

Hearing before
U.S. Senate Committee on Commerce, Science, and Transportation

Oversight of the U.S. Airline Industry

Testimony of John Laughter
Executive Vice President & Chief of Operations
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The Status of Delta Air Lines in 2021

Introduction

Good afternoon, Chair Cantwell, Ranking Member Wicker, and distinguished Members of the Committee:

Thank you for the opportunity to appear before you today regarding the status of Delta's workforce, operations, and management of federal funding as we continue to work through the COVID-19 (COVID) pandemic.

My name is John Laughter, and I have the privilege of serving as Delta's Executive Vice President & Chief of Operations. I am responsible for ensuring that Delta provides industry-leading, safe, and reliable operations across the globe. I directly oversee Delta's global flying operations, maintenance services, safety, and security groups – over 22,000 Delta employees that include pilots, mechanics, dispatchers, and aviation professionals who manage pilot staffing, training and standards, technical support, and regulatory compliance. In my 28+ years with Delta I have served as the Senior Vice President (SVP) of Flight Operations; SVP of Corporate Safety, Security and Compliance; and held various leadership positions in Technical Operations.

Delta and all its employees are extremely grateful to this committee and the rest of the U.S. Congress for your support throughout the pandemic. The CARES Act and subsequent relief packages included vital support for Delta's employees through the Payroll Support Program (PSP). COVID has caused an unprecedented public health and economic crisis. As the recently discovered Omicron variant has demonstrated, we continue to reckon with challenges caused by the pandemic, and we appreciate the opportunity to engage with you on these issues.

Today, as always, we remain focused on protecting the health and safety of our employees and customers, providing the best possible service, and safeguarding Delta jobs. At the onset of the COVID pandemic Delta moved quickly to transform the industry standard of cleanliness to ensure a safe and comfortable travel experience for our customers and employees – all while maintaining our industry-leading reliability and customer experience – and we continue to do so.

How COVID-19 Has Impacted Delta Air Lines

The pandemic continues to present an extraordinary challenge to Delta and other airlines. At the beginning of the crisis, travel restrictions and stay-at-home orders were effective at slowing the spread of the virus, but severely impacted demand for travel. In 2020, passenger volumes dropped by as much as 95 percent by the end of March, resulting in a pre-tax loss of \$12.4 billion for Delta over the entire year, the largest loss in our history¹. While we have seen travel stabilize across the U.S., the Omicron variant of COVID has demonstrated the ongoing volatility of the pandemic. Countries that have recently lifted travel bans are reevaluating policies, impacting the recent increased demand for international travel.

¹ [DAL 12.31.2020 10K \(q4cdn.com\)](https://www.delta.com/press-releases/2021/01/2020-annual-report)

Delta Air Lines Responds to COVID-19

Delta Culture and Servant Leadership Rise to the Challenge

In the early days of the pandemic, revenue and demand quickly evaporated, forcing Delta to take decisive action to preserve jobs by reducing our cost base without compromising employee and customer safety. We parked or retired more than 650 aircraft and consolidated facilities at airports nationwide. In March of 2020, our CEO announced he would forgo his salary and the salaries of Delta officers were reduced by 50 percent. To avoid involuntary layoffs, we offered voluntary early retirement and departure packages and voluntary unpaid leaves of absence. I am proud of the way the Delta community came together during an extraordinarily stressful and difficult time:

- More than 40,000 employees volunteered for short- and long-term unpaid leaves of absence at some point in 2020, and more than 17,000 Delta people volunteered to take early retirement or departure packages – all of which enabled us to avoid U.S. furloughs and save countless Delta jobs.
- As the operation slowed, most of our merit and ground-based frontline employees worked under reduced schedules for much of the year, providing vital savings that reduced our daily cash burn rate and positioning us for recovery.
- Our flight attendants, pilots, reservations agents, and other front-line teams provided an unmatched level of service that resulted in the best customer feedback scores Delta has ever received – earning Delta the No. 1 spot on the 2021 J.D. Power 2021 North America Airline Satisfaction Study².

