-party verification, to be submitted via a portal called Help Hub or some similar process, which was a form of attestation by someone who would vouch for the person's religious beliefs. Is this correct? If not, why not?

Answer. Please refer to the vaccine policy answer to question No. 1 above.

*Question 3.* Further, I understand that this third-party verification or attestation requirement evolved over time. Initially a letter from a pastor or other spiritual leader was required, then at some point a letter from a third party was acceptable regardless of whether the individual was a member of the clergy, and then at some point United discontinued this third-party attestation feature altogether. Is this understanding correct?

If so, please provide the date ranges which correspond to each iteration of the attestation requirement and, for each time the requirement changed, the reasoning for making that change. Please also explain how employees seeking a religious exemption were notified of the change each time. If specific correspondence exists that went out to employees, please provide an example of that.

If not, please specify what is incorrect and provide an accurate timeline of how the process evolved, including any third-party verification or attestation requirements which were a part of that.

Answer. Please refer to the vaccine policy answer to question No. 1 above.

*Question 4.* During each of these date ranges, how many requests were granted, and how many were denied?

Answer. Over 2000 requests for accommodations were granted. Please refer to the vaccine policy answer to question No. 1 above for additional details.

*Question 5.* As part of this process, were United employees also asked questions regarding their religious beliefs and how those beliefs pertained to receiving certain types of medical treatments such as certain vaccines and medications? If so, please provide the exact questions asked to employees seeking religious exemptions and how their responses to the questions were used.

Answer. Please refer to the vaccine policy answer to question No. 1 above.

*Question 6.* What other measures did United take at any point in the religious accommodation process to probe the sincerity and specific beliefs of employees, and for what date range did United use each of these measures?

Answer. As described earlier, depending on the original submission in support of an accommodation request, follow-up and clarification questions were asked. Please refer to the vaccine policy answer to question No. 1 above for additional details.

*Question 7.* Does United regularly probe the sincerity of the beliefs of its employees in other matters? For example, does a Jewish employee need to provide a verification from their rabbi in order to avoid being scheduled to work on the Sabbath? Or does a Muslim employee need to provide verification from their imam in order to avoid being scheduled to work during Ramadan? If so, please specify exactly how United measures the sincerity of an employee's religious beliefs.

Answer. In responding to requests for accommodations under Title VII or the ADA, United complies with all applicable laws and regulations. Follow-up requests for information to support accommodation requests are also in full compliance with applicable laws and regulations.

1. Is it your understanding that requiring third-party attestation and probing the sincerity and specific attributes of your employees' religious beliefs are permitted under Title VII of the Civil Rights Act?

Answer. United's vaccine policy is in full compliance with all applicable laws, including Title VII. Furthermore, the review and approval process for accommodation requests under this policy is in full compliance with all applicable laws, including Title VII.

2. Are you aware of EEOC guidance or other authorities stating that such efforts are inconsistent with Title VII?

Answer. United's policy is in compliance with EEOC guidance.

3. On what date was the decision made to offer indefinite unpaid leave as the only religious accommodation? Who made that decision? How was that decision arrived at?

Answer. At present, none of our accommodated employees are required to remain on unpaid leave; they all have other alternatives. Our "non-customer facing" employees—including ramp service employees, mechanics, and other "below the wing" personnel—remain at work in their regular positions, subject to masking and testing requirements. Others, including customer service representatives, were transitioned to temporary assignments that do not require direct interaction with customers. Similar measures were not possible for flight crew—pilots and flight attendants—due to their unique working conditions as well as constraints imposed by union contracts and Federal regulations. As a result, they were placed on temporary unpaid leave, but they all have preferential consideration to available non-customer facing jobs at United. Because there are many open positions, there is abundant opportunity for accommodated employees on leave to apply for these roles and earn a paycheck.

4. When employees were told to apply for a religious accommodation by a certain date, were they told prior to applying that the only accommodation that would be offered to them was unpaid leave? If not, why not?

Answer. Temporary unpaid leave is not the only accommodation option that was made available to employees who were approved for accommodations under United's policy.

5. My understanding is that there was a deadline to request a religious accommodation, and that for at least some employees, requests made after that point were denied as untimely. Is that correct? If so, how many such requests were denied?

Answer. United's accommodation procedures included a reasonable deadline for submission of requests, which was fully compliant with Federal law. Furthermore, we granted the majority of religious accommodation requests and medical accommodation requests.

*Question 8.* Mr. Kirby, as you know United made the decision to place a significant number of employees with approved exemptions on unpaid leave. You testified that "... we've got about 2,000 employees that have either medical or religious exemption the majority of those are working in positions ... where they're outside and don't work with other customers and we're letting people do that." I just want to dig into this a little deeper.

For the questions 9 through 22, as well as question 26, in addition to providing a topline answer please also provide a detailed breakdown of all job functions represented in the group (that is how many pilots, flight attendants, gate agents, mechanics, etc.) as well as where the employees are based geographically. For example,

the answer to the question of “how many United employees applied for a religious or medical exemption” should be broken out as follows:

*The topline of: In total **XXXX** employees applied for a religious or medical exemption, specifically **XXXX** applied for a religious exemption and **XXXX** for a medical exemption.*

*Then the job function breakdown of: Of the **XXXX** employees who applied for a religious exemption, **XXX** were pilots, **XXX** were flight attendants, **XXX** were gate agents, etc. Of the **XXXX** employees who applied for a medical exemption, **XXX** were pilots, **XXX** were flight attendants, **XXX** were gate agents, etc.*

*Then finally a geographic breakdown of each job function for each category of exemption applied for: For the pilots who applied for a religious exemption, **XX** were based at IAD, **XX** were based at IAH, etc. For the pilots who applied for a medical exemption, **XX** were based at IAD, **XX** were based at IAH, etc. For the flight attendants who applied for a religious exemption, **XX** were based at IAD, **XX** were based at IAH, etc. For the flight attendants who applied for a medical exemption, **XX** were based at IAD, **XX** were based at IAH, etc.*

No answer needed.

**Question 9.** How many United employees applied for a religious or medical exemption? Please break this answer down as specified in the instructions.

Answer. Please refer to the vaccine policy answer to question No. 1 above.

**Question 10.** Did any United employees request both a medical and religious exemption? If so, how many were granted and how many were denied? Please break this answer down as specified in the instructions.

Answer. Some employees requested both religious and medical accommodations under the policy. Please refer to the vaccine policy answer to question No. 1 above.

**Question 11.** How many religious and medical exemptions were granted?

Answer. Over 2,000 religious and medical accommodations were approved. Please also refer to the vaccine policy answer to question No. 1 above.

**Question 12.** How many United employees to date have been fired for not complying with United's vaccine mandate?

Answer. There are approximately 190 employees who did not comply with the policy and did not seek or were not approved for an exemption and accordingly have been separated from the company.

**Question 13.** For the employees that have been fired for non-compliance, how much Payroll Support Program (PSP) money do they represent? That is to say, what is the exact dollar amount of PSP funding United received to preserve these jobs before firing these employees for non-compliance?

Answer. The grant portion of the PSP funds (which excludes the PSP funds that are to be repaid) covered 60 percent of the eligible pay and benefits through September 30, 2021.

**Question 14.** Do these employees qualify for unemployment benefits? If this answer varies by location of the employees, please provide a specific breakdown of which employees qualify for unemployment benefits and where.

Answer. United policy does not govern eligibility for state unemployment benefits.

**Question 15.** What benefits, if any, do these employees retain? Do they retain their health insurance, for example, as they would if they had retired? Please provide a specific breakdown, by job function, of all benefits lost and retained.

Answer. The benefits available to employees on a leave is dependent on the type of leave being taken and the terms of the applicable collective bargaining agreement governing the employee.

**Question 16.** Is there any impact to the retirement planning, such as a reduction or elimination a pension plan, for employees fired for non-compliance with the vaccine mandate? Please provide a specific breakdown, by job function, of all such impacts.

Answer. The benefits available to employees on a leave is dependent on the type of leave being taken and the terms of the applicable collective bargaining agreement governing the employee.

1. How many United employees with a religious or medical exemption were moved into a non-customer facing role and are currently actively working in that role? Please also specify what their job function was before receiving the exemption, what their job function is now, and provide a complete list of which roles United considers customer-facing and which it considers non-customer facing.



2. How many United employees with a religious or medical exemption are currently on unpaid leave?

Answer. There are approximately 1,080 employees who are currently on a temporary unpaid leave of absence.

*Question 17.* For the employees with a religious or medical exemption currently on unpaid leave, how much PSP money do they represent? That is to say, what is the exact dollar amount of PSP funding United received to preserve these jobs before placing these employees on unpaid leave?

Answer. The grant portion of the PSP funds (which excludes the PSP funds that are to be repaid) covered 60 percent of the eligible pay and benefits through September 30, 2021.

*Question 18.* While on unpaid leave, do these employees qualify for unemployment benefits? If this answer varies by location of the employees, please provide a specific breakdown of which employees qualify for unemployment benefits and where.

Answer. United policy does not govern eligibility for state unemployment benefits.

*Question 19.* Would an employee currently on unpaid leave, say a pilot for example, be able to earn income working for a different passenger or cargo air carrier while on unpaid leave? If not, why not? Please provide a breakdown, by job function, of any contractual limitations on a United employee's ability to earn income performing their same job function at a different passenger or cargo air carrier.

Answer. Employees may apply for positions with other passenger airlines or cargo air carriers subject to compliance with any applicable United policies that govern outside employment.

United has recently granted a number of such requests from employees on temporary unpaid leave.

*Question 20.* What benefits, if any, do these employees retain? Do they retain their health insurance, for example, while on unpaid leave? Please provide a specific breakdown, by job function, of all benefits lost and retained while on unpaid leave.

Answer. The benefits available to employees on a leave is dependent on the type of leave being taken and the terms of the applicable collective bargaining agreement governing the employee.

*Question 21.* Is there any impact to the retirement planning, such as a reduction or elimination a pension plan, for employees put on unpaid leave? Are these employees able to access their retirement accounts, for example, while on unpaid leave? Please provide a specific breakdown, by job function, of all such impacts to retirement planning.

Answer. The benefits available to employees on a leave is dependent on the type of leave being taken and the terms of the applicable collective bargaining agreement governing the employee. Yes, employees on temporary leave of absence may be eligible for multiple different types of early withdrawal options from their United 401k plan.

*Question 22.* For those employees with a religious or medical exemption on unpaid leave, what is the average length of time, by job function, they have been on unpaid leave?

Answer. Please refer to the vaccine policy answer to question No. 1 above.

*Question 23.* Do you think it is fair that you are not offering an accommodation that allowing your employees to continue making an income to support themselves and their families?

Answer. At present, none of our accommodated employees are required to remain on unpaid leave; they all have other alternatives. Our "non-customer facing" employees—including ramp service employees, mechanics, and other "below the wing" personnel—remain at work in their regular positions, subject to masking and testing requirements. Others, including customer service representatives, were transitioned to temporary assignments that do not require direct interaction with customers. Similar measures were not possible for flight crew—pilots and flight attendants—due to their unique working conditions as well as constraints imposed by union contracts and Federal regulations. As a result, they were placed on temporary unpaid leave, but they all have preferential consideration to available non-customer facing jobs at United. Because there are many open positions, there is abundant opportunity for accommodated employees on leave to apply for these roles and earn a paycheck.

*Question 24.* In practical terms of supporting a family and maintaining a household—both economically and otherwise—how is your religious accommodation of unpaid leave any different from termination from employment at United Airlines?

Answer. At present, none of our accommodated employees are required to remain on unpaid leave; they all have other alternatives. Our "non-customer facing" em-

ployees—including ramp service employees, mechanics, and other “below the wing” personnel—remain at work in their regular positions, subject to masking and testing requirements. Others, including customer service representatives, were transitioned to temporary assignments that do not require direct interaction with customers. Similar measures were not possible for flight crew—pilots and flight attendants—due to their unique working conditions as well as constraints imposed by union contracts and Federal regulations. As a result, they were placed on temporary unpaid leave, but they all have preferential consideration to available non-customer facing jobs at United. Because there are many open positions, there is abundant opportunity for accommodated employees on leave to apply for these roles and earn a paycheck.

In addition, employees on temporary unpaid leave continue to accrue seniority and retain rights to return to work as defined by applicable collective bargaining agreements, which is not true of employees who are terminated.

**Question 25.** United Airlines cancelled flights on Christmas Eve, Christmas, New Year’s Eve, and New Year’s Day, at least in part due to staff shortages. How many flights did United cancel for the period December 20, 2021 through January 4, 2022? Please break this down by day and airport as well.

- What was the loss of revenue from those cancellations?

Answer.

United Airlines Total Cancellations (Mainline only)																								
December 2021													January 2022				Total							
20	21	22	23	24	25	26	27	28	29	30	31		1	2	3	4								
17	18	12	58	193	243	121	103	133	184	212	216		178	123	144	80								2,035

Approximately 8 percent of tickets originally booked on cancelled flights (including those operated by our partners doing business as United Express) have been refunded. In addition, we were able to re-accommodate 77 percent of passengers, with the balance of tickets not yet rebooked or exchanged.

**Question 26.** For each day for the period from December 20, 2021 through January 4, 2022, how many employees was United short from necessary staffing levels? Please break this down by job function and geographic location.

Answer. Toward the end of December, we started experiencing a high volume of COVID-related sick calls from our flight crew members. To mitigate this, we are taking a multiprong approach by adjusting our schedule up to 7 days in advance, allowing us to re-accommodate passengers with ample notice, reducing scheduled operations further out and offering economic incentives for non-affected crew members to pick up uncovered lines of flying.

**Question 27.** It has been suggested that the number of pilots and flight attendants that United grounded for not taking the vaccine would have supplied the capacity to avoid, or at least significantly reduce, the number of flights United cancelled from December 20, 2021 through January 4, 2022. Per your answer to question #16, how many flights could the United employees currently on unpaid leave have collectively covered on the dates in question assuming they were all available to work during that period?

Answer. Our crew reserves for December were in line, if not better than what we had during the same period in 2019. In that sense, we believe that the gross of the cancellations we experienced towards the end of December due to COVID infections would not have been materially reduced if pilots and flight attendants who are not vaccinated had been available to fly.

**Question 28.** Was there any discussion about bringing the United employees with a religious or medical exemption who are currently on unpaid leave back to work to address the staffing shortages? If not, why not?

Answer. Please refer to the answer above.

**Question 29.** Breitbart News recently published an article that alleged United was using London-based flight crews, who are not mandated to be fully vaccinated, in December of 2021 and January of 2022. Exactly how frequently does United use foreign-based flight crews in domestic operations? Please provide a breakdown of the domestic use of all foreign-based flight crews by United in December of 2021 and January of 2022 including the specific routes flown, where the foreign-based flight crew is based, and whether, under the laws of that nation, the flight crew is subject to United’s vaccine mandate and if not, what the vaccination status is of those flight crews.

Answer. The information in the article was false. United's London-based flight attendants were not and have not been used to augment staffing on our domestic schedules.

*Question 30.* What is the process by which pilots from other airlines are able to ride in cockpit jumpseats on United flights, and does United check the vaccination status of these pilots before allowing them to ride in the cockpit jumpseat? Please be specific as to which pilots from which airlines may ride in cockpit jumpseats on United flights, and what the procedures are for a pilot to do that.

Answer. United has reciprocal agreements with other airlines for flight deck Jumpseat for pilots. A requesting pilot's identity and eligibility is confirmed before Jumpseat Authorization is issued at the departure gate. If a cabin seat is available, the requesting pilot will receive a seat assignment and board the airplane without the need to occupy the flight deck Jumpseat.

