

Coronavirus - impact on transportation and travel


An overview of the impact of COVID-19 on the airline, automobile, rail, and cruise industries, as well as provisions in Congress' third COVID-19 response legislation related to the transportation sector

July 6, 2020

Producers

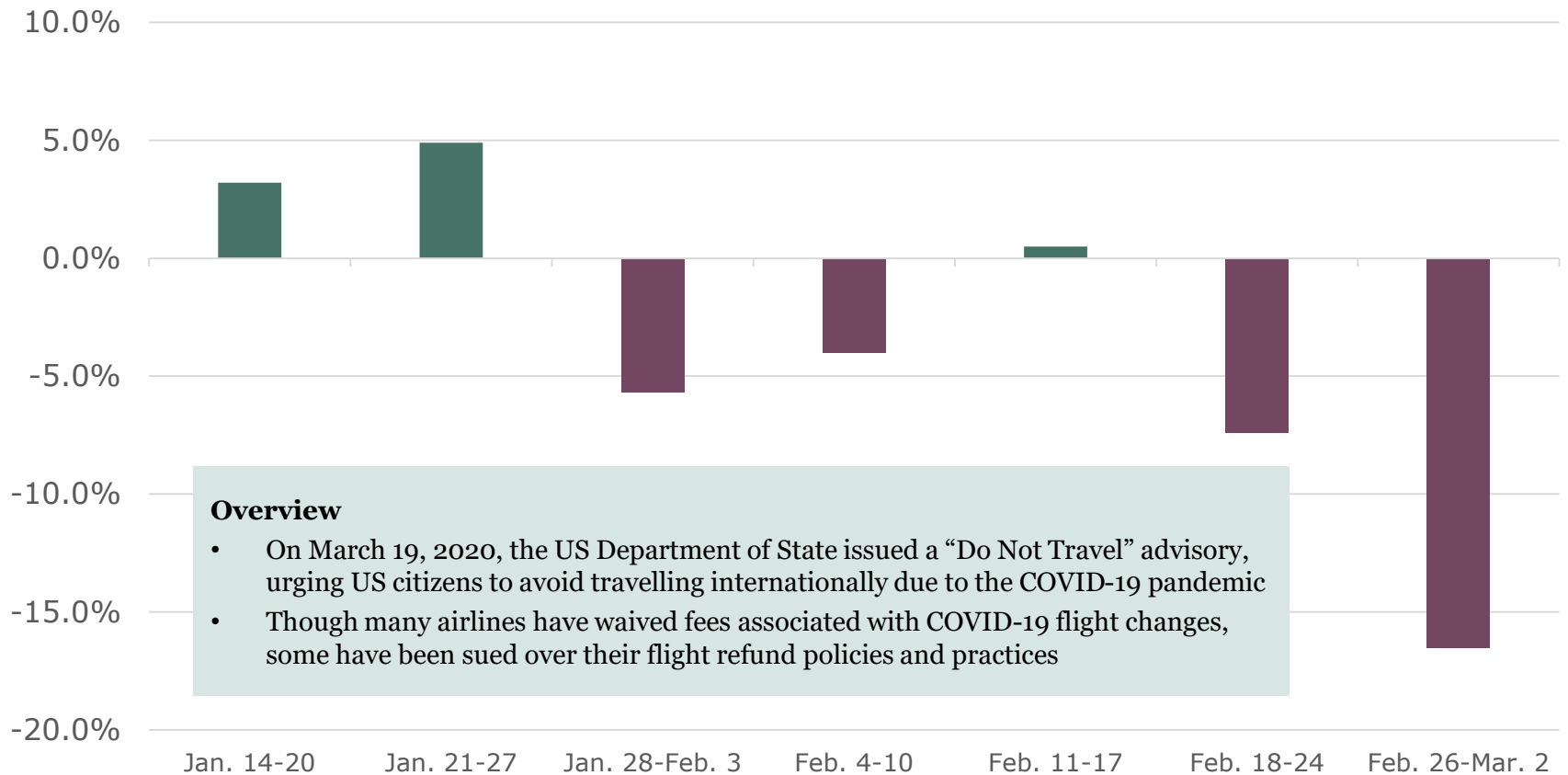
Zachary Goldstein and Madison DeLuca

Roadmap

- 
- Impact on airlines
 - Impact on automobiles
 - Impact on freight and passenger rail
 - Impact on cruise lines

