

US airlines seek billions in aid as outbreak cripples travel

March 16 2020, by David Koenig



In this April 13, 2018 file photo, a Delta Air Lines plane takes off above a taxiing Alaska Airlines airplane at the Seattle-Tacoma International Airport in Seattle. U.S. airlines are asking the federal government for grants, loans and tax relief that could easily top \$50 billion to help them recover from a sharp downturn in travel due to the new coronavirus. Airlines for America, the trade group representing the carriers, posted its request for financial help on Monday, March 16, 2020 just as more airlines around the world were announcing ever-deeper cuts in service and, in some cases, layoffs. (AP Photo/Ted S. Warren, File)

U.S. airlines are asking the federal government for grants, loans and tax relief that could easily top \$50 billion to help them recover from a sharp downturn in travel due to the new coronavirus.

Airlines for America, the trade group representing the carriers, disclosed its request for financial help on Monday, just as more airlines around the world were announcing ever-deeper cuts in service and, in some cases, layoffs.

The trade group is asking for \$29 billion in federal grants, with \$25 billion for passenger airlines and \$4 billion for cargo carriers. The airlines are also seeking up to \$29 billion in low-interest loans or loan guarantees, and they want federal excise taxes on fuel, cargo and airline tickets to be suspended through the end of next year.

That package would easily surpass the \$5 billion in grants and up to \$10 billion in loan guarantees that Congress approved after the terror attacks of September 2001, which temporarily grounded all U.S. flights and led to a long slump in domestic travel.

U.S. airlines are coming off a decade marked by record profits. Since January, however, they have been reducing flights, starting with the suspension of flights to mainland China, where the virus outbreak began. The downward spiral in travel has picked up speed in recent days, prompting airlines to announce a succession of increasingly dramatic measures.

Since Friday, United, American and Delta have all announced deeper cuts in flying than they were contemplating just a few days earlier.

Some airlines including United have borrowed recently to shore up their

available funds while they are taking in less revenue. Airlines for America said that in its worst-case scenario, the airlines could run out of money in the second half of this year—even sooner if credit card companies withhold cash from sales of airline tickets.

The trade group's members include the six largest U.S. passenger airlines: Delta, American, United, Southwest, Alaska and JetBlue. Cargo carriers FedEx and UPS are also members.

Around the globe, airline bookings are plummeting and cancellations soaring as governments restrict travel and people fear being enclosed in an airplane for several hours during a pandemic that has already sickened about 170,000 people and killed more than 6,500.

Late Sunday night, United Airlines announced that it would slash 50% of its flying capacity in April and May and warned that the cuts could extend into the peak summer travel season. Even with thousands fewer flights every week, the airline expects its planes to be only 20% to 30% full at best, and March revenue will be down by \$1.5 billion.

"The bad news is that it's getting worse," CEO Oscar Munoz and President Scott Kirby said in a letter to United's roughly 96,000 workers. "We expect both the number of customers and revenue to decline sharply in the days and weeks ahead."

American Airlines on Monday suspended about 75% of its long-haul international flights through at least May 6 and began grounding about 135 planes. It will cut passenger-carrying capacity in the U.S. by 20% in April and 30% in May.

Airlines are talking to unions about taking cuts in pay or hours, and some are cutting executive and management salaries.

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