The Captain of the flight verifies the requesting pilot's credentials and has the discretion to grant or deny access to the flight deck Jumpseat with consideration to safety, security, and operational concerns.

*Question 31.* For unvaccinated non-customer facing United employees, does United require they use an N95 mask or respirator? If so, what are the OSHA safety guidelines that outline the use of such equipment?

Answer. Currently, accommodated non-customer facing employees in the operations are required to wear a KN95 mask. N95 respirators can be worn on a voluntary basis, but it is not required.

*Question 32.* Have these United employees been properly trained and fitted for this equipment? If so, what is that training exactly?

Answer. KN95 masks are not considered respirators and are not subject to OSHA respirator training requirements.

*Question 33.* What specific policies does United have in place for these employees regarding disposal of masks and respirators, breaks off from having to wear the equipment, etc.?

Answer. KN95 masks are single use masks, and can be discarded after use, soiled or wet. KN95 masks are not required when actively eating/drinking. During prolonged meal and drinking periods, masks must be worn between bites and sips. Masks are not required in a closed room occupied by a single person, and while communicating with person who is deaf or hard of hearing, and when the ability to see the mouth is essential for communication.

*Question 34.* Mr. Kirby, you have repeatedly said United's vaccine mandate is about "safety," including when you were testifying recently. In this context, what precisely does that mean to you?

- Has that changed over time? If so, how?

Answer. At United, we don't compromise on safety and the vaccine policy has always been about saving lives. Getting the vaccine is the best thing our employees can do to protect themselves and others from hospitalization or death.

*Question 35.* What is the end goal of United's COVID-19 vaccine mandate? Would it be fair to characterize the end goal as developing, in all United employees, immunity to COVID-19?

Answer. The end goal of our vaccine policy is to save lives and we know it is doing just that. Since our vaccine policy went into effect, the hospitalization rate among our employees has been 100 times lower than the general population. Based on United's prior experience and the nationwide data related to COVID fatalities among the unvaccinated, that means there are approximately 8-10 United employees who are alive today because of our vaccine requirement. Prior to our vaccine policy, tragically, more than one United employee on average per week was dying from COVID.

*Question 36.* For the purposes of complying with United's vaccine mandate, is natural immunity, that is immunity gained from being infected with and subsequently recovering from COVID-19, accepted? If not, why not? Please be specific, and provide the full scientific rationale including any supporting medical or scientific literature.

Answer. At the time it was implemented, the policy allowed, on a case by case basis, for certain employees who had contracted COVID-19 to delay vaccination. The policy does not otherwise provide for exemptions based on natural immunity. Following CDC guidance, we believe vaccination is the best form of protection against COVID-19. A study by the Centers for Disease Control and Prevention found unvaccinated people who have had COVID-19 are more than twice as likely to be reinfected with the virus compared with people who were fully vaccinated after contracting the virus.

*Question 37.* With the growing rate of breakthrough infections among the vaccinated, how exactly is it safer to require a vaccine than to require testing among both vaccinated employees and unvaccinated employees?

Answer. United made the decision to require COVID-19 vaccines because those who are vaccinated have a significantly reduced risk of contracting a serious case of COVID that requires hospitalization or leads to death. While testing is certainly a tool to support a strategy aimed at reducing the spread of COVID-19, it is not a replacement for vaccination. Testing only provides a snapshot in time of a person's COVID-19 status but does not provide the vaccine's reduction in risk of death or severe disease.

*Question 38.* Would you acknowledge that as vaccine effectiveness percentages drop over time, and drop with regards to new variants like Omicron, that a general program of regular testing would be more effective statistically at detecting COVID infections, and thus preventing the spread of the disease?

Answer. Being vaccinated against COVID-19 reduces the risk of developing serious illness or dying should a breakthrough case occur. While testing is an available tool to detect some cases, Omicron is spreading at such a rapid rate that testing alone will not stop the spread of the disease in the workplace.

*Question 39.* Again, you have said this mandate is all about safety, and that things are most safe when everyone is vaccinated. Does United plan to require proof of vaccination for travelers? If so, when? If not, why not, and how do you justify requiring all United employees to be vaccinated but not requiring any of the travelers?

Answer. United believes it is a government responsibility to determine eligibility requirements for traveling public. For example, the Federal government has now instituted a vaccine requirement for all international flights to the U.S., with limited exceptions, and we are in compliance with that. Our focus with our vaccine policy was to ensure the safety of our employees and our workplace.

*Question 40.* Are there any other vaccines that United requires all employees to have as a condition of employment? If so, what vaccines and what has the religious and medical exemption process been for those? Please note that this is not intended to include vaccinations required by other nations to which United flies, such as yellow fever or polio vaccination requirements around the world, but rather solely to include those vaccines which United, on its own, requires employees to have as a condition of employment.

Answer. Please refer to the vaccine policy answer to question No. 1 above.

*Question 41.* Under Part 5 of Title 14 of the Code of Federal Regulations (14 CFR), part 121 air carriers, which includes United, are required to develop and implement a Safety Management System (SMS). Per the FAA's Advisory Circular 120-92B—Safety Management Systems for Aviation Service Providers—a quality SMS, as part of its foundation, should have “policies and processes that foster open reporting while, at the same time, stressing the need for continuous diligence and professionalism. The organization should encourage disclosure of error without fear of reprisal, yet it should also demand accountability on the part of employees and management alike.” Aside from the hardships placed on the employees fired over non-compliance with the vaccine mandate or those placed on employees with exemptions on unpaid leave, I have to wonder what kind of impact this mandate might be having on the safety culture at United.

Has United done any research or assessment as to whether its vaccine mandate has impacted safety? This would include things like whether employees have a greater fear of reprisal for raising an issue or whether they feel less confident self-reporting something.

Answer. United used its Safety Management System to assess the decision to implement a vaccine policy and did not find any negative impacts to the safety of the airline or United's safety culture. United continues to review voluntary safety reports for trends related to the vaccine policy and has not seen any data to indicate safety concerns.

*Question 42.* Since instituting the vaccine mandate, have the rates of safety incidents changed at all? If so, how? Have there been any changes to observed safety incident? For example, has there been an increase of pilots making an unplanned deviation from the speed or altitude filed in their flight plan?

Answer. No, we have not seen an increase in safety incidents since the vaccine requirement went into effect.

*Question 43.* United Airlines recently announced the cancelled service out of 11 cities across the United States, including ending service to Easterwood Field Airport

(CLL), in College Station, Texas, and Killeen-Fort Hood Regional Airport (GRK), in Killeen, Texas.

Killeen and College Station play a vital role in support of national defense and national security. Killeen is home to Fort Hood, the Army's premier installation to train and deploy heavy forces. College Station is home to Texas A&M University, the Nation's largest Senior Military College, which continually commissions more officers into the United States Armed Forces each year than any other college outside of the Federal service academies.

For both College Station and Killeen, what specific analysis did United undertake or use to justify ending service on January 3, 2022? Please provide supporting documentation, including future projections for enplanements, load factors, fuel costs, labor shortages, etc.

Answer. United constantly evaluates the placement of aircraft across its route network to ensure proper alignment with consumer demand and market conditions. We constantly evaluate consumer demand and market conditions to provide our customers comprehensive global connectivity to places across small, mid-size, and large communities. United achieves this using seven strategically-placed U.S. hubs, including our substantial operating base at Houston George Bush Intercontinental Airport (IAH).

The natural mobility of our assets and vast geographical scope of operations allows us to respond to changing consumer behaviors and air travel demand by re-deploying aircraft to where there is most demand. Unfortunately, demand for United services at both College Station and Killeen have underperformed peer routes for some time. Specifically, the 2016–2019 occupancy of available seat miles, commonly referred to as load factor, was 60 percent and 66 percent for CLL and GRK, respectively. Load factor of other routes flown by similar regional aircraft was 82 percent during the same time. This underperformance at CLL and GRK has persisted throughout 2021 leading to the recent decision to end operations. Further exacerbating the situation has been significant industry capacity growth at nearby large city airports in Austin, Dallas, and Houston. For example, Austin-Bergstrom International Airport (AUS) is approximately an 80-mile drive from Killeen. Per current published schedules, departing seats from Austin are scheduled to increase from 663,000 in July 2016 to 1.3 million by July 2022, nearly doubling in size. This considerable increase has almost certainly attracted scores of customers from Killeen's passenger catchment area to use Austin instead of Killeen-Fort Hood Regional Airport. Material growth at Dallas and Houston presents a similar challenge at CLL. In addition, individual markets that are not sustainable for the long-term are even more difficult to sustain in light of the pilot shortage within the regional airline space.

Aviation stakeholders such as airport authorities can access demand and load factor performance from U.S. Department of Transportation (DOT) reports including the "Airline Origin and Destination Survey" (DB1B) and "Air Carrier Traffic and Capacity Data by Non-Stop Segment and On-Flight Market" (T-100). Additionally, published schedules at nearby airports are available via sources such as OAG. While United seeks collaboration with its airport stakeholders, we also encourage them to proactively evaluate their performance versus other U.S. destinations utilizing these public data resources.

We never want to end service in any of the communities we serve. Unfortunately, when market factors necessitate, we need to end service to ensure alignment with customer demand. United's Network Planning team and CLL leadership are in discussions regarding possible alternative options to serve CLL.

*Question 44.* What conversations, if any, did United have with the Department of Transportation about ending service to College Station and Killeen prior to March 1, 2022, the end of the "Minimum Air Services Guarantees" requirements in Public Law 116–260? Please provide copies of any correspondence related to this matter.

Answer. Throughout the pandemic, United complied with its minimum service obligations that stemmed from the CARES Act and its corresponding DOT Orders. In the CARES Act, Congress delegated its implementation of the minimum service obligations to DOT. With the Department's oversight and approval, United maintained service to more than 200 domestic airports beginning on April 7, 2020 and spanning throughout the first 18 months of the pandemic. The vast majority of this service could not have been maintained by United if it had not been for the financial assistance it received through the CARES Act. On September 30, 2021, the Department chose to no longer extend the minimum service obligations for all carriers. As a result, United has adhered to all conditions and requirements relating to the minimum service obligations in the CARES Act and imposed by the Department.

3. What conversations, if any, did United have with local officials in College Station or Killeen regarding any underperformance issues prior to deciding to end service to these airports?

4. Did United ever alert College Station or Killeen that it was possible these cities might lose air service in the future if enplanements or load factors did not improve? If so, when and what was the outcome of those discussions?

5. Did United have any conversations with the Department of Defense (DOD) regarding the decision to end service to Killeen and consequently Fort Hood? If so, to what extent did United and DOD discuss the impact ending service might have on movement of members of the armed forces and their families to and from Fort Hood?

6. Did United discuss, either internally or with key stakeholders including DOD, or otherwise consider the impact ending service to Killeen, and consequently Fort Hood, would have on military readiness and consequently national security? If so, please provide those communications. Additionally, please provide any analysis done weighing national security implications, such as the ability to move service members to and from Fort Hood, against the “long-term sustainability” of this route for United.

Answer. Please refer to the answer to question No. 43 above.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO  
JOHN LAUGHTER

*Payroll Support Program Impact.* Congress created the Payroll Support Program to protect the airline industry’s workforce, support the continuity of safe and essential travel, and ensure the industry’s ability to remain viable to meet future consumer travel demand. The Department of the Treasury disbursed a total of \$54 billion to passenger airlines, across three rounds of PSP, to provide critical relief during the pandemic.

We know that PSP made a difference in December 2020, when Congress extended the program, because airline recipients had to recall thousands of employees who were furloughed after September 30, 2020, when the first round of PSP ended.

According to the Bureau of Transportation Statistics (BTS), between October 2020 and February 2021, major airlines hired or brought back 28,179 workers. These workers came back just in time for the air travel rebound, which took off in March 2021. As of September 2021, airlines were approximately 8.8 percent below their pre-pandemic employment levels according to BTS data. I am interested in learning from your airline on how the Payroll Support Program impacted your workforce and operations. Mr. Laughter, Delta received \$11.9 billion in PSP funds.

*Question 1.* If not for PSP funding, what do you think the status of your workforce would look like today? Would your airline have been able to survive the pandemic, absent PSP funding?

Answer. We are extremely grateful to the U.S. taxpayers and Congress for the support you have provided to our employees. It has made a tremendous difference and enabled Delta to preserve thousands of jobs. As you mention in your question, Delta received \$11.95 billion in aggregate PSP funds. These funds were used for wages, salaries, and benefits of eligible employees. While Delta cannot say for certain what our workforce would look like without PSP support, we can state that we would not be as ready to accommodate the return of air travel demand. This point is particularly poignant as the Omicron variant of COVID-19 continues to impact workforces across the globe.

Without PSP funds, our airline almost certainly would not look like the Delta we have today.

*Question 2.* Since receiving PSP funding, do you believe your airline is in a good position to meet current consumer travel demand?

Answer. Yes, Delta is in a good position to meet current consumer travel demand. Recent flight disruptions that impacted the airline industry in late December 2021 and early January 2022 were largely due to adverse weather conditions and staffing absences due to the Omicron variant of COVID-19. By many measures, 2021 was Delta’s best performing year, surpassing 2019. As the data provided in Tables 1–3 below demonstrate, in October and November of 2021, Delta flew more flights with fewer delays and fewer cancellations than December 2021 and January 2022.

To address weather issues, Delta has implemented many measures over the past several years to improve service recovery, including advanced notification of bad weather, and weather waivers so customers can change their flights at no cost. Our operations leadership often activates our Peach Corps at hubs during significant dis-

ruptions to provide customers delayed at airports with food, drinks, and assistance with rescheduling. Delta is also unique in the industry as an employer of 25 meteorologists who provide 24-hour monitoring of weather across our operations. This team begins monitoring flights 5 days before departure and produces hourly forecasts 30 hours ahead of any flight.

All airlines have been challenged by the Omicron chapter of the COVID pandemic, and Delta is no exception. Omicron is much more contagious than other versions of the virus, and this is reflected in both the broader number of U.S. COVID cases and in Delta's absenteeism rates over the past month. The U.S. has seen daily cases reported double to nearly 1 million on January 3, 2022. Delta saw its flight attendant and pilot absenteeism rates spike in late December. The flight attendant absenteeism rate early in December was just under 16 percent higher than the same period in

2020; by the end of the month, it had peaked at nearly 77 percent year-over year. The pilot absenteeism rate early in December was comparable to the same period in 2020; by the end of the month, it had peaked at nearly 14 percent year-over year. As cases of the Omicron variant have begun to subside, we believe that we are well staffed to meet demand.

Delta has also continued to hire additional employees to meet increased demand. In 2021, we hired over 8,700 new employees—6,100 Airport Customer Service agents, 625 new pilots, and over 1,000 flight attendants. We continue to bring on new employees as quickly as possible to avoid cancellations.

To improve service to customers, we have implemented several other measures. Delta hired over 1,400 reservation agents last year to address heightened call volumes. We also improved the Fly Delta app and delta.com to make quick flight changes easier without waiting in line at the airport or on the phone. Despite weather challenges, Delta employees continue to provide industry leading performance with minimal cancellations and late arrivals.

*Airline Relationships with Labor.* Congress focused on sustaining the airline workforce and ensuring continuity of operations during a time of intense uncertainty.

From information shared with the Committee, it appears that those airlines and unions that worked together found solutions to COVID-19 challenges, from addressing new health risks in the workplace to ensuring currency and qualification of a highly-skilled workforce.

*Question.* How has your airline collaborated with unions to establish policies to meet workforce needs in response to the COVID-19 pandemic? How did your airline's relationship with relevant labor unions enhance your ability to meet operational needs and the rise in air travel demand?

*Answer.* At the core of Delta's strong, award-winning culture is a continuous focus on putting people first. We listen to our employees through a variety of feedback mechanisms and employee feedback has guided continuous investments in Delta people and how they support our customers.