Travelers have cancelled or rescheduled flights as a result of COVID-19

Year-over-year change in weekly US airline sales, 2019-2020

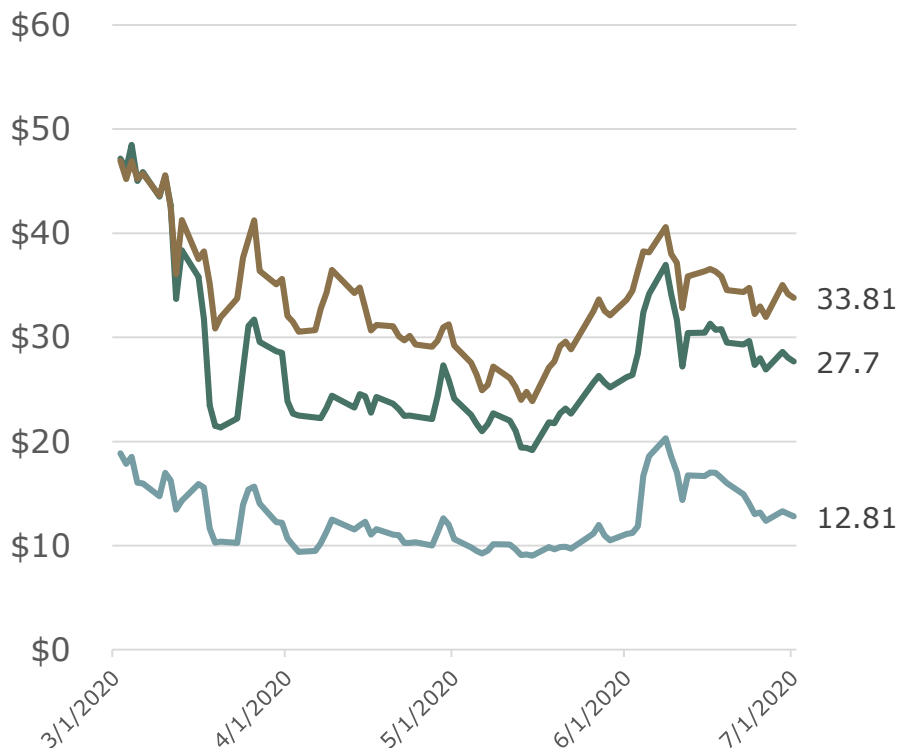


Sources: Barrons, MarketWatch, Vox, US Department of State, Politico.

Major airlines have waived flight change fees and cut flights in response to the COVID-19 outbreak

Closing stock prices of three largest US airlines

- Delta Air Lines (DAL)
- Southwest Airlines (LUV)
- American Airlines (AAL)



Policies of major airlines in response to COVID-19 pandemic

Delta Air Lines

- Waived change fees for travel booked for March through September 30, 2020 and/or tickets purchased between March 1 and July 31, 2020

Southwest Airlines

- Waived fare difference for certain changed flights scheduled to depart by April 30, 2020
- Extended expiration for certain flight funds through September 7, 2022
- No change fees (consistent with pre-coronavirus policy)

