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Cantwell Opening Statement at Hearing on Aviation Oversight, PSP

WASHINGTON, D.C. -- U.S. Senator Maria Cantwell, Chair of the Committee on Commerce, Science, and Transportation, delivered the following opening statement during today's full committee hearing regarding oversight of the U.S. airline industry and the impact of the Payroll Support Program (PSP) to protect the airline workforce, support the continuity of safe and essential travel, and ensure the industry's ability to remain viable to meet future travel demand. The committee heard testimony from: Doug Parker, CEO, American Airlines; Gary Kelly, CEO, Southwest Airlines; Scott Kirby, CEO, United Airlines; John Laughter, Executive Vice President and Chief of Operations, Delta Air Lines; Ms. Sara Nelson, International President, Association of Flight Attendants-CWA; and Mr. Mike Tretheway, Chief Economist and Executive Vice President, InterVISTAS Consulting Inc.



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“The immediate question before the Committee today is whether the Payroll Support Program (“PSP”) 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.”

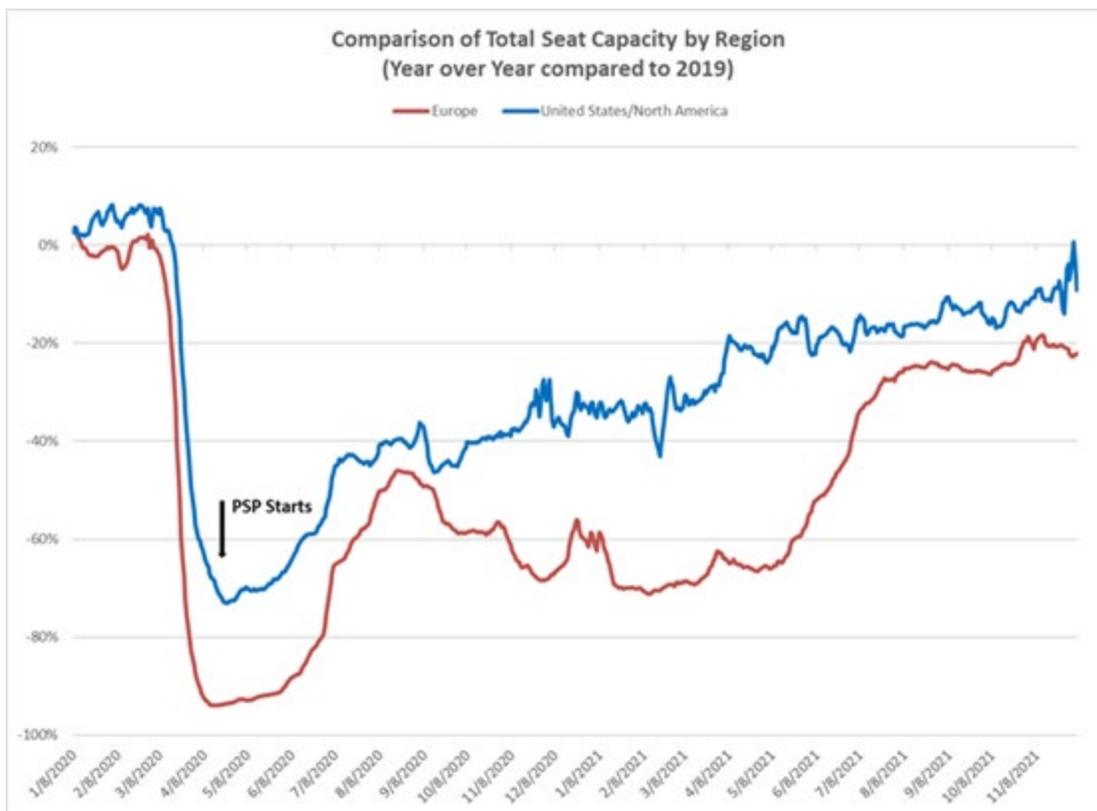
“The Payroll Support Program was a historic investment to sustain a critical sector of the U.S. economy: aviation amounts to more than 5 percent of the U.S. GDP and contributes \$1.8 trillion in total economic activity.

“By ensuring airlines had funding to continue to pay their employee’s wages, salaries, and benefits, the Payroll Support Program saved the jobs and livelihoods of hundreds of thousands of workers. And I’m sure that is the story we are going to hear.