Maintaining a strong focus on our employees—both through the relationship we have with our pilot union and through the direct relationship with those employee groups that have chosen to remain non-union—is something we prioritize at every level of leadership within Delta.

During the pandemic, we worked with our pilot union to negotiate contractual agreements that outlined work rules, time away, and pay provisions related to the impact of COVID on our people and operation.

We also worked directly with our ground and flight attendant employee involvement groups and Delta Board Council to receive feedback, which guided our decisions regarding paid time off due to COVID, voluntary leaves of absence, personal protective equipment, and the ability to offer convenient testing and vaccines for employees and their family members.

We have been successful because of our people and taking care of them is our number one job. To help facilitate this goal, Delta created the Delta Board Council (DBC) in 1996, and it currently comprises one representative from each of Delta's major employee operating units: Airport Customer Service, Inflight Service, Management and Administrative employees, Reservation Sales, and Technical Operations. The DBC is tasked with holding employee meetings at every level below corporate director to gauge feedback and disseminate information.

Employee Involvement Groups also exist within each of our major operating units and are much larger—from dozens to hundreds of employees per workgroup. They talk with their colleagues regularly and work on team-specific improvements based on employee feedback.

Our strong culture of feedback and continuous improvement was maintained during the pandemic, with employee survey scores remaining above the benchmark for large corporations.

*Contract Workforce Role and Staffing.* At the height of the pandemic, airport and aviation workers stood with airlines and called on the Federal government to make sure our national air travel system remained strong, aviation jobs were protected, and that airlines were ready to meet consumer travel demand.

For decades, airlines have outsourced essential service airport jobs like cabin cleaners, wheelchair attendants, security officers, and baggage handlers to contractors at major airports across the country. Contract workers play a critical role in our aviation system and continue to work hard on the frontlines of the COVID-19 pandemic to keep travelers safe.

*Question.* How will your airline ensure that the contracted workforce, which provides such critical services, is stable, well-trained, and has adequate staffing levels needed to respond to operational challenges?

*Answer.* Our contractors have experienced significant attrition due to macro labor market pressure that has limited their ability to fully staff certain services. Cabin Cleaning, Wheelchair, and Ground Handling have been hit particularly hard. To address the contractor staffing challenges, we have onboarded approximately 1,400 new frontline Delta employees since May 2021 with the specific goal of supplementing business partners across our hubs for these services, particularly with respect to Cabin Cleaning.

*Airline Workforce Recall.* The Committee is aware that, in 2020, airlines took varying approaches to temporarily reduce the number of active employees on their payroll to avoid involuntarily furloughing or laying off employees as they experienced growing pandemic-related financial difficulties. Many airlines offered employee programs to incentivize voluntary separations, including voluntary furloughs, early retirements, and temporary leaves of absences.

Airlines that extended voluntary leave options to their employees reserved the right to recall such employees from leave when necessary. To the Committee's knowledge, most airlines started broad workforce recall efforts in the first quarter of 2021, employing particularly concentrated efforts to bring back employees in January and February 2021. However, recalling employees has not been an easy process as airlines have reported higher workforce shortages and rates of absenteeism in certain workgroups, leaving the airlines more ill-equipped to meet consumer travel demand.

*Question 1.* Has your airline experienced challenges in recalling your workforce? If so, did your airline anticipate such issues in recalling employees from leave before initiating your recall efforts? Please describe the scope of the workforce recall challenges your airline faced in 2021.

*Answer.* Delta has not had problems recalling our because we did not furlough or involuntarily terminate any employees. Nor has Delta had staffing shortages—by which we mean a lack of qualified candidates for open positions. Delta has had plenty of applications for the jobs we have posted. Delta has experienced COVID-19 staffing challenges as the virus has created significant volatility in demand and increased employee absences during the last month of 2021. COVID-19 has made forecasting demand and operational planning difficult at best, with absenteeism exacerbating the situation during December. Overall, we hired over 8,700 new employees in 2021—6,100 Airport Customer Service agents, 625 pilots, and 1,000 flight attendants to respond to the surge in passenger demand.

*Question 2.* Has your airline's workforce fully returned as of January 1, 2022? How did the status of your workforce's recall from voluntary leave programs affect your airline's ability to meet consumer air travel demand in 2021?

*Answer.* As of January 1, 2022, Delta's workforce has fully returned from long-term, nonquarantine, COVID-related leave. Other than the challenges that the Omicron variant presented, Delta was able to meet travel demand.

#### **Airline Operational and Scheduling Data.**

*Question 1.* For the months of October, November, and December 2021, please provide the number of flights your airline operated, the number of flights cancelled, the number of flights delayed more than 15 minutes, the number of flights delayed more than 90 minutes, and the number of flights delayed more than six hours.

*Answer.*



Table #1—System Cancellations &amp; Delays

October–December 2021

System Wide	October	November	December
Flights Cancelled	700	63	3,274
Flights Operated	130,645	127,255	124,308
Flights Scheduled	131,345	127,318	127,582
Delay >= 15 minutes	14,731	12,979	22,078
Delay >= 90 minutes	2,928	2,394	5,209
Delay >= 360 minutes	303	232	568

Table #2—Domestic Cancellations and Delays

October–December 2021

Domestic System	October	November	December
Flights Cancelled	673	56	2,995
Flights Operated	122,380	119,176	115,181
Flights Scheduled	123,053	119,232	118,176
Delay >= 15 minutes	13,624	11,827	20,050
Delay >= 90 minutes	2,742	2,248	4,848
Delay >= 360 minutes	293	220	544

*Question 2.* For the month of January 2022, please provide the number of daily flights your airline operated, the number of flights cancelled, the number of flights delayed more than 15 minutes, the number of flights delayed more than 90 minutes, and the number of flights delayed more than six hours.

Answer.

Table #3—System Cancellations &amp; Delays

January 2022

Date	Flights Cancelled	Flights Operated	Flights Scheduled	delay >= 15 min	delay >= 90 min	delay >= 360 min
1/1/2022	380	2664	3044	686	142	22
1/2/2022	490	3919	4409	1549	327	13
1/3/2022	585	3824	4409	1336	291	20
1/4/2022	218	4124	4342	1075	196	19
1/5/2022	153	3925	4078	1066	215	6
1/6/2022	275	3969	4244	687	159	20
1/7/2022	452	3791	4243	1061	296	21
1/8/2022	70	3359	3429	592	111	15
1/9/2022	67	4109	4176	693	135	5
1/10/2022	32	4379	4411	431	99	7

Table #3—System Cancellations &amp; Delays—Continued

January 2022

Date	Flights Cancelled	Flights Operated	Flights Scheduled	delay >= 15 min	delay >= 90 min	delay >= 360 min
1/11/2022	29	4072	4101	348	67	5
1/12/2022	32	4127	4159	277	61	7
1/13/2022	18	4409	4427	372	73	4
1/14/2022	27	4412	4439	520	104	17
1/15/2022	32	3212	3244	421	67	10
1/16/2022	497	2917	3414	548	114	7
1/17/2022	153	4247	4400	815	177	8

Table #4—Domestic Cancellations &amp; Delays

January 2022

Date	Flights Cancelled	Flights Operated	Flights Scheduled	delay >= 15 min	delay >= 90 min	delay >= 360 min
1/1/2022	360	2350	2710	606	127	21
1/2/2022	484	3572	4056	1441	310	12
1/3/2022	571	3491	4062	1246	283	19
1/4/2022	200	3802	4002	993	182	18
1/5/2022	149	3612	3761	976	204	6
1/6/2022	272	3653	3925	602	145	20
1/7/2022	433	3483	3916	970	270	21
1/8/2022	69	3020	3089	503	95	15
1/9/2022	66	3788	3854	618	129	5
1/10/2022	32	4056	4088	374	91	7
1/11/2022	28	3756	3784	308	63	3
1/12/2022	27	3815	3842	252	57	7
1/13/2022	17	4092	4109	338	69	4
1/14/2022	27	4085	4112	484	103	17
1/15/2022	28	2877	2905	353	58	9
1/16/2022	480	2615	3095	489	105	7
1/17/2022	122	3959	4081	760	169	5

*Question 3.* For the months of October, November, and December 2021, and January 2022, please detail any preemptive schedule changes that your airline made, including cancelling flights or changing the departure time by more than one hour.

*Answer.* Any preemptive schedule changes made within 7 days of a flight are considered cancellations or delayed flights. Therefore, these flights would be included in the data from questions 2 and 3.

**Airline Employment and Absenteeism Levels.**

*Question 1.* For the months of October, November, and December 2021, please provide the number of full-and part-time employees employed by your airline.

Answer. At the end of each month, Delta employed:

Table #4—Domestic Cancellations &amp; Delays

October–December 2021

	October	November	December
Number of Employees	86,312	87,601	88,208

*Question 2.* For the months of October, November, and December 2021, and January 2022, please detail any significant absenteeism problems experienced by your airline.

Answer. For October and November 2021, there were no non-COVID-related significant absentee problems experienced at Delta. Omicron is much more contagious than other versions of the virus, and this is reflected in both the broader number of U.S. COVID cases and in Delta's absenteeism rates over the past month and a half. The U.S. has seen daily cases reported double to nearly 1 million on January 3, 2022. Delta saw its flight attendant and pilot absenteeism rates spike towards the end of December 2021, and this continued into January 2022. The flight attendant absenteeism rate early in December was just under 16 percent higher than the same period in 2020; by the end of the month, it had peaked at nearly 77 percent year-over year. The pilot absenteeism rate early in December was comparable to the same period in 2020; by the end of the month, it had peaked at nearly 14 percent year-over year.

*Voluntary Separation Programs.* The Payroll Support Program prohibited any airlines that received Federal funding from conducting involuntary layoffs or furloughs. Nonetheless, in the wake of plummeting air travel demand in the spring of 2020, many airlines aggressively incentivized *voluntary* separation programs to reduce the cost of maintaining their workforce. These programs generally included voluntary leaves of absences, early retirements, and separation incentives.

Given the reported challenges that many airlines faced as consumer travel demand began to rebound this summer, I am concerned that deep employee cuts left airlines unprepared to capture the returning demand.

As reported to the Securities and Exchange Commission in July 2020, Delta Air Lines reduced its total headcount by over 45,000 workers—approximately 40 percent of its workforce—through the use of a voluntary leave of absence program. Approximately 18,000 Delta employees left the company via early retirement and voluntary separation programs. During the Thanksgiving holiday that year, Delta cancelled hundreds of flights as it struggled with staffing shortages. Delta is not alone. American Airlines and Southwest have also cancelled hundreds of flights due to staffing challenges.

*Question 1.* Did Delta's use of voluntary leave and separation programs contribute to its operational challenges? If so, how?

Answer. No.

*Question 2.* Have all of the employees who elected to take a leave of absence returned back to the airline? If not, why not?

Answer. Yes, all employees who have elected to take a leave of absence due to the COVID-19 pandemic have returned or decided to permanently separate.

*Payroll Support Program Employee Salary and Wage Terms.* Under the CARES Act, passenger air carriers collectively received \$25 billion from the first round of the Payroll Support Program (PSP1). Air carriers could only use PSP funds to continue paying employee wages, salaries, and benefits. To preserve the pay and benefits of airline workers, the Payroll Support Program expressly prohibited airlines from reducing the hourly wages of their employees. Nonetheless, it has been reported that some airlines elected to reduce the number of hours their employees worked rather than their hourly rate of pay. The consequence for the airline employees, however, is the same: less pay.

Delta Air Lines received approximately \$5.59 billion in funding from PSP1, but it has been reported that Delta reduced employee hours and salaries from April to June 2020.<sup>1</sup>

*Question 1.* Did Delta reduce the hours or benefits for any of its employees during the effective period of the Payroll Support Program?

Answer. Delta did not reduce employee benefits. Delta did reduce the hours of many employees by 25 percent, but there were several groups exempted from this reduction based on the needs of the operation, such as our Reservations and Care and Airport Customer Service teams, as well as some maintenance teams. Delta's pilots and flight attendants did not have a reduction in hours. Delta's Officers took a 50 percent pay cut except for the CEO, who announced in March 2020 that he would forgo his salary and did forgo it through December 2020.

*Question 2.* If so, please explain how Delta views these reductions as consistent with the terms and objectives of the Payroll Support Program?

Answer. Delta is in full compliance with the Payroll Support Program. All funds we received were used for wages, salaries, and benefits of eligible employees to protect jobs during the pandemic, in compliance with the terms of the PSP agreements.

*Consumer Refunds.* In 2020, the Department of Transportation ("DOT") received 29,687 refund complaints against U.S. airlines, a 4,634 percent increase over 2019. And while the problem has started to get better, DOT still received 5,129 refund complaints in September 2021, well above the 627 filed against U.S. airlines for all of 2019.

DOT has a rulemaking in the Unified Agenda which says that it is looking at defining what constitutes a "cancellation" and a "significant delay"—the two things that entitle a customer to a refund. Currently, DOT lets airlines make their own determinations as to whether or not a flight is cancelled, and the number of hours that account for a "significant" delay.

*Question 1.* In your view, how many hours does a flight have to be delayed before a passenger is entitled to a refund?

Answer. Delta passengers are entitled to a full refund, regardless of fare class, if there is a flight cancellation, diversion, delay of greater than 120 minutes, or that will cause a passenger to miss connections.

*Question 2.* If the reluctance to issue refunds was just an issue of preserving cash on hand, then why were refund complaints still so high in 2021?

Answer. While we cannot speak for the industry, Delta has provided full refunds for all eligible travelers from the outset of the pandemic. At Delta, we believe that customer loyalty is a key driver of our success. In 2020, we processed more than 6.7 million refunds, totaling over \$3 billion.

We understand that passengers not eligible for a refund need additional flexibility as a result of the unpredictability stemming from the pandemic. Therefore, we went a step further and waived change fees and provided e-credits during 2020 and 2021 for Basic Economy and other nonrefundable tickets. We continually monitor pandemic developments and adjust our policies accordingly. More recently Delta announced that we are redoubling our efforts with another industry-leading eCredit extension through year-end 2023. Effective Jan. 12, all existing eCredit holders will have an additional year of flexibility for rebooking and traveling. Customers will be able to rebook their ticket by December 31, 2023, for travel throughout 2024. Furthermore, all Delta customers with upcoming 2022 travel or who purchase a ticket in 2022 also have the flexibility to rebook their ticket through December 31, 2023, and travel throughout 2024, with no fee for most fare types.

Delta's internal complaint data indicate we have received a higher-than-normal volume of complaints during the 2021 holiday period. We expect many of these complaints are driven by the service disruptions due to weather and impacts of the Omicron variant, but unfortunately, we are still in the process of analyzing them, so we cannot share any detail at this time as each complaint is reviewed by the Department of Transportation (DOT) and airline staff. DOT's final resolution of each complaint is not published for approximately 2 months after any given month in the

<sup>1</sup> According to the *Atlanta Journal-Constitution*, Delta Air Lines reduced the work hours of its ground workers and headquarter employees to "three-or four-day work weeks in April [2020] and cut salaries by 25 percent to trim payroll expenses." See: Kelly Yamanouchi, "More than 21,000 Delta employees volunteer for unpaid leave, other workers' hours reduced," *The Atlanta Journal-Constitution*, March 26, 2020, available at: <https://www.ajc.com/blog/airport/more-than-21000-delta-employees-volunteer-for-unpaid-leave-other-workers-hours-reduced/v3lmxHwpYMZrONSdYvsnxH/> and Kelly Yamanouchi, "Delta to restore employees to full pay, hours," *The Atlanta Journal-Constitution*, December 9, 2020, available at: <https://www.ajc.com/news/business/delta-to-restore-employees-to-full-pay-hours/FE7NT2CB3RBZHLGFMZPFBBRH4/>.