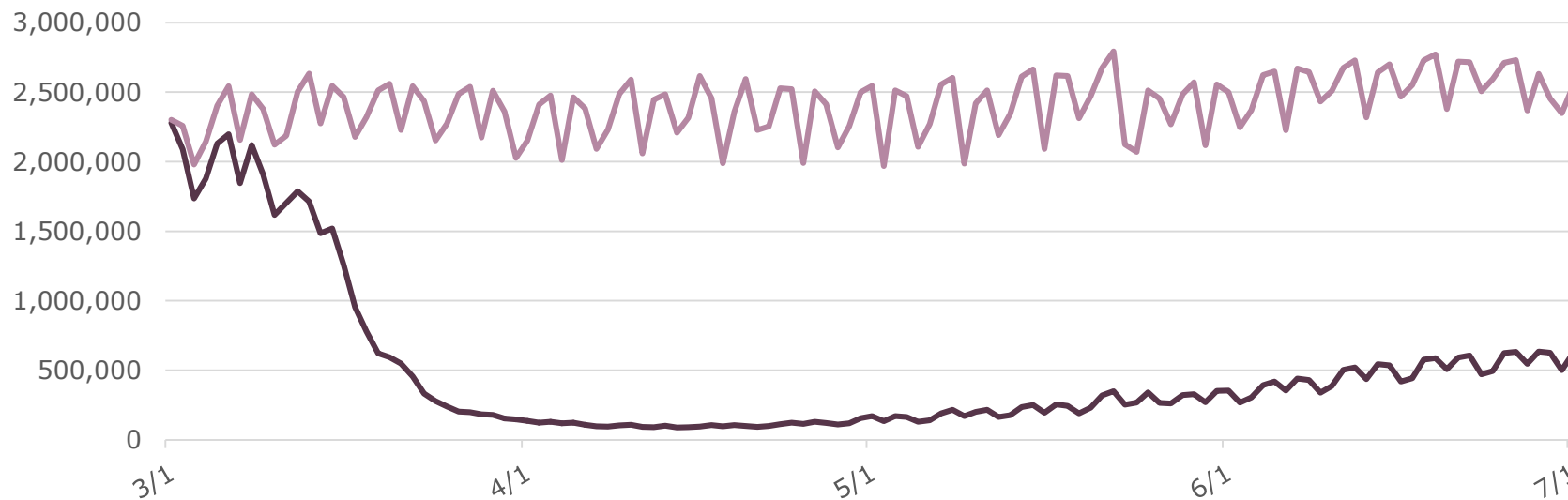
American Airlines

- Waived change fees for travel through September 30, 2020 (with limitations)
- Waived change fees for tickets purchased by July 31, 2020 for travel October 1, 2020 and later (with limitations)
- Extended expiration of certain flight funds through December 31, 2021

Airport traffic year-over-year declined substantially in March 2020

Year-over-year change in Transportation Security Administration (TSA) checkpoint travel throughput, 2019-2020

■ 2020 ■ 2019 (same weekday one year earlier)

