March 21, 2020

The Honorable Nancy Pelosi  
Speaker, United States House of Representatives  
H-232, The Capitol  
Washington, DC 20510

The Honorable Mitch McConnell  
Majority Leader, United States Senate  
317 Russell Senate Office Building  
Washington, DC 20510

The Honorable Kevin McCarthy  
Minority Leader, United States House of Representatives  
2468 Rayburn House Office Building  
Washington, DC 20515

The Honorable Charles Schumer  
Minority Leader, United States Senate  
322 Hart Senate Office Building  
Washington, DC 20510

Dear House Speaker Pelosi, Senate Majority Leader McConnell, House Minority Leader McCarthy, and Senate Minority Leader Schumer, Leader McConnell, Leader Schumer, Speaker Pelosi, Leader McCarthy:

On behalf of 70,000 regional airline employees and our nation’s regional airlines, we respectfully urge Congress to continue to move expeditiously to pass a bipartisan proposal that includes a combination of worker payroll protection grants and unsecured direct loans or treasury-backed loan guarantees for part 121 and part 135 passenger and cargo airlines, as well as support for the Essential Air Service Program that upholds air service for the nation’s at-risk communities.

Time is running out. The worker payroll protection grants are critical to saving the jobs of our employees. Over the past week we have communicated to our employees the dire situation we are in and the potential impacts on them if our government doesn’t step up to help. We have also communicated the impacts of the wholesale loss of regional airline service we would expect at 570 smaller airports in the United States who rely on us exclusively for their source of scheduled commercial air service. All are gravely concerned.

The liquidity crisis at regional airlines has not been overstated. Already, two regional airlines, headquartered in the states of Minnesota and Missouri, have announced abrupt liquidation plans, displacing 2,700 employees between them. Without swift action, these closures will not be the last.

Regional airlines are not looking for a handout. After years of rebuilding after a workforce-driven industry contraction, our members finished 2019 in a strong financial position and with solid balance sheets. However, this global pandemic is beyond even the most conservative planning and preparation. At the pace of even today’s flying reductions, liquidity will be exhausted within weeks or months. Now we want to protect the workforce we worked so hard to rebuild.

We sincerely appreciate the acknowledgement from Congress that aggressive action from the federal government is needed for airlines to weather the direct impacts of COVID-19. However, in making these considerations, we urge you to consider that the airline industry is not a monolith. An assistance package that relies on secured loans and/or excise tax relief only does not help the regional airline industry and its 70,000 employees. Additionally, we appreciate that Congress will have conditions it wishes to impose to protect workers and consumers, such as sensible restrictions on stock buyback,
dividend payments and executive compensation. We believe these are appropriate conditions for those accepting grants and loans. In all cases, we urge Congress to carefully balance conditions imposed with the practicality of offering air service, particularly for our nation’s smallest communities.

Regional airlines do not have the ability to secure asset-secured loans because in most cases we lease, or otherwise do not own, our fleet. Even where assets may be owned, most regional/mainline partnerships operate under Capacity Purchase Agreements with partner airlines, where the partner sells the ticket and the regional airline does the flying. Under these agreements, the regional is compensated by the mainline – and not the passenger directly – for its work. Under these partnerships, regional airlines do not control the way capacity may be drawn down in the future, and therefore have no ability to make needed revenue increases to repay loans used to sustain a workforce not flying.

Additionally, most regional airlines do not have access to capital markets, because most are not publicly-traded. Regardless, in light of the above revenue-scenario, and because of the highly-publicized deleterious impact coronavirus has had on airline liquidity, banks will not grant sufficient credit lines or reasonably-priced capital.

Simply put, the industry will not survive without immediate help from Congress in the form of direct financial assistance or through unsecured Treasury loans. In case of the latter, Congress should balance operational needs while centering workforce support by allowing portions used to directly support the workforce to stand in as pseudo-principal payments, while funds used for other purposes would be repayable in cash.

Already, COVID-19 related capacity reduction announcements have disproportionately impacted regional airline routes. Historically, when airlines are forced to pull back capacity, small community routes operated by regional airlines are the first to go because these are the most vulnerable and marginal markets. Under this near-certain scenario, under a relief package that centers only secured loan or excise tax relief mechanisms, regional airlines trying to save their workforce during this unprecedented downturn would lose their companies and their workforce.

Lastly, we want to acknowledge, with sincere appreciation, that the bill contains a provision where the Secretary of Transportation may require continued air service to certain small communities. However, these small communities are served exclusively by regional airlines. As explained above, there would be no regional airline in a position to serve any market, let alone the smallest ones, unless we have direct financial assistance or forgivable loans. Then, after ensuring the carriers providing this service can survive, Congress should protect the most vulnerable communities by backstopping the Essential Air Service program, so this crisis-driven temporary downturn in enplanements and cost increases does not permanently dismantle the program.

Fully two-thirds of today’s US airports are small communities are exclusively served by regional airlines, and secured loans – whether guaranteed or not – does not help regional airlines survive or retain their workforce. For individual small communities, that’s a big problem. This is also bad for the US economy. In communities served exclusively by regional airlines, air service drives $134B in economic activity a year, 1 million jobs, and $36B in wages and commensurate tax revenues in local economies.
Regional airlines need help ensuring this unprecedented and devastating crisis does not force the furlough of thousands of workers, which would not only devastate our 70,000 employees, but would permanently alter the landscape of small community air service.

Assistance cannot come fast enough.

Sincerely,

Faye Malarkey Black, President & CEO
Regional Airline Association

Subodh Karnik, CEO
ExpressJet

Pedro Fabregas, President & CEO
Envoy Air

Robert Binns, President
Air Wisconsin

Lyle Hogg, President
Piedmont Airlines

Tim Komberec, CEO
Empire

Rick Leach, President
Trans State Holdings, CEO GoJet, Compass and Trans States Airlines

Dan Wolf, CEO
Cape Air

Dion Flannery, President
PSA Airlines

Chip Childs, President and CEO
SkyWest Airlines

Joe Miller, COO
Endeavor Air
Dave Pflieger,
CEO
RAVN Alaska

Jonathon Ornstein,
Chairman & CEO
Mesa Airlines

Bryan Bedford
President & CEO
Republic Airlines