Air Travel Consumer Report (ATCR). We are meeting DOT's guidance of responding to complaints within 60 days—our current average is 27 days.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RICHARD BLUMENTHAL TO  
JOHN LAUGHTER

*Compensation for Consumers.* Since March 2020, flight delays and cancellations have disrupted plans for countless travelers—and the most recent cancellations left people stranded in airports and away from family during the winter holiday season. Senator Markey and I have repeatedly called for full cash refunds for impacted consumers. But U.S. airlines have been slow to provide credits and legally-required refunds and have hidden behind vague ticketing policies. Media reports indicate that airlines are currently holding approximately \$20 billion worth of travel vouchers and unrefunded ticket values.

*Question 1.* What is the total value of unrefunded tickets, unredeemed flight credits, and other similar stored value mechanisms that Delta Air Lines currently owes consumers? Please provide the amount of each value mechanism as well.

Answer. At Delta, we believe that customer loyalty is a key driver of our success. During the pandemic Delta provided full refunds to all customers requesting a refund for an eligible ticket. In 2020, we processed more than 6.7 million refunds, totaling over \$3 billion. For Basic Economy tickets and other non-refundable tickets, we waived change fees and provided e-credits during 2020 and 2021. During 2020 and 2021, passengers accumulated a total of \$6.9 billion in eCredits, with \$2.7 billion outstanding at the end of 2021—this includes credits issued for all reasons, not just those related to the pandemic.

We understand, however, that passengers who have remaining eCredits need additional flexibility as a result of the unpredictability stemming from the pandemic. We continually monitor pandemic developments and adjust our policies accordingly. During 2019, 2020, and 2021 Delta extended the expiration dates of e-credits to address this concern. More recently Delta announced that we are redoubling our efforts with another industry-leading eCredits extension through year-end 2023. Effective Jan. 12, 2022, all existing eCredit holders will have an additional year of flexibility for rebooking and traveling. Customers will be able to rebook their ticket by December 31, 2023, for travel throughout 2024. Furthermore, all Delta customers with upcoming 2022 travel or who purchase a ticket in 2022 also have the flexibility to rebook their ticket through December 31, 2023, and travel throughout 2024, with no fee.

Delta has also modified our broader policies to provide travelers with flexibility through the elimination of change and cancellation fees for all ticket fare classes except for Basic Economy—a change that reverts back to pre-pandemic policies. Customers may need to pay the difference in the cost of the ticket when they rebook for certain tickets. Details of our ticket cancellation and change policies can be found at [this site](#) on Delta.com.

*Question 2.* Does Delta Air Lines gain revenue (such as from interest) from the value of unused travel vouchers that are currently held in company accounts? If so, how much revenue has Delta Air Lines collected from the funds in your accounts that are linked to unused travel vouchers since March 2020?

Answer. Interest on unused travel voucher revenue has some level of impact on revenue; however, the cumulative effect is minimal, so we do not track this information.

*Question 3.* If Delta Air Lines still owes consumers under Question 1, by when will it have completed issuing its refunds? What is the reason for this delay?

Answer. All Delta customers who have requested a refund for an eligible ticket have been issued a refund or their refund is currently being processed by Delta. Delta is currently processing eligible credits and refunds within 7 business days. Tickets paid in cash or by check are refunded in the form of a check to the person named as the passenger on the ticket, typically within 20 days of Delta's initial receipt of the credit/refund request. Eligible tickets paid for by a credit card will be refunded to the original form of payment, typically within 7 business days of Delta's initial receipt of the credit/refund request.

*Question 4.* Delta Air Lines reportedly cancelled more than 450 flights in the last week. How many consumers were impacted by these cancellations?

Answer. Due to weather and the Omicron variant, Delta has had to cancel 4,606 flights between December 15 and January 4. These flight cancellations impacted 368,141 customers. 261,742 of these passengers were rebooked within an average

delay of 12 hours and 49 minutes. As compensation for these delays, Delta provided more than \$8 million in eCredits and 1 billion SkyMiles to impacted passengers.

*Question 5.* Will Delta Air Lines commit to providing full cash refunds to all impacted consumers? If not, explain why not and what compensation you will issue to consumers.

Answer. Delta has and will continue to provide full refunds to passengers who are eligible for refunds upon request. In recognition of pandemic impacts, we also have provided additional flexibility for passengers who decide not to purchase refundable tickets. More recently Delta announced that we are redoubling our efforts with another industry-leading eCredit extension through year-end 2023. Effective Jan. 12, all existing eCredit holders will have an additional year of flexibility for rebooking and traveling. Customers will be able to rebook their ticket by December 31, 2023, for travel throughout 2024. Furthermore, all Delta customers with upcoming 2022 travel or who purchase a ticket in 2022 also have the flexibility to rebook their ticket through December 31, 2023, and travel throughout 2024, with no fee for most tickets.

*Question 6.* What is the total value of unrefunded tickets, unredeemed flight credits, and other similar stored value mechanisms that Delta Air Lines owes consumers for these cancellations? Please provide the amount of each value mechanism as well.

Answer. During 2020 and 2021, passengers accumulated a total of \$6.9 billion in eCredits, with \$2.9 billion outstanding at the end of 2021—this includes credits issued for all reasons, not just those that are pandemic related.

*Question 7.* By when does Delta Air Lines plan to have fully reimbursed consumers?

Answer. Delta has and will continue to provide full refunds to passengers who are eligible for refunds upon request. Delta is currently processing eligible credits and refunds within 7 business days. Tickets paid in cash or by check are refunded in the form of a check to the person named as the passenger on the ticket, typically within 20 days of Delta's initial receipt of the credit/refund request. Eligible tickets paid for by a credit card will be refunded to the original form of payment, typically within 7 business days of Delta's initial receipt of the credit/refund request. In recognition of the impacts the pandemic has had, we have provided additional flexibility for passengers who decide not to purchase refundable tickets. During 2020 and 2021 we also provided travel credits to passengers with Basic Economy fares—credits to which they are not contractually entitled. Further, Delta has recently extended the eCredit expiration date to December 31, 2023, for all tickets purchased or expiring in 2021. This extension will not require a fee for all tickets except for basic economy fares.

*Question 8.* Please explain the causes of the recent flight cancellations as well as the steps that Delta Air Lines is implementing to prevent a repeat of these cancellations.

Answer. The flight disruptions experienced by the airline industry in late December 2021/early January 2022 are largely the result of adverse weather conditions and staffing absences resulting from the Omicron variant of COVID-19.

Delta operations have during that time were significantly impacted by winter weather, including at most of our major U.S. hubs. To address weather issues, Delta is unique in the industry as an employer of 25 meteorologists who provide 24-hour monitoring of weather across our operations. This team begins monitoring flights 5 days before departure and produces hourly forecasts 30 hours ahead of any flight.

All airlines have been challenged by the Omicron chapter of the COVID pandemic, and Delta is no exception. The Omicron variant is much more contagious than other versions of the virus, and this is reflected both by the broader number of U.S. COVID cases and in Delta's absenteeism rates over that time. The U.S. saw daily cases reported double to nearly 1 million on January 3, 2022. Delta's flight attendant and pilot absenteeism rates spiked leading up to this date. In early December, the flight attendant absenteeism rate was just under 16 percent higher than the same period in 2020; however, by the end of the month it had peaked at nearly 77 percent year-over year. The pilot absenteeism rate early in December was comparable to the same period in 2020, but by the end of the month it peaked at nearly 14 percent year-over year.

To minimize the spread of the virus among our employees, Delta partnered with Georgia to host the state's largest COVID vaccination site to support the state's vaccination program. Over 117,000 vaccines were administered at the site, located at Delta's headquarters. We continue to offer COVID testing and vaccinations to our U.S.-based employees, free of charge. These efforts resulted in more than 90 percent of our employees being vaccinated.

Delta has also continued to hire additional employees to meet increased demand. In 2021 we hired over 8,700 new employees—6,100 Airport Customer Service agents, 625 new pilots, and over 1,000 flight attendants. We continue to onboard new employees as quickly and safely as possible to avoid cancellations.

To improve service to impacted customers, we have implemented several measures. Delta hired over 1,400 reservation agents last year to address heightened call volumes. We also improved the Fly Delta app and delta.com to make quick flight changes easier without waiting in line at the airport or on the phone. Despite weather challenges, Delta employees continue to provide industry leading performance and customer service.

*Question 9.* Does Delta Air Lines maintain interline agreements with other carriers to allow passengers affected by disruptions an alternate means of getting to their destinations? If not, why not?

Answer. Yes.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. BRIAN SCHATZ TO  
JOHN LAUGHTER

*Question 1.* The Hawaiian Tourism Authority has made available public service videos to educate the public about being respectful tourists when they visit Hawaii.\*

- In what ways are these videos made available to Hawaii-bound travelers on your aircraft?
- Is one or more of these videos mandatory in some form for in-bound Hawaii travelers using in-flight entertainment?
- If not, what hardware, software or policy barriers prevent the videos from being made mandatory?
- Will you commit to making these videos mandatory for all Hawaii-bound travelers using in-flight entertainment within the next six months?

\*Videos available here: <https://www.youtube.com/c/gohawaii>

Answer. These videos are currently available for optional viewing through a browser on our in-flight entertainment options but are not mandatory. We welcome working with the Hawaiian Tourism Authority to support their efforts.

*Question 2.* The 2018 FAA reauthorization directed the agency to establish minimum seat sizes. There was an acknowledgement at the time that tighter seats and cramped quarters were causing conflicts between passengers and a potential safety hazard if there was an emergency. That seems even more important today. Most of the airline industry opposed the measure and the last administration failed to advance the rulemaking.

- Do you oppose minimum seat size standards?
- Do you believe the FAA should finalize regulations on minimum seat dimensions?

Answer. The safety of Delta's passengers and employees will always be our number one priority. Accordingly, Delta supports all efforts to identify and mitigate safety risks, including ensuring aircraft are designed in a manner that meets safety requirements for passenger evacuations.

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RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. JACKY ROSEN TO  
JOHN LAUGHTER

*Jet Fuel Supply.* In July of this year, Reno-Tahoe Airport, the second largest airport in Nevada, faced a severe shortage of jet fuel available for aircrafts flying out of the airport. This was a potentially catastrophic issue that could have adversely impacted tens of thousands of travelers coming to and from Nevada and risked delays in vital cargo coming to the state. We have since learned that jet fuel shipments are based on travel trends from the previous year to decide how much jet fuel pipeline space they need to purchase in order to meet current travel demand. But in 2020, demand was artificially low, as we dealt with an unpredictable global pandemic that completely halted air travel. As such, the data on air travel trends for 2020 was not a reliable gauge for predicting air travel demand in 2021, or the jet fuel necessary to accommodate that demand. Fortunately, my office, in partnership with the airport and impacted airlines, worked together to manage the situation. However, we must be better prepared to face similar situations in the future—it was jet fuel this time, but one could easily imagine relying on past year's numbers

to determine future demand for staffing, scheduled flights, or supply purchases—potentially with serious negative effects.

*Question.* Mr. Laughter, would you please briefly discuss what Delta Air Lines is doing to ensure that you have sufficient jet fuel supply to meet demand for travel in 2022, which may very well significantly exceed travel in 2021? And can you discuss how you make predictions for future air travel demand, generally, given that 2020 was a statistical anomaly?

*Answer.* Fuel costs are one of the largest and most difficult to predict expenses for the airline industry. This is why, in 2012, we purchased our own refinery to help provide some predictability for Delta. As you point out, predicting demand for jet fuel has been incredibly difficult due to the volatile impact the pandemic has had on demand. At Delta, we have short and long-term flight schedule forecasts that we utilize to understand and plan for our fuel supply needs by airport. We then work with our suppliers to coordinate that the right amount of supply is available at the airports. We share your optimism for travel in 2022 and are projecting strong demand, particularly after the first quarter. We are basing operational decisions on this forecast.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RAPHAEL WARNOCK TO  
JOHN LAUGHTER

*Crew Safety.* The Payroll Support Program has been a critical tool for protecting airline workers' jobs throughout the pandemic. Most of the airlines testified to the various policies and programs they have implemented to help protect passengers and prevent further spread of the coronavirus. However, testimony was also given about the terrible harassment and violent abuse airline crew members have faced at an alarming rate since the beginning of the pandemic. The Federal Aviation Administration and Department of Justice, under the Biden Administration have stepped up enforcement and prosecution efforts related to unruly passengers.

*Question.* What is your airline doing to protect your employees' physical health and wellbeing—not just against COVID, but unruly passengers, as well?

*Answer.* Our number one priority at Delta is the safety of our passengers and our employees. As our CEO stated last year, "Respect and civility to others on our planes, at our airports, in our workplaces, and in our society—even when we have differences of opinion—have always been a requirement for our people and our customers. Those who refuse to display basic civility to our people or their fellow travelers are not welcome on Delta. Their actions will not be tolerated, and they will not have the privilege of flying our airline."

In the face of a growing number of unruly passenger incidents that escalate into physical attacks to our frontline workers and other passengers, Delta took immediate action to protect our employees and passengers. We reviewed our training, policies, and procedures to make sure they addressed the current reality.

We made sure our crews and gate agents received de-escalation and self-defense training. We also provided time off should unruly passenger incidents require legal and court proceedings. We also make sure that employees have appropriate support and time off for self-care. We engaged with pilots, flight attendants, gate agents, and other employees to be sure they have the tools to provide safe flights.

Delta took the initiative to ban unruly passengers, provide information to law enforcement, and called for other airlines to share passenger information of those passengers placed on their no fly lists. Delta has also remained engaged in advocating with FAA, TSA, and DOJ to use their authority to enforce civil and criminal cases reported to these agencies.

On the COVID front, Delta has led the industry by establishing rigorous cleaning and safety protocols on the ground and in the air, blocking of middle seats through April 30, 2021, facilitating contact tracing for inbound international passengers, and implementing mask requirements for all passengers and crew.

Early in the onset of the pandemic, we partnered with the world-renowned Mayo Clinic, whose experts advised us on employee testing, strategies for cleanliness, and operational tactics to reduce the transmission of the virus. These efforts led to the establishment of our Global Cleanliness Division, which sets a new standard of cleanliness for our customers, known as the Delta CareStandard<sup>SM</sup>. In a first for the U.S. airline industry, we hired Mayo Clinic's Dr. Henry Ting as our Chief Health Officer to oversee our efforts and ensure they are based on rigorous scientific research. Dr. Ting is also responsible for leading our efforts to reimagine Delta's efforts to ensure the physical and mental health and well-being of our employees. All of these efforts protect our customers and our employees.



Operationally, we created a dedicated team of more than 100 Clean Ambassadors to oversee our Global Cleanliness Division's goal of increasing the number of cleaning crews and implementing the DeltaCare Standard at more than fifty airports. We also partnered with the makers of Lysol and Purell to ensure each flight complies with our extensive preflight cleaning checklist and that all our planes include hand sanitizer stations and provisional Purell disinfecting wipes for each passenger. Additionally, we continue to electrostatically spray our aircraft interiors with high-grade disinfectant and use HEPA air filters to remove 99.99 percent of airborne particles on-board.

As part of our broader efforts to protect our customers and our employees, Delta partnered with Georgia to host the state's largest COVID vaccination site to support the state's vaccination program. Over 117,000 vaccines were administered at the site, located at Delta's headquarters. Overall, Delta has spent more than \$25 million to promote and administer a total of 151,000 vaccines to Delta employees and members of the public. We continue to offer COVID testing and vaccinations to our U.S.-based employees, free of charge. These efforts resulted in more than 90 percent of our employees being vaccinated.

Delta remains committed to continuing our collaboration with industry and government partners to ensure the safety and security of those traveling.