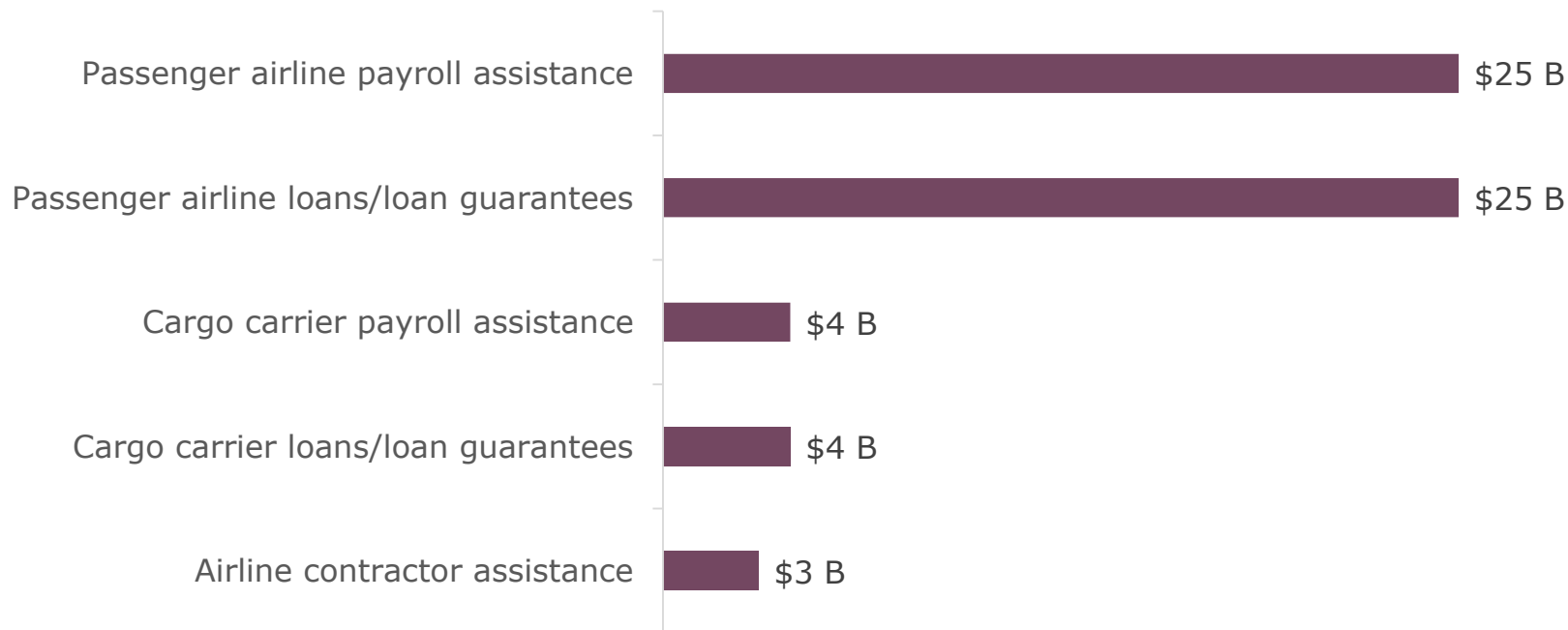


Minimum service requirements: As part of the third COVID-19 stimulus bill passed in March 2020, airlines were required to retain at least some flights for all cities they had previously served in order to receive federal assistance

- At least **ten airlines requested exemptions** from these minimum service requirements; some stated that they would have to run flights with few or no passengers to satisfy the requirements
- Though the Department of Transportation denied most of the initial requests for minimum service exemptions, in May 2020 it began allowing airlines to **suspend service to either five total markets or five percent of their total markets served**, whichever was greater

Congress' third COVID-19 response legislation included \$61 billion in assistance to the airline industry

Overview of airline assistance in the Coronavirus Aid, Relief, and Economic Security (CARES) Act



Airline restrictions in the CARES Act

- Some Democratic lawmakers had hoped to pair airline assistance with mandated emissions cuts, but these provisions were not included in the final bill
- The legislation did include restrictions on executive pay and stock buybacks for airline companies

In April 2020, the White House reached an agreement in principle with airlines on CARES Act payroll assistance details

Overview of airline and airport federal assistance under Congress' third COVID-19 response legislation



Grants

- On April 14, 2020, the Trump administration **reached an agreement in principle with ten airlines** regarding the \$25 billion in airline payroll assistance grants included in March's coronavirus stimulus package
- The grants are intended to **assist airlines in paying staff**
- Air companies **can receive an amount equal to their total cost of payroll from April through October 2019**, though this could surpass the program's allocation of \$25 billion



Loans and stock warrants


- Airline companies and the Trump administration **struggled to agree** on whether the industry should **repay a portion of the payroll assistance grants**
- The deal requires airlines to repay **30% of the federal payroll assistance**
- The deal also provides the government with **stock purchase warrants worth 10%** of the total assistance provided to each company



Airport assistance

- The Department of Transportation also **released the details of airport assistance payments** on April 14, 2020
- Small and large airports both have the opportunity to apply for assistance
- Experts have suggested that airports will likely use the payments to cover payroll costs, since the airports are **required to keep 90% of employees to receive payments**
- Airports could also use the funds for **debt service or construction costs**