These measures, taken together, were vital to protecting Delta’s future during the early months of the pandemic as we operated a minimal schedule to provide essential services for those who traveled.

This comprehensive approach is part of Delta’s longstanding commitment to protect our people, customers, and the communities in which we live, work, and serve. It is also reflective of our culture of sharing sacrifices during difficult times, as well as sharing the benefits of success during good times. As a result of our employees’ efforts and the PSP, we are proud that no U.S. Delta employee was involuntarily furloughed due to the financial and operational impacts of the pandemic.

Measures to Prevent COVID-19 Exposure

Delta has made the health and safety of our people and customers our No. 1 priority since the start of the pandemic – leading the industry with policies including: establishing rigorous cleaning and safety protocols on the ground and in the air; blocking of middle seats through April 30, 2021; facilitating contact tracing for inbound international passengers; and implementing mask requirements for all passengers.

Early in the onset of the pandemic, we partnered with the world-renowned Mayo Clinic, whose experts advised us on employee testing, strategies for cleanliness, and operational tactics to reduce the transmission of the virus. These efforts led to the establishment of our Global Cleanliness Division, which sets a new standard of cleanliness for our customers, known as the Delta CareStandardSM. In a first for the U.S. airline industry, we hired Mayo Clinic’s Dr. Henry Ting as our Chief Health Officer to oversee our efforts and ensure they are based on rigorous scientific research. Dr. Ting is also responsible for leading

² [2021 North America Airline Satisfaction Study | J.D. Power \(jdpower.com\)](https://www.jdpower.com/press-releases/2021-north-america-airline-satisfaction-study)

our efforts to reimagine Delta's efforts to ensure the physical and mental health and well-being of our employees.

Operationally, we created a dedicated team of more than 100 Clean Ambassadors to oversee our Global Cleanliness Division's goal of increasing the number of cleaning crews and implementing the DeltaCare Standard at more than fifty airports³. We also partnered with the makers of Lysol and Purell to ensure each flight complies with our extensive preflight cleaning checklist and that all our planes include hand sanitizer stations and provisional Purell disinfecting wipes for each passenger. Additionally, we continue to electrostatically spray our aircraft interiors with high-grade disinfectant and use HEPA air filters to remove 99.99 percent of airborne particles on-board.

Vaccines

As part of our broader efforts to protect our customers and our employees, Delta partnered with Georgia to host the state's largest COVID vaccination site to support the state's vaccination program. Over 117,000 vaccines were administered at the site, located at Delta's headquarters. Overall, Delta has spent more than \$25 million to promote and administer a total of 151,000 vaccines to Delta employees and members of the public. We continue to offer COVID testing and vaccinations to our U.S.-based employees, free of charge. These efforts allowed the company to fully reopen our headquarters in June and have resulted in more than 90 percent of our employees being vaccinated.

Delta was also in a unique position to distribute the COVID vaccine on a global scale thanks to our extensive network, unmatched international airline partnerships, and proven ability to safely and effectively transport vaccines. As the first U.S. passenger airline to receive IATA's Center of Excellence for Independent Validators Pharma Logistics Certification at its Atlanta hub and headquarters, our full-service pharma capabilities included temperature-controlled warehouses, and all COVID vaccine shipments were transported with the highest priority and monitored throughout their journey by our unique Vaccine Watch Tower. Shipments occurred daily throughout the U.S. with 100 percent reliability. Our shared values of honesty, perseverance, and service to each other, our customers, and our communities have allowed us to safeguard Delta's future in this unprecedented time while helping others around the globe.

Delta's Collaboration with The Federal Government

Payroll Support Program

The PSP enabled the airline industry to preserve tens of thousands of jobs that would otherwise have been lost. Delta's people, our families, and I cannot thank Congress enough for this support.