*Voluntary Separation Programs & Rebuilding the Workforce.* The Payroll Support Program was able to keep hundreds of thousands of hard-working Americans—including many Georgians—on the job throughout the pandemic. However, no one Federal program could make up for all the losses or solve all the challenges inflicted upon the airline industry by the pandemic. And airlines had to adjust. As a result, we saw the airline workforce reduced significantly—mostly through voluntary separation and early retirement packages offered by airlines.

*Question 1.* Could you expound on the need for these programs and how you worked with your employees to implement them?

Answer. The pandemic presented an extraordinary challenge to Delta and other airlines. In 2020, passenger volumes dropped by as much as 95 percent by the end of March. At one point, Delta had a cash burn rate of almost \$90 million per day. For the entire year, Delta lost \$12.4 billion, the largest loss in our history.

Thankfully, Congress acted by creating the Payroll Support Program (PSP). There is no doubt that this support saved tens of thousands of airline jobs and allowed the industry to be better prepared for the recovery.

However, since no one could predict how long the pandemic would endure, Delta made efforts to make the PSP funds last as long as possible, precisely to protect Delta people and preserve jobs. To get through this difficult time, we had to respond quickly and strategically. We took decisive action to preserve jobs by reducing our cost base and protecting liquidity. We worked with employees, in full compliance with the PSP, to find the best path for each employee. Thousands of our people volunteered to take unpaid leaves of absence. Some elected an early retirement option. In March of 2020, our CEO announced he would forgo his salary in 2020 and salaries of Delta officers were reduced by 50 percent.

This approach was part of Delta's strong culture that values sharing sacrifices needed during difficult times, while also sharing the benefits during the good times through our profit-sharing program. While we will not be profitable for the full year of 2021, we were profitable in the 3rd and 4th quarters, and recently announced we will be distributing 20 percent of these profits—approximately \$100 million—to employees. This generally amounts to about \$1,250 for each employee hired prior to July 1, 2021; employees hired after July 1, 2021, will receive a \$625 payment. This payment is in addition to the \$850 earned through the Shared Rewards program for 2021.

*Question 2.* How did these programs allow you to invest in and support your employees?

Answer. We are also grateful to Congress for their support of the CARES Act, and subsequent relief packages, which included vital support for Delta's employees through the PSP. This pandemic has affected all of us in profound ways, and our industry has faced unique challenges. The PSP enabled Delta to preserve thousands of jobs that would otherwise have been lost. In full compliance with the terms governing the PSP, Delta used the PSP funds exclusively to pay wages, salaries, and benefits of PSP-eligible employees.

*Question 3.* As air traffic has begun to bounce back, what are your plans for rehiring and rebuilding your workforce?

Answer. We have hired more than 8,700 new employees since the beginning of 2021—6,100 Airport Customer Service agents, 625 new pilots, and over 1,000 flight attendants. Throughout 2021, Delta's Reservations and Care team hired over 1,400

specialists to improve long customer support wait times. We expected the recovery to be choppy as we have recently seen with the Omicron variant, and we continue to monitor demand closely and adjust our hiring goals accordingly.

Collectively, these recent hires demonstrate Delta's strong commitment to diversity, equity, and inclusion. To achieve these goals, Delta has removed the traditional 4-year degree requirement from 93 percent of its jobs and is currently adopting a skills-first hiring and promotion approach for more of its jobs, which emphasizes the specific competencies a candidate needs to be successful in the role. Delta will focus on three talent pathways to fill middle-skill roles, including: hiring external black talent from talent providers and community & technical colleges; promoting internal talent from our front line into middle-skill merit (support and leadership) positions; and from our new apprenticeship program. While starting with an emphasis on careers and building a talent ecosystem, Delta has a greater aim is to shatter systemic barriers and create economic opportunities for Black families in America.

Delta also established the Delta Propel Pilot Career Path Program in 2018 to identify, select, and develop the next generation of pilots, allowing us to enhance the diversity of the candidate pool and support a more inclusive selection process. This industry leading program complements the traditional, existing paths to becoming a Delta pilot and has three main areas of focus—college, company and community. This three-pronged approach will help Delta support future aviators as well as current Delta employees who have a passion for aviation and strong interest in becoming a Delta pilot. The Propel Program supplements Delta's current recruiting structure, which includes recruiting and hiring pilots currently flying in the airline, military, and corporate sectors.

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RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. ROGER WICKER TO  
JOHN LAUGHTER

*Question.* One condition of the Payroll Support Program was that recipients of the funds were required to continue air service to the communities they previously served, unless a waiver was received from the Secretary of Transportation. However, with the expiration of PSP and passenger travel on the rebound airlines are beginning to make adjustments to their service routes, and there are concerns smaller communities will bear a brunt of the cuts. According to a recent news article, Delta Air Lines intends to cut service to seven routes to three small communities. United Airlines announced last month they will be pulling out of eleven small communities, all serviced by regional airline partners.

Several airlines have announced cuts in service to small communities in the last month or so. As I am sure you are aware, small communities rely on their air service to connect them to the rest of the country. In light of recent service cuts to small communities can you assure us that air service to small and rural communities will remain at or above pre-COVID levels once your networks return to those same levels?

*Answer.* The pandemic continues to present an extraordinary challenge to Delta and other airlines. At the beginning of the crisis, travel restrictions and stay-at-home orders were effective at slowing the spread of the virus, but severely impacted demand for travel. In 2020, passenger volumes dropped by as much as 95 percent by the end of March. Travel rebounded during the recent holiday season, approaching 84 percent of 2019 levels. This demonstrates how much volatility the virus creates for the industry. The Omicron variant of COVID has continued this uncertainty into 2022. Delta will continue evaluate markets and adjust to the changing travel patterns and demands of our customers. As demand for travel returns to pre-pandemic levels Delta will be there to support our customers' needs.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. SHELLEY MOORE CAPITO TO  
JOHN LAUGHTER

*Question 1.* Based on today's testimonies, domestic commercial aviation is on the rebound. According to the TSA, just under 21 million travelers were screened during the 10-day Thanksgiving holiday. That is near the 2019 record of 26 million travelers for the same period. Do you anticipate passenger travel to be at or near 2019 levels for the Christmas season?

*Answer.* We expected travel to continue to grow toward the volume the industry saw in 2019. From the period of December 15, 2021 to January 4, 2022 the TSA screened just under 84 percent of the number of travelers compared to the same period 2 years previous. This period saw an average of 1.9 million daily passengers

compared to 2.3 million from 2 years previous.<sup>1</sup> We expect to see a slight downward trend due to the Omicron variant of COVID-19 in January and February but expect travel to rebound during the remainder of 2022.

*Question 2.* Have you seen an increase in airfare over the past couple months? If so, what do you contribute for this increase?

Answer. We have not seen an increase. Ticket prices dropped drastically during the pandemic, especially during 2020 as passenger volumes dropped by as much as 95 percent. The prices that passengers are seeing now are a partial return to 2019 levels. However, on average, ticket prices are still lower than 2019. Fares have consistently fallen since 1978, and given the competitive environment in aviation, we expect they will continue to fall over time.

*Question 3.* In 2018, Congress passed a bipartisan five-year reauthorization of the FAA. In the near future, Congress will have to consider and debate policy in order to reauthorize the FAA before 2023. An important component of the reauthorization will be the FAA's Next Generation Transportation System (NextGen) initiative and its deployment. The success of this initiative is entirely dependent on how quickly the FAA and aircraft operations can fully implement NextGen. Could you each discuss some of the investments your airlines have made in implementing NextGen?

Answer. Delta has made substantial investments in new aircraft and avionics equipment for existing aircraft. There are significant investment challenges for airlines that have "middle-aged" regional aircraft where there are neither the resources nor a business case to justify the investment. Moreover, we actively participate in several FAA forums such as the NextGen Advisory Committee to push modernization forward. However, the FAA needs to begin delivering benefits to justify the investments the airlines and the agency have made. We recognize modernization is incredibly complex and difficult—NextGen requires implementing several complex programs simultaneously—all while continuing to operate the existing system.

The current situation is analogous to buying a new iPhone—when you upgrade from an iPhone 7 to an iPhone 12, you expect better performance and additional benefits from the upgrade. While FAA has implemented much of the foundational infrastructure to modernize the ATC system, they have not integrated the new capabilities in a manner which improves performance and provides additional benefits to its users. To extend the analogy, the aviation industry and the government have paid for the new iPhone, but it hasn't come with the upgraded applications that provide additional functionality—such as texting and GPS mapping—that provide substantial benefits and justify the billions in investments.

*Question 4.* In your opinion, what are some of the current barriers to NextGen implementation?

Answer. There are three main areas that create barriers to NextGen implementation. The first is improving coordination between industry and the Federal Aviation Administration (FAA). The National Airspace (NAS) is a system, and the FAA needs to ensure that new technology is implemented in a manner that provides benefits to all of its users. While the FAA has made significant progress implementing the physical infrastructure and basic programming required to modernize its air traffic control system (ATC), it needs to execute on developing the tools needed for airlines and other users to realize significant benefits. This is best done through robust engagement with the industry to prioritize implementation.

The second barrier is equipping regional jets with updated avionics so they can take advantage of advanced procedures that produce significant benefits. Currently, there is just not an economic case to be made to equip these aircraft with such updated avionics. Moreover, the full safety and efficiency benefits of NextGen cannot be realized until all operators in the system are appropriately equipped.

Finally, the FAA needs long-term funding stability and management flexibility to effectively implement NextGen. Implementing ATC modernization is a complex, multi-decade, and sophisticated infrastructure program. This requires long-term decision-making and investment that is difficult to support within the context of the annual appropriations process that has been broken for years and often includes policy riders that undermine NextGen's progress.

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<sup>1</sup>TSA checkpoint travel numbers (current year versus prior year(s)/same weekday) | Transportation Security Administration

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. JERRY MORAN TO  
JOHN LAUGHTER

*Question.* As you continue working to restore and rebuild your network and schedule to pre-pandemic levels, can you comment on the role the 737 MAX will play in your efforts?

Answer. Delta Air Lines does not operate the 737MAX, nor do we have any on order.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RICK SCOTT TO  
JOHN LAUGHTER

*Question 1.* Last year, the American taxpayers bailed out the airline industry with nearly \$54 billion in tax dollars, while many small and medium-sized businesses closed their doors for good. Your company entered agreements with the U.S. Treasury with the promise of return on the taxpayers' investment. Can you provide an update on what kind of return on investment the American taxpayers can expect?

Answer. First, thank you and Congress for the support that Delta received during the pandemic. The PSP saved thousands if not tens of thousands of jobs at Delta. Retaining these jobs and these employees has been key as demand for travel has begun to recover. Delta's use of PSP funds has provided both a direct and indirect return on investment.

The direct return on investment has been jobs saved by the program. Dr. Tretheway testified to the specifics of the number of jobs impacted and the economic scope of the impact at the hearing. He cited figures that show that hundreds of thousands of jobs are directly related to a reliable airline industry. He also contended that because of the Federal Government's support, the industry has recovered relatively well compared to the airline industry in other nations.

The indirect returns on investment are much more difficult to calculate but just as important. Reliable air travel is vital to national security. Many in the medical, military, scientific, non-profit, and government communities needed to travel during the pandemic. PSP funds allowed airlines to maintain routes which were utilized for critical travel. Another indirect return on investment has been airline readiness as both leisure and business demand has returned. From March 2020 to December 2021, the industry saw about a 95 percent drop in demand to a return of nearly 84 percent of 2019 levels. This dramatic shift was weathered in large part thanks to PSP funds. Everyone enjoying travel today can thank the investment made by the Federal Government.

*Question 2.* It has been reported that both United and American have entered agreements to sell planes to the Bank of China Aviation, which is a state-owned bank, and lease them back to their companies long-term. Does Delta Air Lines also participate in this practice?

Answer. Delta does not have any sale/leaseback agreements with the Bank of China Aviation.

*Question 3.* Given Delta's public statements about Georgia's actions to increase election integrity, is it the policy of Delta to engage in voting laws in all countries that the airline operates in, such as the People's Republic of China?

Answer. In the United States, Delta is a member of the Bipartisan Policy Center's Business Alliance for Effective Democracy, which prioritizes policies that enhance the voting experience, inspire confidence in election results, and foster collaboration and bipartisanship in our governing institutions, especially Congress.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RON JOHNSON TO  
JOHN LAUGHTER

*Question 1.* On what basis are you mandating the vaccine for your employees? Is it only because of the Federal contractor mandate or is it also due to a company decision?

Answer. Delta has not mandated the vaccine for our employees. Rather, we have provided a combination of education, counseling, and incentives to achieve a vaccination rate of over 90 percent of our workforce.

*Question 2.* What data are you keeping related to infections of COVID-19 and reactions to vaccines among your employees and passengers?

Answer. Delta collects and processes data related to COVID-19 in compliance with privacy laws and regulations. We collect, use, and retain data related to em-

ployees' testing, vaccination, and booster status to protect Delta's workforce and those with whom our employees interact.

*Question 3.* How many employees have had COVID-19?

Answer. 23,027 employees as of Jan. 14, 2022.

*Question 4.* How many were hospitalized?

Answer. 201 employees as of Jan. 14, 2022.

*Question 5.* How many died?

Answer. 49 employees as of Jan. 14, 2022.

*Question 6.* How many were vaccinated versus unvaccinated?

Answer. 12,399 unvaccinated employees had COVID-19 and 10,628 vaccinated employees had COVID-19 as of Jan. 14, 2022.

*Question 7.* How many fully vaccinated employees have had a breakthrough case of COVID-19?

Answer. 10,078 employees as of Jan. 14, 2022.

*Question 8.* Have there been any COVID-19 outbreaks that were traced to a commercial flight? If so, how many?

Answer. To our knowledge, there has not been any outbreak that has been traced to infections contracted during a commercial flight.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. ROY BLUNT TO  
JOHN LAUGHTER

*Question 1.* There are a lot of challenges that continue to face the airline industry, whether it's decreased passenger ridership, workforce related challenges, or continued emergence of COVID variants. Can you elaborate and share with the Committee what you think the airline industry needs in order to operate successfully during these challenging times, and what can Congress do to help the airline industry return to pre-pandemic operational levels? Do you ever see the airline industry returning to how it used to operate before the pandemic?

Answer. Regarding immediate COVID-19 challenges, the Omicron case surge is impacting business travel and international recovery the most as business meetings are canceled, planned office re-openings are postponed, and countries put restrictions back in place. While this downturn in demand has been quick, we expect an equally rapid improvement once U.S. case counts begin to decline. We remain confident in a strong spring and summer travel season, with significant pent-up demand for consumer and business travel both domestically and internationally. The most helpful support from the Federal Government would be continued communication to the American people regarding travel policies and regulations, such as, but not limited to, mask wearing, as well as working with other nations to establish a clear understanding of their policies.

More broadly, we appreciate the help that Congress is able to give related to agency coordination. The current 5G deployment of the C band spectrum has demonstrated the importance of agency communication and coordination. We also need to build out our relationships with our foreign partners. Partnering with foreign carriers allows more flights, lower prices, more convenient travel options, and more competition for air travel. Congressional support for overseas partnerships will help provide improved options for travelers.

One area that will not return to the pre-pandemic "normal" are the improvements we have made to the airport and aircraft environment that protect our employees and passengers from COVID. These efforts have been institutionalized through the establishment of our Global Cleanliness Division and the hiring of Dr. Henry Ting as our Chief Medical Officer—a first in the airline industry. Much as our security efforts were expanded and institutionalized after 9/11, we now have a permanent division to track, mitigate, and prevent pandemic and related risks to our employees and passengers.