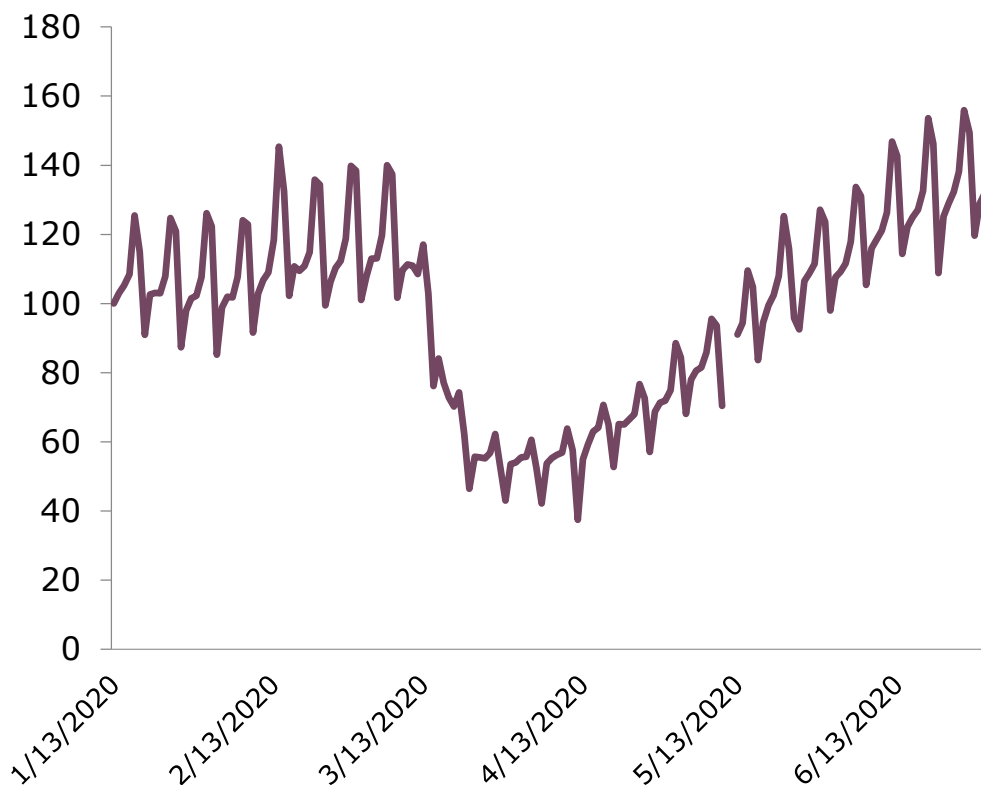
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After a dip, Apple Maps US driving route requests have surpassed pre-pandemic levels

Changes in Apple Maps US driving route requests, over time

DAILY CHANGE COMPARED TO BASELINE VOLUME (JAN. 13, 2020=100)
JANUARY 13, 2020 – JUNE 30, 2020



At the pandemic's outset, gasoline prices fell due to restrictions on travel and the Saudi Arabia-Russia oil price dispute



More commuters may rely on driving once lockdowns are lifted, which could lead to an increase in traffic



Due to fall-offs in gasoline demand, EPA **extended sales of winter gasoline**, which is more likely to cause smog in summer heats




A bipartisan group of 137 House lawmakers expressed support for allocating \$50 billion to state transportation departments in future coronavirus relief



The electric vehicle industry could suffer from lower gasoline prices and disruptions to lithium-ion battery supply chains

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Public transit agencies have taken precautions to prevent the spread of COVID-19



Public transit agencies' public health responses

- Installing vinyl shields or chains to **separate drivers and passengers**
- Testing **employees' temperatures** daily and/or instituting regular health screenings
- **Tracking ridership levels** on trains
- Running **longer trains** to allow riders to spread out
- **Distributing masks**
- **Frequently disinfecting** trains and buses



