

American Airlines to apply for \$12 bn in govt relief

March 31 2020, by John Biers



The airline industry is one of the sectors hardest hit by the coronavirus pandemic, and is seeking billions in federal assistance

American Airlines became the first US carrier to announce it will request federal aid under the just-approved relief package, saying it will apply for \$12 billion as it attempts to survive a global downturn sparked by the coronavirus pandemic.

The US carrier has seen its business devastated as part of an industry-

wide depression, but the funds should permit it to survive the very rough patch without resorting to deep layoffs, executives said in a letter to employees Monday.

With air travel at a near standstill due to COVID-19, Trump administration officials have said they are examining the possibility of taking equity shares in airlines as part of the bailout for the industry.

"These funds are being distributed to ensure continuation of essential airline service and protect jobs," American's Chief Executive Doug Parker and President Robert Isom said in the letter.

"We intend to apply for these funds and are confident that, along with our relatively high available cash position, they will allow us to fly through even the worst of potential future scenarios."

The executives said the funds should allow them to avoid involuntary furloughs or cuts to benefits or pay for the next six months.

United Airlines and Delta Air Lines, two other large carriers have until April 3 to apply for support under the \$2 trillion "Cares" Act, which sets aside \$50 billion for passenger airlines.

Huge drop in passengers

The airline industry is one of the sectors hardest hit by the COVID-19 outbreak, with US carriers suspending most transatlantic flights and many domestic routes.

There were just 154,080 travelers on Monday, down from nearly 2.4 million a year ago, according to data from the US Transportation Security Administration.

The latest forecasts by the International Air Transport Association estimate that airlines globally will lose \$252 billion in revenues in 2020 compared to last year due to the cutbacks.

The trade group praised the US relief bill and also cited measures by other governments, including China, Australia, Colombia and Singapore.

As part of their efforts to rein in costs at a time when revenues have fallen sharply, leading US carriers have encouraged employees to take unpaid leave where they maintain their health and flying benefits.

The American Airlines executives said the company would institute "enhanced voluntary leave and early retirement options" as "there is no doubt we will have more team members than we need to fly our dramatically reduced flight schedules over the next several months."

Under the new policy, employees who take voluntary leave will be eligible for a "partial salary component," Parker and Isom said.

US officials said the government could take a stake in the airlines, as it did when Washington bailed out Detroit automakers after the 2008 financial crisis.

Treasury Secretary Steven Mnuchin, speaking on CBS's "Face the Nation" talk show, said the government could take equity positions in return for infusions of taxpayer money.

"Some of them are very good companies that just need liquidity and will get loans. Some of these companies may need more significant help and we may be taking warrants or equity as well as that," Mnuchin said.

"The president wants to make sure the American taxpayers are compensated. This is not a bailout."

Aid payment details will be discussed only once American Airlines has officially made its request.

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