Delta has implemented several measures to ensure we are in full compliance with the terms of the PSP agreements. We established a PSP & CARES Act Compliance Program Executive Steering Committee and CARES Act Working Group led by the Ethics & Compliance team in the Law Department. The Working Group and Steering Committee are both cross-functional groups that bring together key stakeholders with responsibility for ensuring Delta complies with the requirements of this important federal program. The Ethics & Compliance team structured the compliance program framework around the PSP obligations and restrictions applicable to Delta and our wholly owned subsidiaries. The team worked

³ [Delta deploys dedicated cleanliness 'eyes and ears' at US airports | Delta News Hub](#)

with key stakeholders to ensure appropriate processes and controls were put in place. The compliance program includes the following workforce-focused measures: i) tracking how Delta uses the PSP funds to ensure they go exclusively to payment of Wages, Salaries, and Benefits of CARES-eligible employees; ii) review of any involuntary terminations to ensure they constitute permitted terminations (such as terminations for cause); iii) monitoring reductions of pay rates and benefits for compliance with PSP requirements; and iv) review of highly compensated employees subject to Total Compensation restrictions. Early in the pandemic – and prior to the establishment of the federal PSP program – we announced a goal to avoid furloughs entirely, a key goal of the PSP program. Thanks to the PSP support, our employees’ extraordinary efforts, and Delta’s collaborative culture, we were able to achieve this goal, despite the unprecedented economic impact of the pandemic.

While the CARES Act emergency relief for airline employees was welcome assistance, those funds alone were not nearly enough to sustain our business through the pandemic. As noted previously, demand for flights dropped by 95 percent over the course of a few weeks in March of 2020. As a result, Delta had a cash burn rate of \$90 million each day, which resulted in our 2020 operating revenue dropping nearly \$30 billion compared to 2019. Consequently, even with the significant relief offered through the CARES Act and subsequent measures, it was still necessary—and expected—for Delta to take additional measures to reduce costs and shrink its footprint. The incredible efforts of the Delta team and support through PSP resulted in an amazing \$10.8 billion reduction in operating expenses. PSP funding alone was simply not sufficient for Delta to maintain the scale and tempo of its pre-pandemic operations. Again, Delta is so proud that together with PSP and Delta workforce efforts, we came together to be sure not a single employee faced an involuntary furlough.

Delta Air Lines’ Work with U.S. Agencies

Delta worked closely with federal agencies on several pandemic efforts. Developing face mask requirements was a key measure to limit the early spread of COVID. Delta worked closely with DOT to ensure the process worked for all passengers, including an exemption to facilitate travel by persons with disabilities that prevent them from wearing a mask. The process Delta developed was the basis of guidance the DOT subsequently issued to ensure all airlines are appropriately accommodating persons with disabilities.

Delta also worked with federal agencies to implement contact tracing for international travel. In December of 2020, Delta became the first U.S. airline to partner with the Centers for Disease Control and Prevention (CDC) and the U.S. Customs and Border Protection (CBP) to establish a voluntary contact tracing program for customers traveling to the U.S. from an international location, adding one more important layer to our overarching efforts to ensure health and safety throughout the travel experience.

Finally, Delta worked closely with regulators to meet governmental requirements ensuring service continued to smaller communities while adjusting to new demand. For example, the CARES Act, and subsequent relief bills, included language to ensure that essential travel would continue uninterrupted. Delta was able to work with DOT to maintain scheduled air transportation deemed necessary by DOT.

New Challenges Created by The Return to Air Travel

Returning to Travel

Delta has been optimistic that travel would resume, but we still do not know when it will return to pre-pandemic levels. As travel demand begins to accelerate, and countries begin to reopen, we are taking the necessary steps to restore our capacity in a disciplined, thoughtful manner. We recently enjoyed a successful Thanksgiving, helping 3.6 million Delta customers travel from November 21 through 28, with more than 534,000 passengers transported on November 28 alone. Of the more than 32,000 flights Delta operated, only 16 were canceled⁴.

However, we expect, and are prepared for, an uneven, choppy recovery even as the virus is being contained. While domestic travel is improving to encouraging levels, it is still significantly below 2019 levels. The Omicron variant has created further uncertainty, and there is no clear consensus on when business and international travel will return. As travel demand begins to accelerate and countries begin to reopen, Delta is committed to restoring our capacity while ensuring the safety of our employees and customers.