*Question 2.* Ms. Nelson mentioned in her testimony that not all aircrafts are equipped with high efficiency particulate (HEPA) filters used to create a safe traveling environment in airplane cabins. Can you provide the Committee which aircrafts in your fleet currently have these HEPA filters installed and which aircrafts do not? For those aircrafts that do not have these HEPA filters currently in place, what plans, if any, are there to ensure smaller, regional aircrafts have these safety measures installed?

Answer. The Boeing 717 is the only aircraft in the Delta mainline fleet without HEPA filters. This aircraft does not recirculate air from the cabin. Instead, 100 per-

cent of the air is brought into the cabin from the exterior of the plane which achieves similar results to aircraft with HEPA systems.

*Question 3.* I would agree with all the airlines executive witnesses that some of the success stories from the earlier CARES act packages are the investments Congress made in programs like the Payroll Support Program (PSP) and the Paycheck Protection Program (PPP) to help sectors like the airline industry sustain during the pandemic. I have spoken with many of you throughout the pandemic and leading up to today's hearing. And an interesting observation I have noticed that has emerged from the pandemic is a general shift in how employees view work nowadays and the reluctance to return to the workplace. Can the airlines offer the Committee your thoughts on this and the challenges you have experienced in addressing this mentality shift in terms of incentivizing and encouraging employees to return to work?

*Answer.* We believe that a large part of the "Delta difference" is our people. We run Delta as a people first company and believe that this culture has helped us become and remain a workplace of first choice among applicants. We have not had staffing shortages—by which we mean a lack of qualified candidates for open positions. Delta has had plenty of applications for the jobs we have posted. Overall, we hired over 8,700 new employees in 2021—6,100 Airport Customer Service agents, 625 pilots, and 1,000 flight attendants.

We have seen that some employees that appreciate the flexibility of work policies during the pandemic—they still want to work but are choosing to work differently. Often, this means working from home or living in one place and being based in another. Many are choosing a new hybrid model of working from home, virtual work, and traveling to meetings. At Delta, we are striving to accommodate the preferences of our employees where practical.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. DEB FISCHER TO  
JOHN LAUGHTER

*Question 1.* It was recently announced that Delta would be ending daily service between Lincoln and Minneapolis on January 10th. Could you explain what factors are considered when Delta terminates a service route?

*Answer.* In June 2021, SkyWest made an independent decision to re-enter LNK-MSP with their Delta-branded prorate program. SkyWest takes the commercial and financial risk for this flying, and Delta receives a prorated portion of the fare for passengers who connect in MSP onto our network. SkyWest has decided not to continue to serve LNK. We will transfer the airplane from the prorate program to our capacity purchase agreement and deploy it in larger, more strategic markets. United has historically been the largest carrier in Lincoln and continues to serve the station with multiple daily flights to both Denver and Chicago (currently 3 daily to each).

*Question 2.* Will Delta return flight routes if passenger travel rebounds to 2019 numbers?

*Answer.* This decision was made by SkyWest, and we cannot speak to their plans.

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RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. RICHARD BLUMENTHAL TO  
SARA NELSON

*Flight attendant safety.* As you testified, not only have flight attendants been frontline workers staffing planes throughout the COVID-19 pandemic, they have also borne the brunt of passengers' ill-behavior. You raised concerns about the Centers for Disease Control and Prevention's recent update to its COVID-19 guidance regarding quarantine times and the omicron variant.

*Question.* Please elaborate on your concerns and explain the changes necessary to ensure flight attendants are safe at work.

*Answer.* Delta Air Lines lobbied CDC publicly to reduce the guidelines for quarantine time from 10 to 5 days in the midst of the operational meltdown Delta was experiencing at the start of the Christmas holiday rush, omicron rise, and winter storms. Delta did not ask for public health changes, it asked for flexibility to schedule crews. *AFA opposed this effort by Delta* with a written letter to the CDC sent on December 23, 2021.

But when CDC announced a change on Dec 26, 2022 it was almost unbelievable. It is never good governance to change policy in the middle of a holiday, especially as the airline or any company is in the middle of an operational meltdown. There are too many distractions and too much room for error. Attempting to communicate

a change in policy that is already in effect can be chaotic in and of itself. If someone was on day 4 when the policy changed, are they now subject to the new rules under 5 days of quarantine. What if the employee was on day 7? None of these issues were addressed. Communicating a new policy throughout a world wide network, all levels of management, supervisors, and frontline workers trying to do the right thing in the middle of a pandemic, the busiest travel season of the year, winter storms, and an operational meltdown was just not possible and AFA received numerous questions about issues that even Delta's stated policy addressed but individual supervisors were providing different instruction.<sup>1</sup> Worse though was that Delta's widely reported celebratory words after the CDC change stated, "The updated guidance allows more flexibility for Delta to schedule crews and employees to support a busy holiday travel season and a sustained return to travel by customers." Delta's public statement, which was widely reported, said nothing about science, public health, or the safety of the staff; it's sole focus was on staffing and scheduling. This led frontline employees and the supervisors working to staff flights to assume job number one was staffing, not working to stop the spread of omicron.

The next day, December 27, Delta announced its new policy based on the new CDC guidelines, but sure enough the airline omitted the reference to returning to work without symptoms and did not explain how it would enforce proper mask wearing in all work spaces, including those that are exempt from mask wearing, unlike Delta had professed to the CDC in its original advocacy to change the guidelines because it had not properly planned for staffing over the holiday period.

AFA immediately wrote to all of our AFA member airlines (*example letter to United Airlines*) to address our concerns about implementation and to especially press good communication on the significant points in the CDC guidance including:

1. asymptomatic and
2. wearing a proper mask when returning to work 5 days after testing COVID+.

We were seriously concerned that workers in the airline industry and beyond would feel pressure to come back to work while still sick, exacerbating the spread of the virus and extending the harm of the pandemic. No worker's life is worth sacrificing in order to staff an airline, or prioritize the economy over public health in any way. Many airlines agreed and held off making changes to their policies even though they too were stretched thin on staffing due to the high number of staff calling out sick mostly due to omicron. Most of these airlines had also negotiated with us to provide incentive programs for those who were not sick to pick up additional voluntary overtime to help ease staffing.

The reduction in the isolation period from 10 days to 5 puts more pressure on workers to return to work sick, and even CDC admitted that 10–15 percent of COVID+ individuals will still be infectious stage at five days after testing positive. We as a country were knowingly putting infectious people back to work, exposing other workers and the traveling public, all in the name of the economy. We cannot allow pandemic fatigue to lead to decisions that extend the life of the pandemic or put policies on the backs of workers. Already the lack of paid sick leave creates pressure on workers to come to work sick. Corporations that fail to recognize this with paid sick leave, or pressure workers to come to work sick or face discipline, are failing their workers and their customers.<sup>2</sup>

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RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. KYRSTEN SINEMA TO  
SARA NELSON

*Assaults on Flight Attendants.* In November, the Transportation Security Administration extended its mask rule through March 18, 2022, which requires most passengers to wear an approved covering over their nose and mouth for the duration of their flight. The Federal Aviation Administration has reported nearly four thousand incidents related to passengers refusing to comply with the TSA's mask rule this year. Your organization released a survey in July that indicated eighty-five percent of flight attendants have dealt with unruly passengers and seventeen percent have experienced a physical incident.

*Question.* As air travel has increased during the holiday season, are flight attendants continuing to receive abuse from passengers? If so, what actions should this committee consider to address the issue?

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<sup>1</sup>[https://d3n8a8pro7vnm.cloudfront.net/afacwa/pages/103/attachments/original/1641929356/1-11-22\\_AFA-Delta-GC-Invite.pdf?1641929356](https://d3n8a8pro7vnm.cloudfront.net/afacwa/pages/103/attachments/original/1641929356/1-11-22_AFA-Delta-GC-Invite.pdf?1641929356)

<sup>2</sup>[https://www.afacwa.org/key\\_comp\\_new\\_cdc\\_asymptomatic\\_mask](https://www.afacwa.org/key_comp_new_cdc_asymptomatic_mask)

Answer. Yes, although it's a relatively small number of bad actors, passengers are continuing to create disruption at a high rate. Flight attendants continue to face abuse from passengers when doing their job and enforcing safety regulations.

We commend the leadership of FAA Administrator Dickson to make this a top priority and use all of the tools available to the FAA to address this issue and bring stakeholders together to fix it. Still, incidents remain high and we have several recommendations for reducing these incidents.

With clear support from President Biden, Attorney General Garland made the correct move to advise the DOJ this issue is a top priority and prosecution, including coordinating with the FAA on reports investigated by the agency, must lead to convictions that deter future bad behavior. We look forward to the justice system working without delay to levy criminal punishment of jail time so that passengers are fully aware of the severe consequences they face.

We support the creation of a centralized list to ban passengers who engage in disruptive behavior from flying. There must be a real-time sharing of information throughout the aviation system to deny travel to anyone who has caused a disruption on that day followed by a due process investigation. Passengers who are fined or convicted for disruptive behavior should be banned from flying for a period of time commensurate with the crime. Currently airlines are maintaining their own lists and will ban an aggressive passenger from their carrier. Unfortunately this passenger can just book and fly on another carrier.

Mask enforcement in the airports is abysmal. We need to be clear about who is charged with this responsibility and it needs to be done consistently. Requiring passengers to acknowledge they must wear a mask from the moment they enter an airport until they leave it again at the destination airport, and then failing to enforce this requirement in the airport, sets up conflict on the plane when a Flight Attendant is sometimes the first person during the travel experience to enforce this Federal requirement. To be clear, it is our experience that the vast majority of passengers want to wear masks and want others to do the same. The consistent communications around this Federal requirement is a large part of the confidence travelers have gained in purchasing airline tickets in the midst of a pandemic. Vaccines returned demand for air travel. Masks, deep cleaning, air filtration, and altered service procedures also help travelers understand the airplane can be a controlled environment and one of the safety locations out of the home.

Alcohol is a major contributor to disruptive passenger events. To-go alcohol should be banned in airports. It sends a message that a passenger can bring an open container onto the plane, serve themselves and board even if inebriated. None of this is true and in fact, all are violations of Federal regulations. Even passengers who are not belligerent after drinking alcohol, find it hard to comply with safety policies such as wearing the mask over the mouth and nose, only lowering it momentarily when taking a sip or bite to eat. This makes the jobs of Flight Attendants more difficult and raises the anxiety of other travelers who were counting on a controlled environment to reduce the risk of exposure to COVID.

We also need clear and consistent reporting and response from law enforcement. When an incident is reported we need law enforcement to respond and take action. Airlines also need to support crew members by giving them time to fill out reports with law enforcement and communicate clearly that the airline will provide both emotional and financial support to follow through on court appearances and the like without a loss of pay. Each airline should report to the FAA how this program works and how they will communicate it to frontline workers. United Airlines has had a program in place since 2007, based on guidance from the FAA. It is a good model for all airlines to study and duplicate.

We also urge the DOJ to conduct criminal prosecution of passengers who commit abuse or act up on planes and in airports. Flight Attendants report half of the incidents in the air showed some sign of trouble on the ground. Better responding, supporting, and arresting violent passengers who act out against agents on the ground will make aviation safer for everyone and reduce the number of incidents in the air. No passenger should be allowed to punch or harm a Transportation Security Officer, a Passenger Service Agent, or another airport employee and then get on a plane with more than one hundred people who will be put at further risk in the air.

Losing the freedom of flight is another way to communicate the seriousness with which people must follow the rules to keep aviation safe.



RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RAPHAEL WARNOCK TO  
SARA NELSON

*Crew Safety.* The Payroll Support Program has been a critical tool for protecting airline workers' jobs throughout the pandemic. Most of the airlines testified to the various policies and programs they have implemented to help protect passengers and prevent further spread of the coronavirus. However testimony was also given about the terrible harassment and violent abuse airline crew members have faced at an alarming rate since the beginning of the pandemic. The Federal Aviation Administration and Department of Justice, under the Biden Administration have stepped up enforcement and prosecution efforts related to unruly passengers.

*Question.* What are airlines that your members work for doing to protect their employees' physical health and wellbeing—not just against COVID, but unruly passengers, as well?

*Answer.* On protecting workers health and well being, the airlines did work with us to update announcements and communicate with pilots, agents, controllers and local law enforcement about the need to take this issue seriously and back up the work of flight attendants. Some airlines have altered service based on our advocacy, including halting the service of alcohol on the planes. The more that airlines addressed this issue as a company-wide problem, not just a flight attendant or gate agent problem, the more successful efforts have been. Getting pilots to make announcements about masks, not serving your own alcohol, and listening to flight attendant instructions has made a significant difference in the tone of the flight.

Much more could be done to work on diversity and inclusion throughout the workgroups. Our studies demonstrate that most disruptive behavior is also accompanied by racial, gender, and homophobic slurs. These issues are rarely reported or addressed and it is paramount that everyone at the airline understand allowing discrimination and threatening, hostile aggressions to persist toward anyone undermines the safety of everyone. For example, if a Flight Attendant is conducting safety checks or enforcement and meets resistance with derogatory comments related to race, gender, gender identity or national origin, those actions undermine the authority and leadership of the crewmember working as a team with others to keep everyone safe. It sends a signal to other passengers that a hostile environment is tolerated and it may lead to others shrinking away from being a helper or simply setting the necessary tone that we are all in this together for the safety of flight. More can be done at all airlines to promote awareness and strategies for eradicating discrimination of all kinds.

On disruptive passengers, the airlines have worked with us to address this issue and protect workers subjected to these incidents. But not every time, nor every issue. Workers need to know their experiences will be taken seriously, given time to submit the proper reports, and receive follow up about the status of action on the reported incidents. There needs to be better coordination between airlines and the government to ban disruptive passengers across all carriers and communicate to those on the frontlines that they are not alone.

*Voluntary Separation Programs & Rebuilding the Workforce.* The Payroll Support Program was able to keep hundreds of thousands of hard working Americans—including many Georgians—on the job throughout the pandemic. However, no one Federal program could make up for all the losses or solve all the challenges inflicted upon the airline industry by the pandemic. And airlines had to adjust. As a result, we saw the airline workforce reduced significantly—mostly through voluntary separation and early retirement packages offered by airlines.

*Question 1.* Could you share your perspective on the need for these programs and how you and your members worked with your employers to implement them?

*Answer.* When Congress did not extend PSP on October 1, 2020, all airlines either furloughed and/or encouraged voluntary separation/early retirement. In some cases, these programs were welcome to workers who otherwise were very concerned, especially pre-vaccine, about their own pre-existing condition or that of a family member. They were able to bridge medical insurance in some cases and add a modest amount of pay to be able to consider a separation earlier than they otherwise would have chosen without the pandemic. Among the major carriers, Delta had voluntary separation numbers that were more than double their competitors. The airline also cut hours of employees who stayed on the job and in doing so did not use the PSP in the spirit it was intended. Of course airlines had to adjust and take steps to reduce costs, especially as it seemed Congress would not extend the PSP beyond September 30, 2020. But, PSP was intended to save jobs, stabilize the industry and economy, cap executive compensation, and ban stock buybacks. It was not intended to be used as a competitive tool between airlines. The low level of unionization at

Delta allowed the airline to take steps other airlines did not and steps that were not in the spirit of the program as it was discussed in the final hours of negotiations during the creation of the CARES Act.

The PSP was absolutely necessary. Aviation demand dropped by 97 percent overnight in March 2020. The industry would have collapsed and hundreds of thousands of aviation workers would have been furloughed overnight if the PSP included in the CARES Act had not been enacted, and subsequent extensions had not been passed. The program kept workers on the job, connected to their paychecks and benefits, and maintained a critical sector of our economy. Without PSP, we would have faced layoffs, bankruptcies, consolidation, and weakening of the U.S. aviation industry. That would have been bad for aviation workers, the flying public, and U.S. national security.

