

COVID-19 Update: US Treasury Department Proposes \$50 Billion Airline Loan Program

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The US Treasury Department has proposed a \$50 billion secured loan facility to assist the US airline industry during the coronavirus disease 2019 (COVID-19) outbreak. Under the proposal, loan proceeds would be made available to US passenger and cargo air carriers through the Exchange Stabilization Fund, an emergency reserve fund of the Treasury Department. To access the facility, air carriers will be required to provide specified continuation of service covenants and constrain increases on executive compensation until repayment of the loans. The Treasury Department has not yet determined additional loan terms and conditions, such as the applicable interest rate, repayment schedule and the specified collateral securing the loans.

The Treasury Department proposal follows the request for federal assistance by Airlines for America (A4A), a trade association and lobbying group representing major North American airlines. The A4A proposal sought for its US passenger and cargo air carrier members: (1) up to \$29 billion in direct grants from the Treasury Department; (2) up to \$29 billion in unsecured, zero-interest loans and loan guarantees to be issued by the Federal Reserve; and (3) relief from federal excise taxes applicable to passenger and cargo operations (i.e., the purchase of passenger airline tickets, carrying of air cargo and purchase of jet fuel) in the form of a rebate of such taxes paid to date in calendar year 2020 and a repeal of all such taxes through calendar year 2021.

We expect the Treasury proposal to receive fast consideration and undergo some modifications as the federal government seeks to prevent the collapse of the US air transportation industry and as all the airlines move to dramatically reduce foreign and domestic capacity.

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