Working Towards the Future of Travel

Delta is working quickly to increase staffing in Reservations and Customer Care, Airport Customer Service, Cargo, Flight Operations, and Technical Operations in support of customers' return to travel. The Reservations and Care team has hired 1,400 specialists who have been trained to address long customer support wait times during the pandemic. Along with this, we are hiring more than 6,100 Airport Customer Service Agents and more than 600 pilots. In total, we have hired more than 8,700 people across the business to support the return to travel in 2021. Delta also continues to look for ways to simplify the travel experience and help customers navigate travel. We are improving the Fly Delta app and delta.com to make quick changes easier without waiting in line at the airport or calling Delta directly. We have also extended the timeframe customers traveling in Basic Economy can make changes to their flights for travel occurring through December 31, 2021. (Basic Economy fares are typically non-changeable and non-refundable).

Delta Remains the Most Reliable Major Airline

A positive customer experience is critical to Delta's success—customer loyalty is good for business, and that begins with ensuring we do our best for each customer. During the pandemic, when so many customers were changing their travel plans, Delta continued to honor valid refund requests when we cancelled a flight or made a significant schedule change. Delta approved over 7.3 million valid refund requests and issued more than \$3 billion in customer refunds between March 2020 and March 2021. We also provided travel credits to passengers with Basic Economy fares, which is not typically permitted. Further, Delta's travel credit extension allows for unmatched flexibility through December 31, 2022, for all tickets purchased or expiring in 2020 and 2021.

While we continue to face challenges, we are committed to addressing them and maintaining our tradition of high-quality service. Delta has long delivered the most reliable airline service in the world, and we have maintained that standard in the recovery. DOT data demonstrates Delta continues to run an industry-leading operation—Delta ranked No. 1 among our competitive set on key operating metrics,

⁴ [Delta caps smooth holiday week with record-setting Sunday | Delta News Hub](#)

including completion factor and on time performance from January-September 2021 (see the addendum below). Our internal data indicates we continue to lead our peers through November.

Thank you again for your support of the airline industry which is vital to our nation's economy and national security. I look forward to answering your questions.

Addendum

Table 1: On-Time Performance

Year to Date thru September 2021

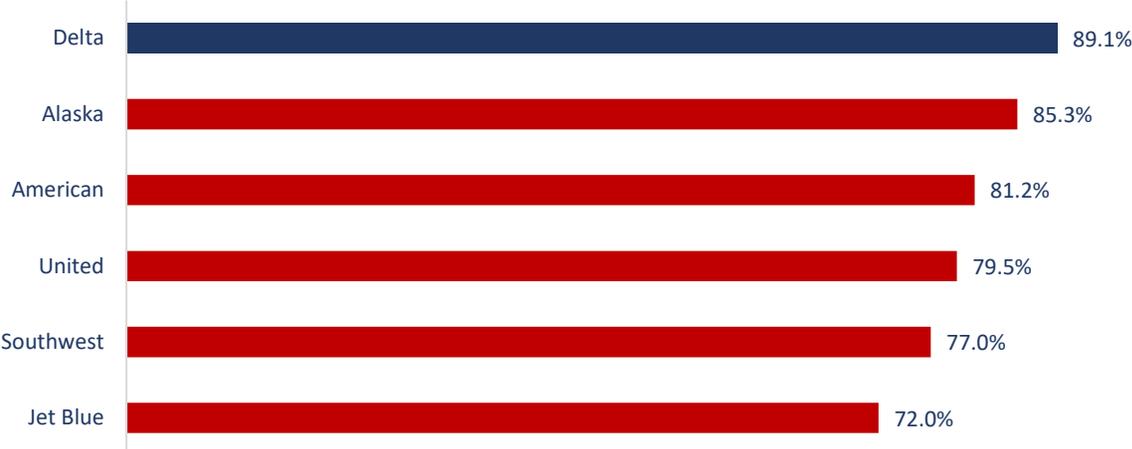


Table 2: Completion Factor

Year to Date Thru September 2021