Additionally, because of PSP, aviation workers and U.S. airlines were able to assist in Operation Allies Welcome flying Afghan evacuees to safety. We paid taxes and supported city and state programs. We paid into social programs and continued to utilize our employer healthcare. The PSP utilized the payroll programs already in place to ensure no additional burden on the government, and consistency in paychecks and benefits for the workers. Maintaining systems in place proved to be good for government, workers, taxpayers, and the overall economy. It is being celebrated around the world as the most effective COVID relief program.

*Question 2.* How did implementing these programs help shape the airline industry workforce long-term—for better or for worse?

Answer. Congress's investment of \$54 billion to pay tens of thousands of airline employees during the pandemic not only helped workers and their families but also airlines would not have been able to meet the demand for flights again last summer, fall and over the 2021 holidays. As you know, there was a temporary lapse in PSP funding in late 2020 which meant workers certified with credentials and qualifications were temporarily laid off. Our highly skilled workforce needs to maintain their qualifications because it takes months to re-qualify and certify them.

PSP saved our jobs and industry in real time, and it protected our profession for the long-term. In 2020, airline workers across the industry were finally set to negotiate above and beyond all that we lost following September 11, 2001. After September 11, the result of insufficient action from the government was a string of bankruptcies across the airline industry. We, the workers, were the bailout. Our jobs were cut. Our pensions gutted. Those who remained shouldered massive pay cuts and many more hours on the job.

Wall Street was ecstatic with the enormous cuts to labor costs. Workers were devastated. Consumers eventually felt the hit too as capacity was cut, seat sizes shrunk, and pricing became segmented with all kinds of fees. There was no hiring for a long time, but the diminished jobs later made it hard to attract pilots, mechanics, and others to aviation careers.

Not this time, thanks to PSP.

*Question 3.* As air traffic has begun to bounce back, what have you noticed about the workforce as airlines have begun rehiring and rebuilding the workforce?

Answer. The airline industry is 80 percent union density. We preserved good jobs defined by union contracts throughout the pandemic, had the ability to address health and safety directly through our unions, and even negotiated incentive agreements to support COVID vaccines, voluntary overtime, or prudent use of sick leave during the pandemic. Workers all over the country have seen that the value of these union jobs is self-evident and it attracts new workers to the industry.

As the industry continues to recover, most carriers have plans or are already hiring new employees bringing a new, more diverse generation to good-paying, union careers. But the job has changed and that will require returning to a pre-9/11 model that does not as heavily count on voluntary overtime hours. Aviation workers are not as willing to pick up overtime due to the combative passengers and concerns around COVID. American worker productivity was higher than any developed country in the pre-pandemic world. This is also true in aviation, but this level of worker productivity is not sustainable anywhere.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RICHARD BLUMENTHAL TO  
TED CHRISTIE

*Compensation for consumers.* Since March 2020, flight delays and cancellations have disrupted plans for countless travelers—and the most recent cancellations left people stranded in airports and away from family during the winter holiday season. Senator Markey and I have repeatedly called for full cash refunds for impacted consumers. But U.S. airlines have been slow to provide credits and legally-required re-

funds and have hidden behind vague ticketing policies. Media reports indicate that airlines are currently holding approximately \$20 billion worth of travel vouchers and unrefunded ticket values.

*Question 1.* What is the total value of unrefunded tickets, unredeemed flight credits, and other similar stored value mechanisms that Spirit Airlines currently owes consumers? Please provide the amount of each value mechanism as well.

Answer. No response at time of this printing.

*Question 2.* Does Spirit Airlines gain revenue (such as from interest) from the value of unused travel vouchers that are currently held in company accounts? If so, how much revenue has Spirit Airlines collected from the funds in your accounts that are linked to unused travel vouchers since March 2020?

Answer. No response at time of this printing.

*Question 3.* If Spirit Airlines still owes consumers under Question 1, by when will it have completed issuing its refunds? What is the reason for this delay?

Answer. No response at time of this printing.

*Question 4.* Spirit Airlines reportedly cancelled more than 250 flights in the last week. How many consumers were impacted by these cancellations?

Answer. No response at time of this printing.

*Question 5.* Will Spirit Airlines commit to providing full cash refunds to all impacted consumers? If not, explain why not and what compensation you will issue to consumers.

Answer. No response at time of this printing.

*Question 6.* What is the total value of unrefunded tickets, unredeemed flight credits, and other similar stored value mechanisms that Spirit Airlines owe consumers for these cancellations? Please provide the amount of each value mechanism as well.

Answer. No response at time of this printing.

*Question 7.* By when does Spirit Airlines plan to have fully reimbursed consumers?

Answer. No response at time of this printing.

*Question 8.* Please explain the causes of the recent flight cancellations as well as the steps that Spirit Airlines is implementing to prevent a repeat of these cancellations.

Answer. No response at time of this printing.

*Question 9.* Does Spirit Airlines maintain interline agreements with other carriers to allow passengers affected by disruptions an alternate means of getting to their destinations? If not, why not?

Answer. No response at time of this printing.

#### RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO ROBIN HAYES

*Payroll Support Program Impact.* Congress created the Payroll Support Program to protect the airline industry's workforce, support the continuity of safe and essential travel, and ensure the industry's ability to remain viable to meet future consumer travel demand. The Department of the Treasury disbursed a total of \$54 billion to passenger airlines, across three rounds of PSP, to provide critical relief during the pandemic.

We know that PSP made a difference in December 2020, when Congress extended the program, because airline recipients had to recall thousands of employees who were furloughed after September 30, 2020 when the first round of PSP ended.

According to the Bureau of Transportation Statistics (BTS), between October 2020 and February 2021, major airlines hired or brought back 28,179 workers. These workers came back just in time for the air travel rebound, which took off in March 2021. As of September 2021, airlines were approximately 8.8 percent below their pre-pandemic employment levels according to BTS data. I am interested in learning from your airline on how the Payroll Support Program impacted your workforce and operations. Mr. Hayes, JetBlue received \$2.08 billion in PSP funds.

*Question 1.* If not for PSP funding, what do you think the status of your workforce would look like today? Would your airline have been able to survive the pandemic, absent PSP funding?

Answer. On behalf of more than 22,000 crewmembers at JetBlue, I again thank you for your leadership and advocacy for the Payroll Support Program (PSP). COVID-19 has been a challenge unlike any we have ever faced and without Congress' efforts, the airline industry would have been irrevocably damaged. Without PSP, this summer's travel surge would not have been possible and the magnitude

of job losses in the industry would have been catastrophic. JetBlue is proud to have never furloughed a single crewmember in our over 21 year history. We were only able to keep to this pledge because of PSP.

*Question 2.* Since receiving PSP funding, do you believe your airline is in a good position to meet current consumer travel demand?

Answer. Yes. We have previously and continue to meet customer demand since receiving PSP funds. Even during the recent holiday season and the impacts of the Omicron COVID-19 variant, where we canceled flights, we also saw customers proactively canceling their reservations and thus our load factors never spiked. Similarly, we see the ability to continue to meet demand despite the uncertainty to the market caused by Omicron.

*Airline Relationships with Labor.* Congress focused on sustaining the airline workforce and ensuring continuity of operations during a time of intense uncertainty.

From information shared with the Committee, it appears that those airlines and unions that worked together found solutions to COVID-19 challenges, from addressing new health risks in the workplace to ensuring currency and qualification of a highly-skilled workforce.

*Question.* How has your airline collaborated with unions to establish policies to meet workforce needs in response to the COVID-19 pandemic? How did your airline's relationship with relevant labor unions enhance your ability to meet operational needs and the rise in air travel demand?

Answer. Only two workgroups at JetBlue are represented by labor unions, and JetBlue has a direct relationship with all other Crewmembers. JetBlue pilots are represented by the Airline Pilots Association (ALPA) and our inflight crewmembers by the Transport Workers Union (TWU).

During the pandemic, we have negotiated numerous Memoranda of Understanding (MOU) and Letters of Agreement (LOA) with ALPA with the purpose of:

1. Protecting the health of our crewmembers;
2. Reducing cost during the initial stage of the pandemic; and 3. Partnering to effectively train and qualify pilots in their return.

For our Inflight crewmembers, we are one of the few-and perhaps only-airlines that continued negotiations toward a Collective Bargaining Agreement (CBA) during the pandemic. We partnered with the TWU to achieve our first CBA, which was ratified December 13, 2021.

*Contract Workforce Role and Staffing.* At the height of the pandemic, airport and aviation workers stood with airlines and called on the Federal government to make sure our national air travel system remained strong, aviation jobs were protected, and that airlines were ready to meet consumer travel demand.

For decades, airlines have outsourced essential service airport jobs like cabin cleaners, wheelchair attendants, security officers, and baggage handlers to contractors at major airports across the country. Contract workers play a critical role in our aviation system and continue to work hard on the frontlines of the COVID-19 pandemic to keep travelers safe.

The pandemic has exposed problems with how domestic travel disruptions are being addressed and how such response affects the airline industry's workforce. For example, an August 2021 SEIU survey conducted in Houston to assess the experiences of contracted airport workers detailed incidents of short staffing and mandatory overtime policies causing workforce fatigue, which has created a strained operational environment.

*Question.* How will your airline ensure that the contracted workforce, which provides such critical services, is stable, well-trained, and has adequate staffing levels needed to respond to operational challenges?

Answer. We work with our Business Partners on an ongoing basis to set them up for success to maintain a stable and trained staff. Among the initiatives we put in place are:

- In 2021 we made agreements with over 75 lines of service across our network regarding minimum and or competitive wage increases. Ultimately, raising hourly rates of pay for a Business partners significantly increases retention and hiring ability.
- We have, and continue to waive staffing based Service Level Agreements which in allows our Business Partners to put that money into staff retention initiatives.

- We have, and continue to, offer attendance based incentives to some of our hardest hit frontline Business Partner teams. We generally cover these incentives financially.
- We continue to support our hardest hit Business Partners by sending our own Crewmembers to work in their JetBlue operations. This allows our Business Partners the time necessary to get their folks hired, trained and retained.
- We continue to have ongoing conversations with our Business Partners on all things staffing related with the goal of ensuring a stable workforce, which in turn drives more efficient and safer operations.
- Related to training, we have added more ad hoc local training to maximize the ability of our Business Partners to hire and train quality employees.
- We have added more training instructors as well as Business Partner classes at our Orlando training facility allowing for a higher throughput.

*Airline Workforce Recall.* The Committee is aware that, in 2020, airlines took varying approaches to temporarily reduce the number of active employees on their payroll to avoid involuntarily furloughing or laying off employees as they experienced growing pandemic-related financial difficulties. Many airlines offered employee programs to incentivize voluntary separations, including voluntary furloughs, early retirements, and temporary leaves of absences.

Airlines that extended voluntary leave options to their employees reserved the right to recall such employees from leave when necessary. To the Committee's knowledge, most airlines started broad workforce recall efforts in the first quarter of 2021, employing particularly concentrated efforts to bring back employees in January and February 2021. However, recalling employees has not been an easy process as airlines have reported higher workforce shortages and rates of absenteeism in certain workgroups, leaving the airlines more ill-equipped to meet consumer travel demand.

*Question 1.* Has your airline experienced challenges in recalling your workforce? If so, did your airline anticipate such issues in recalling employees from leave before initiating your recall efforts? Please describe the scope of the workforce recall challenges your airline faced in 2021.

*Answer.* As travel demand began to return in 2021, we did recall some crewmembers that had taken Long Term Time Off (LTO) at the beginning of the pandemic in 2020. We saw a very high return rate in 2021—only 20 of the 1200 crewmembers that participated in the LTO program elected to resign rather than return to work at JetBlue when recalled.

*Question 2.* Has your airline's workforce fully returned as of January 1, 2022? How did the status of your workforce's recall from voluntary leave programs affect your airline's ability to meet consumer air travel demand in 2021?

*Answer.* As noted above, JetBlue offered a Long Term Time Off program originally intended to run from Q2 2020 to Q3 2021. Early in 2021, as we saw demand start to return, we began recalling LTO crewmembers. More than 98 percent returned from LTO; the rest chose not to return to JetBlue. The small number of crewmembers that did not return had minimal impact on our ability to meet consumer demand, as we increased our hiring for all front line positions concurrently with the recall.

#### **Airline Operational and Scheduling Data.**

*Question 1.* For the months of October, November, and December 2021, please provide the number of flights your airline operated, the number of flights cancelled, the number of flights delayed more than 15 minutes, the number of flights delayed more than 90 minutes, and the number of flights delayed more than six hours.

*Answer.* The chart below details the number of JetBlue flights (both domestic and international) operated in the last quarter of 2021, as well a count of canceled flights and those delayed by 15, 90, and 360 minutes.

	Completed	Cancelled	Delay >= 15	Delay >= 90	Delay >= 360
<i>October 2021</i>	24,700	85	5,646	1,069	54
<i>November 2021</i>	24,743	40	6,201	956	51
<i>December 2021</i>	26,720	1,052	9,512	2,060	103

*Question 2.* For the month of January 2022, please provide the number of daily flights your airline operated, the number of flights cancelled, the number of flights

delayed more than 15 minutes, the number of flights delayed more than 90 minutes, and the number of flights delayed more than six hours.

Answer. The chart below details the number of JetBlue flights (both domestic and international) operated from January 1 to January 26, 2022, as well a count of canceled flights and those delayed by 15, 90, and 360 minutes.

	Completed	Cancelled	Delay >= 15	Delay >= 90	Delay >= 360
January 2022*	21,917	1,152	7,251	2,023	123

*Question 3.* For the months of October, November, and December 2021, and January 2022, please detail any preemptive schedule changes that your airline made, including cancelling flights or changing the departure time by more than one hour.

Answer. In the period from October to December 2021, we implemented limited preemptive schedule changes—consistent with our usual practice. We generally do not make close-in schedule changes as our internal timeline is to finalize a month's schedule 45 days in advance. Our internal guidelines for schedule changes are 180 days out for major changes, 90 days out for moderate changes, and 45 days out for small changes. While we have adjusted this timeline in 2020 to manage through the uncertainties of the pandemic, but not during the fourth quarter of 2021.

We had prepared extensively for this holiday period with staffing levels at their highest level since prior to COVID and we successfully operated through the Thanksgiving holiday without a single cancellation. However, the exponential rise in COVID-positive cases in late December 2021—particularly in the Northeast, where about 75 percent of our crew are based—strained our operation as crew availability drove a significant increase in last minute flight cancellations. In response to these operational challenges, even though thousands of JetBlue crewmembers stepped in and picked up additional shifts to mitigate some of the impact, we preemptively announced schedule changes to January 2022 in order to manage limited crew resources and reaccommodate impacted customers in advance, rather than face last-minute cancellations at airports.

#### January Schedule Changes

- 1) Schedule change impacting January 5—January 14, primarily designed to provide operational relief (Crew absences/call-outs)—roughly 536 segments (flights) removed from the January schedule
- 2) Schedule change impacting January 14—January 31, driven by a combination of operational relief and revenue (cancellations)—roughly 382 segments (flights) removed from the January schedule

#### Airline Employment and Absenteeism Levels.

*Question 1.* For the months of October, November, and December 2021, please provide the number of full-and part-time employees employed by your airline.

Answer.

JetBlue Total Crewmember Headcount

October 2021: 21,713

November 2021: 21,932

December 2021: 22,151

*Question 2.* For the months of October, November, and December 2021, and January 2022, please detail any significant absenteeism problems experienced by your airline.

Answer. Overall, we experienced an increase in unplanned absence hours and/or daily call outs in late 2021 and early 2022 compared to the previous year. In the four months from October 2021 to January 2022:

- Flight Operations Crewmembers (Pilots)—The percentage of Daily Call Outs in October,

November and December was two percent higher in 2021 than each of the same months in 2020. In January 2022, the rate actually decreased one percent relative to January 2021.