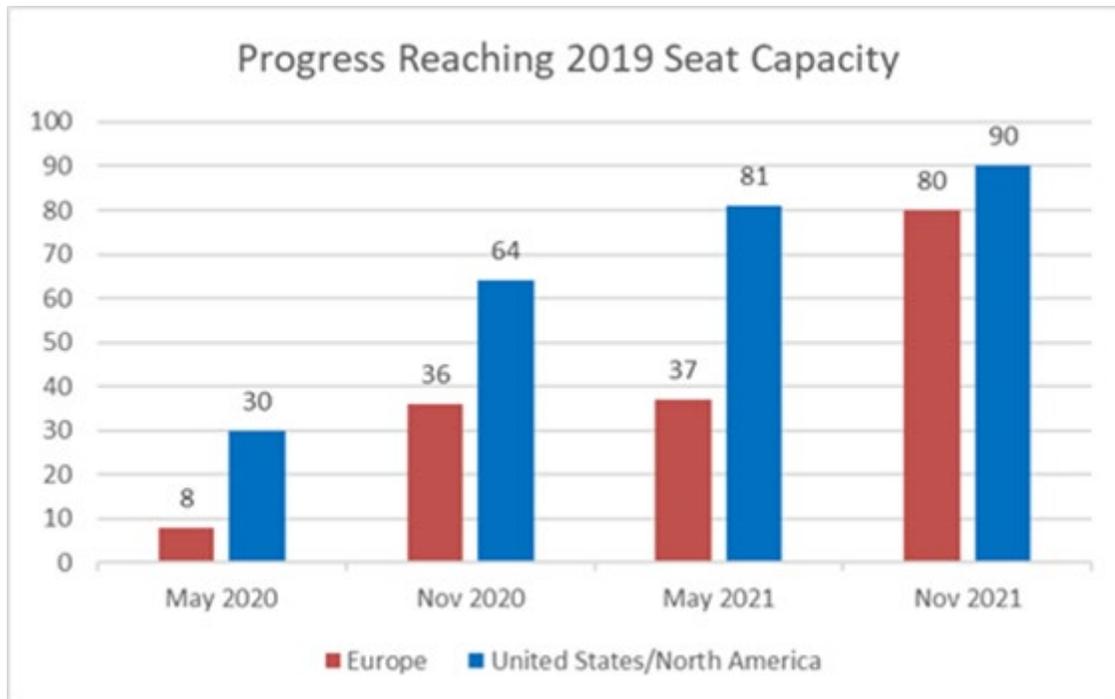
“Specifically, the relief saved 386,200 direct full-time U.S. passenger airline jobs (approximately 85 percent of the pre-pandemic workforce), according to data reported by the major airlines. In addition, the workforce aid indirectly supported over 340,000 jobs, including 74,000 – higher than 74,000 – in the supply chain. This is one of the great things about this program – it went through the entire ecosystem of aviation.

“Today, U.S. domestic capacity is at 87 percent of the pre-pandemic levels, which is above peer markets in Europe and Asia.

“I think these two charts (below) probably show it best – the gap- with the United States being the blue line, and Europe 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.



[Refers to second chart] “To look specifically over the same time period... over the various months... and today, where 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 and meant a lot to those families and to the workers. And the fact that as of September 2021, airlines were only 8% under their pre-pandemic levels [of employment]. 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 conductivity 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 continued to operate 5,936 weekly frequencies to these destinations amounting to over 300,000 frequencies per year.

“This service guarantee ensured that the national system of air transportation network remained open for business. It was critical for supplies, including vaccines in 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 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% 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 rebound that I just showed in those charts.

“In January 2021, the U.S. domestic passenger volumes were at 42% of pre-pandemic levels, and by last week, they were at 87%. This is a 107% increase in domestic airline capacity and 2021 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 Asia Pacific is lingering around 53%. 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.

“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%. 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. We've heard estimates of anywhere around \$20 billion, so we know that in the end, it would have been still a lot of cost to the federal government. So 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'm sure that we will hear from our witnesses about those and questions from my colleagues on those disruptions and what we should do. We'll also hear about consumer delays and cancellations of flights and consumer refunds and complaints against you where U.S. airlines did skyrocket in 2020, and the Department of Transportation reports a huge increase over [the prior years].

“While 2021 is better, there are still complaints with more than 5,500 refund complaints so far. And we 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 to 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 dialogue, we have asked other airlines 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're in a better place than where we would have been 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.”