Regional Airline Association

The Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, Northwest
Washington, DC 20220

March 11, 2021

Dear Secretary Yellen:

I write with great concern that many small regional air carriers have not yet received funding from the Payroll Support Program (PSP) extension, enacted on December 27, 2020, to allow carriers to keep employees on payroll and recall workers furloughed during the program's prior lapse. Under the CARES Act, the Department of Treasury initially prioritized PSP awards to smaller air carriers, rightly acknowledging their particular risk of financial harm and disruption by the pandemic. Unfortunately, it has now been over two months since enactment of the extension, and despite meeting the January 14 early consideration deadline, they have not been funded. In fact, these carriers have had minimal or no contact from the Department on their status, despite repeated inquiries. This stands in stark contrast to the Department's treatment of the twelve largest air carriers, which were contacted by the Department prior to the initial application deadline and approved on January 15th—one day after the initial application window closed—for a total of $12 billion in payroll assistance. This prompt reaction to the needs of workers at larger airlines was also appropriate for workers at smaller airlines. Unfortunately, inequitable treatment of smaller carriers has harmed those airlines and carries risk for 436 (66%) US airports at which regional airlines provide the only source of commercial, scheduled air service.

In early 2020, regional airlines directly employed about 70,000 individuals, operated 40 percent of all U.S. departures, and served over 160 million passengers the prior year. Regional airlines typically partner with mainline airlines to bring air service to communities across the United States and to Canada, Mexico, and the Caribbean, specializing in smaller aircraft that are rightsized for markets with lower passenger density. Residents and businesses in these communities rely on regional airlines to access the domestic and global air service network. While regional airlines provide a cultural and economic lifeline for small communities, their service also carries considerable economic benefit for the nation. Air service to the nation's smallest airports—served exclusively or primarily by regional airlines—drove a conservatively-estimated $134 billion in U.S. economic activity in 2019, created one million jobs, and generated $36 billion in wages and tax revenues for local communities, according to a Delta Airport Consultants study.

With far fewer passengers over which to amortize fluctuations in cost or demand, these smaller markets are inherently fragile. With some of the thinnest margins, they are often first and hardest hit when network air carriers are forced to retract service. In fact, during the Great Recession, smaller communities lost departures at a rate that was five times greater than losses at larger airports. Because regional airlines specialize in serving these fragile markets, they are likewise exposed to pronounced business harm when air service demand fluctuates. Last month, Airlines for America announced that revenue from airline bookings was down 82 percent compared to the same week in 2019. When major airlines lose passenger revenue, regional airlines lose revenue from block hours—a measure of how much a regional airline's designated aircraft are being utilized on behalf of a partner. In 2019, block hours plunged to a nadir of over 90 percent and remain severely depressed today. Simultaneously, the same routes have now become less efficient and more costly to operate. With fewer passengers traveling, regionals must take extraordinary measures to tailor demand more precisely than ever before. These changes carry a heavy labor and cash toll—it is costly to ferry aircraft or crew without revenue passengers, and a parked aircraft does not generate revenue.

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Delayed assistance, particularly while other industry segments have been funded for months, is prolonging and deepening the harm experienced by smaller carriers. This is not theoretical; last year, four regional airlines ceased operating under the influence of the COVID-19 pandemic and its impact on passenger demand. The resulting loss of approximately 10,000 jobs degraded air service and airline competition across the country.

Unlike large air carriers, most regional airlines are not publicly traded, and their operations are more akin to a small business than a multi-national company. They do not have access to expansive outside lending while they wait for additional aid. Moreover, most regional airlines operate with a business model that does not entail holding substantial unencumbered assets. For this reason, the vast majority of RAA's members were unable to access the Air Carrier Loan program available to larger carriers. Finally, many regional airlines do not file financial reports with the Department of Transportation pursuant to Part 241; and as a result, they received underfunded payroll support awards under the CARES Act relative to larger air carriers due to inequitable criteria applied to their award calculation. The Consolidated Appropriations Act, 2021 and American Rescue Plan Act of 2021 provides a remedy to this underfunding, but the Department's delay in processing applications has extended the wait. Altogether, these inequities have meant that smaller carriers have had to make do with much less aid, for much longer, than their larger counterparts.

RAA is truly grateful to Congress and to President Biden for their leadership in extending this vital workforce assistance once more. Without it, tens of thousands of airline workers would be disconnected from their livelihood, to the detriment of the communities who rely on them for air service. Now that the Congress has passed the American Rescue Plan Act of 2021, with $14 billion in additional PSP for passenger air carriers, RAA anticipates the Department will soon begin accepting PSP3 applications. RAA is gravely concerned that the delinquent processing of PSP2 applications will cascade, particularly if the Department once again prioritizes large carriers only. Persisting delays to PSP2 awards will mean smaller carriers experience PSP3 award delays, since only those carriers receiving PSP2 awards will be eligible to receive their third award. This is not only unfair and anticompetitive; it stands as a fundamental threat to small community air service across the nation.

We respectfully ask the Department to immediately remedy this inequity by apportioning remaining PSP2 awards for small air carriers without delay and quickly process all PSP3 applications before the end of March when the PSP2 extension expires. Regional airlines want to help the economy recover; however, without access to vital workforce assistance, small regional airlines who serve the smallest communities remain significantly disadvantaged.

Thank you for your consideration of this request. Our staff team stands ready to assist the Department in any way we can be helpful, and I am happy to answer any questions you may have.

Sincerely,

Faye Malarkey Black

Faye Malarkey Black
President & CEO