- Inflight Crewmembers (Flight Attendants)—The percentage of Daily Call Outs were three to six percent higher in each of the past four months compared with October 2020 through January 2021.
- Airports Crewmembers—The percentage of Unplanned Absent Hours for Airports

Crewmembers was three to four percent higher in each of October, November and December 2021, and 10 percent higher in January 2022 compared to January 2021.

*Consumer Refunds.* In 2020, the Department of Transportation (DOT) received 29,687 refund complaints against U.S. airlines, a 4,634 percent increase over 2019. And while the problem has started to get better, DOT still received 5,129 refund complaints in September 2021, well above the 627 filed against U.S. airlines for all of 2019.

DOT has a rulemaking in the Unified Agenda which says that it is looking at defining what constitutes a “cancellation” and a “significant delay”—the two things that entitle a customer to a refund. Currently, DOT lets airlines make their own determinations as to whether or not a flight is cancelled, and the number of hours that account for a “significant” delay.

*Question 1.* In your view, how many hours does a flight have to be delayed before a passenger is entitled to a refund?

*Answer.* A customer whose flight is delayed or who is impacted by a preemptive schedule change of greater than 2 hours is eligible for a refund to original form of payment.

*Question 2.* If the reluctance to issue refunds was just an issue of preserving cash on hand, then why were refund complaints still so high in 2021?

*Answer.*

There were two drivers for increased refund complaints in 2021:

- 1) Customers who had voluntarily cancelled their flights (sometimes due to COVID or exposure to COVID) and were unhappy about receiving a travel credit rather than a refund to original form of payment; and
- 2) Some customers who had used their Travel Bank funds to book a flight that JetBlue ultimately canceled or significantly delayed—which would generally qualify for a refund to their original form of payment—were unhappy because their refund for the canceled or delayed flight was returned as a travel credit rather than cash. In these cases, the customers who paid for the impacted flight with travel credits were refunded to that form of payment.

*PSP Compliance.* Under section 4116(a)(2) of the CARES Act, no corporate officer or employee of your airline whose total compensation exceeded \$425,000 in calendar year 2019 (other than an employee whose compensation is determined through an existing collective bargaining agreement entered into prior to the enactment of the CARES Act) was permitted to receive from your airline, severance pay or other benefits upon termination of employment which exceeds twice the maximum total compensation received by the corporate officer or employee in 2019. Yet in the first quarter of 2021, your airline reported to the Department of the Treasury that some employees and corporate officers had received severance pay or other benefits after March 24, 2020 which more than doubled their 2019 total compensation.

*Question 1.* Please explain whether the severance pay or other benefits provided to these employees and corporate officers complied with the CARES Act and associated Payroll Support Program requirements.

*Answer.* JetBlue did not provide severance pay or other benefits to employees and corporate officers in violation of CARES Act and PSP requirements, and we are not aware of any filing to the Treasury Department that indicates such. If there is confusion with JetBlue’s Q1 2021 report to Treasury or any other filing, we would be happy to meet and resolve the misunderstanding.

*Question 2.* Are you aware of any non-compliances associated with your airline’s receipt of Payroll Support Program funding?

*Answer.* No. We believe we are in full compliance with the requirements associated with the PSP.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RICHARD BLUMENTHAL TO  
ROBIN HAYES

### **Questions Regarding State of Current Operations**

*Question 1.* What is the total value of unrefunded tickets, unredeemed flight credits, and other similar stored value mechanisms that JetBlue currently owes consumers? Please provide the amount of each value mechanism as well.

*Answer.* As of January 8, 2022, the total value of Travel Bank Credits held by JetBlue customers is \$586 million. As detailed below, customers who have purchased non-refundable fares and proactively cancel their flights receive travel credits in a JetBlue Travel Bank for future use. If JetBlue cancels or a significant sched-

ule change occurs (generally a schedule change of over two hours is considered significant) the customer has the option of a refund to the original form of payment. We immediately process refund requests for eligible customers that request a refund to their original form of payment.

*Question 2.* Does JetBlue gain revenue (such as from interest) from the value of unused travel vouchers that are currently held in company accounts? If so, how much revenue has JetBlue collected from the funds in your accounts that are linked to unused travel vouchers since March 2020?

Answer. JetBlue does not gain any revenue from the value of unused travel vouchers. The interest income on credit balances, if there were any, would be de minimus.

*Question 3.* If JetBlue still owes consumers under Question 1, by when will it have completed issuing its refunds? What is the reason for this delay?

Answer. Customers who have purchased non-refundable fares and proactively cancel their flights receive travel credits in a JetBlue Travel Bank for future use. If JetBlue cancels or a significant schedule change occurs (generally a schedule change of over two hours is considered significant) the customer can opt either for a refund to the original form of payment or for a Travel Bank Credit. *Therefore, every customer with a canceled reservation should have received either a credit (when the customer proactively canceled) or the option of a refund or credit (when JetBlue canceled or significantly changed the flight).* Refund requests for eligible customers are immediately processed without delay.

A Customer's JetBlue Travel Bank, funded when the customer proactively cancels a reservation originally purchased with a non-refundable fare, remains available for a customer to apply toward future JetBlue travel. We extended expiration dates for Travel Bank funds a number of times through the pandemic. Our current policy permits eligible customers with a Travel Bank credit to extend that credit until Oct 31, 2022, upon request, for travel through the end of our published schedule. Because JetBlue flights are available for booking up to 331 days in advance, a customer could to use the Travel Bank credit today to book flights through December 2022. If the customer wanted to hold on to the credit until just before their Travel Bank funds expire in October 2022, they could apply the funds, for flights through September 2023. Additional information is available at <https://www.jetblue.com/help/travel-bank-credits>.

Of course, if you hear from travelers with specific concerns about a canceled JetBlue flight, we encourage them to contact JetBlue's Customer Support Team for assistance. Our Government Affairs team can also assist with inquiries from your office to address specific concerns on a customer-by-customer basis.

### Questions Regarding December 2021 Operations

*Question 1.* Please explain the causes of the recent flight cancellations as well as the steps that JetBlue is implementing to prevent a repeat of these cancellations.

Answer. The striking increase in COVID-19 cases is impacting families, businesses and organizations across the country and unfortunately, JetBlue is not immune. We had prepared extensively for this holiday period with staffing levels at their highest level since prior to COVID and we successfully operated through the Thanksgiving holiday and the first part of December without a single cancellation.

However, the exponential rise in COVID-positive cases in late December—particularly in the Northeast, where about 75 percent of our crew are based—strained our operation as crew availability drove a significant increase in close-in flight cancellations.

In response to these operational challenges, thousands of JetBlue crewmembers have stepped in and picked up additional shifts to mitigate some of the impact. Even so, we anticipate the need to cancel some flights through the next couple of weeks. On December 28, 2021 we proactively canceled about 1,280 flights through January 13 in order to better manage our limited crew resources and reaccommodate impacted customers in advance, rather than face last-minute cancellations at airports. Though we would rather not have customers inconvenienced during their holiday travel, we are pleased that despite the disruptions 84 percent of impacted customers were reaccommodated within 24 hours (Dec 15–Jan 10).

*Question 2.* JetBlue reportedly cancelled more than 100 flights in the last week (12/22 to 12/29). How many consumers were impacted by these cancellations?

Answer. The rise in COVID-positive cases in late December—particularly in the Northeast, where about 75 percent of our crew are based—strained our operation as crew availability drove a significant increase in close-in flight cancellations.



Date	Flights Cancelled	Customers Impacted
22-Dec	9	1,101
23-Dec	37	3,645
24-Dec	84	8,312
25-Dec	128	11,503
26-Dec	137	15,761
27-Dec	94	10,841
28-Dec	95	10,846
29-Dec	107	11,847

*Question 3.* Will JetBlue commit to providing full cash refunds to all impacted consumers? If not, explain why not and what compensation you will issue to consumers.

Answer. When flights are canceled, whenever possible we reaccommodate customers on another JetBlue flight. In cases where we cannot accommodate a customer within a reasonable period of time, that customer is entitled to a full refund to their original form of payment. We have also waived change and cancellation fees on Blue Basic bookings through January 31, 2022 and there are no fees to change or cancel our other fares.

*Question 4.* What is the total value of unrefunded tickets, unredeemed flight credits, and other similar stored value mechanisms that JetBlue owe consumers for these cancellations? Please provide the amount of each value mechanism as well.

Answer. As of January 8, 2022, the total value of Travel Bank Credits held by JetBlue customers impacted by these flight cancellations is \$75.8 million

*Question 5.* By when does JetBlue plan to have fully reimbursed consumers?

Answer. As mentioned previously, every customer with a canceled reservation should have received either a credit (when the customer proactively canceled) or the option of a refund or credit (when JetBlue canceled or significantly changed the flight). Refunds to original form of payment for eligible customers who choose that option are immediately processed.

*Question 6.* Does JetBlue maintain interline agreements with other carriers to allow passengers affected by disruptions an alternate means of getting to their destinations? If not, why not?

Answer. JetBlue has a number of Kprotection agreements with other airlines that provide options for reaccommodating customers in the event of a JetBlue flight disruption. Subject to the conditions of the individual agreements, we have the option of reaccommodating customers in the midst of irregular operations on American Airlines, Alaska Airlines, Hawaiian Airlines, Silver, Cape Air, and JSX, plus a large number of international airlines. For cases when an advance JetBlue schedule change requires reaccommodation on another carrier, JetBlue has agreement with American and Alaska.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RICHARD BLUMENTHAL TO  
BEN MINICUCCI

*Compensation for consumers.* Since March 2020, flight delays and cancellations have disrupted plans for countless travelers—and the most recent cancellations left people stranded in airports and away from family during the winter holiday season. Senator Markey and I have repeatedly called for full cash refunds for impacted consumers. But U.S. airlines have been slow to provide credits and legally-required refunds and have hidden behind vague ticketing policies. Media reports indicate that airlines are currently holding approximately \$20 billion worth of travel vouchers and unrefunded ticket values.

*Question 1.* What is the total value of unrefunded tickets, unredeemed flight credits, and other similar stored value mechanisms that Alaska Airlines currently owes consumers? Please provide the amount of each value mechanism as well.

Answer. Consistent with our policy and Federal law, Alaska Airlines is providing prompt refunds back to the original form of payment to guests that choose not to

accept the alternatives offered for a canceled flight or for significantly delayed flights.

*Question 2.* Does Alaska Airlines gain revenue (such as from interest) from the value of unused travel vouchers that are currently held in company accounts? If so, how much revenue has Alaska Airlines collected from the funds in your accounts that are linked to unused travel vouchers since March 2020?

Answer. Our guest facing policies when it comes to guest ticket credits or E-Wallet funds are designed to allow for flexibility and generosity compliant with Federal regulations, while also encouraging predictability to allow us to schedule and operate our network nationwide, all of which is separate from our accounting policies.

*Question 3.* If Alaska Airlines still owes consumers under Question 1, by when will it have completed issuing its refunds? What is the reason for this delay?

Answer. For ticket values associated with travel dates in the past, those values are valid for 12 months from the original issuance of the ticket. The customer can elect to keep the stored value in the ticket *or* request a refund to the original form of payment (if a refundable ticket or if Alaska canceled or significantly delayed the flight) or request travel credit for the residual value.

Alaska's policy is to process refunds to customers under the Department of Transportation refund requirements (7 days for credit card refunds, 21 days for cash—from the date of request). We are providing these refunds back to the original form of payment to our guests that choose not to accept an alternative (*i.e.*, travel credit) when offered for a canceled flight or for significantly delayed flights according to our contract of carriage and DOT requirements.

As refund request volumes are significantly higher than normal due to the cancellations over the last several days of December, our refunds team is working tirelessly to ensure we provide refunds to our guests in a timely manner. Alaska Airlines has provided premium pay for overtime and is utilizing additional resources to assist with these requests.

We have also posted a public guide on refund eligibility on our website: <https://www.alaskaair.com/content/travel-info/help/refund-eligibility>.

*Question 4.* Alaska Airlines reportedly cancelled more than 400 flights in the last week (12/22 to 12/29). How many consumers were impacted by these cancellations?

Answer. Due to winter weather impacts on our operation at key airports in our network we had to slow down our operation and ensure the safety of our employees and our guests. Unfortunately, during this period between 12/22 and 12/29 over 130,000 passengers were impacted by cancellations.

*Question 5.* Will Alaska Airlines commit to providing full cash refunds to all impacted consumers? If not, explain why not and what compensation you will issue to consumers.

Answer. As mentioned above, and consistent with our policy and Federal law, Alaska is providing prompt refunds back to the original form of payment to guests that choose not to accept the alternatives offered for a canceled flight or for significantly delayed flights.

*Question 6.* What is the total value of unrefunded tickets, unredeemed flight credits, and other similar stored value mechanisms that Alaska Airlines owe consumers for these cancellations? Please provide the amount of each value mechanism as well.

Answer. The company processes refunds as our customers request them. If no refund is processed, these tickets will retain their value for the 12-month period of validity as mentioned above and in our contract of carriage.

In addition to unused tickets that have not yet been refunded, we issued approximately \$38 million in refunds over the period from December 22 to December 29, \$25 million of which were refunded in the form of travel credits. These refunds include those for cancelled flights during this time or for future travel. If the flights were canceled or significantly delayed, and the customer did not accept an alternative offered by Alaska, the values were refunded to the original form of payment.

*Question 7.* By when does Alaska Airlines plan to have fully reimbursed consumers?

Answer. As mentioned above, Alaska is current on refunds due to customers that have requested them. We fully expect further refund requests to come in from customers over the weeks and even months ahead and we will endeavor to process all refunds promptly according to DOT requirements.

*Question 8.* Please explain the causes of the recent flight cancellations as well as the steps that Alaska Airlines is implementing to prevent a repeat of these cancellations.

Answer. Despite our efforts to overstaff the holiday travel season in case of unforeseen challenges, for the week leading up to Christmas and into New Year Alas-

Alaska Airlines was impacted by winter weather in the Pacific Northwest followed and combined with increased staffing challenges due to the omicron COVID-19 variant. We know that it's incredibly frustrating when travel doesn't go as planned, especially as many of us are eager to connect with friends and family.

The safety of our operation is our top priority so when it comes to winter weather we need to take the added time to de-ice aircraft and ensure that we're working with the FAA and our airport partners to have a safe and metered operation, as well as ensuring our crew is compliant with all FAA-regulated duty periods. That also means when it comes to COVID we ensure our crew are safe and keeping each other safe if they've been exposed to COVID-19 and are following all protocols both required by the government, and by Alaska Airlines.

Throughout December and into January we used our full toolbox to communicate with guests and reaccommodate them as much as possible, including keeping our blog updated daily, using social media, personal calls, etc. Additionally, we offered flexible travel policies for our guests.

As we entered 2022, our leadership made the call to proactively reduce the schedule by 10 percent to rebuild reliability in our operation. I would welcome you to read our statement here: <https://blog.alaskaair.com/alaska-airlines/operations/schedule-changes-ahead/>. Finally, Alaska Airlines Chief Operating Officer, Constance von Muehlen sent a video message to every impacted guest. In her video she both apologized and outlined that we are continuing a review of our operations to ensure we can avoid similar situations when we face confluences of events such as those faced at the end of December 2021 and into 2022.

*Question 9.* Does Alaska Airlines maintain interline agreements with other carriers to allow passengers affected by disruptions an alternate means of getting to their destinations? If not, why not?

*Answer.* Alaska maintains interline agreements with many of the major U.S. airlines and we utilize those agreements where possible to provide alternate means of getting our customers to their destinations.