Changes to US commuting practices that may follow the reopening of the economy

- **Driving:** More commuters may rely on driving once lockdowns are lifted, which could lead to an increase in traffic
- **Biking:** Activists are calling for bike lane expansions
- **Teleworking:** More employers may allow teleworking post-coronavirus, which would reduce commute volumes
- **Company accommodations:** Some companies are considering transportation accommodations for employees, such as subsidizing vehicle rentals and purchases or offering private bus options

Further social distancing measures public transit could institute



Blocking off every other row of seats



Lowering rider maximums



Increasing route service frequency



Boarding buses through rear doors



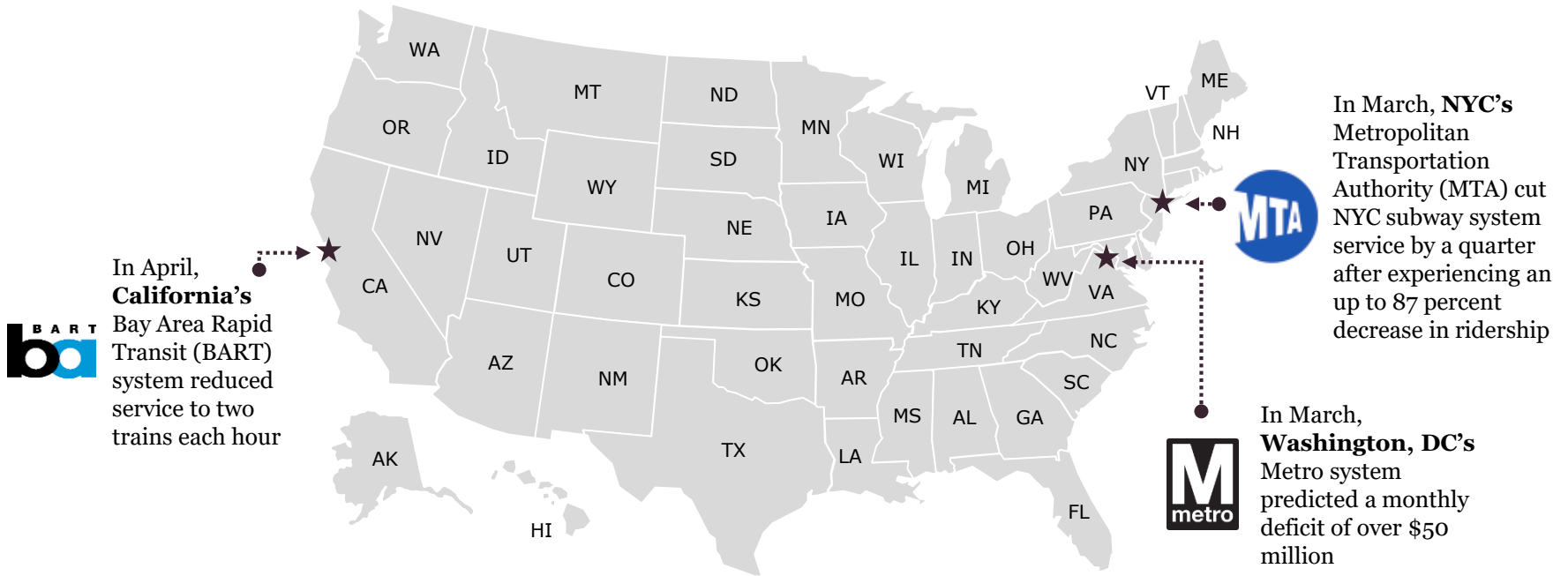
Placing floor markers



Mandating that employees (and potentially riders) wear masks

Some mass transit and commuter rail systems made significant service cuts as part of social distancing efforts

Service changes implemented by select metro systems due to the COVID-19 pandemic



In March, Amtrak **bookings** year-over-year declined by 85 percent and Amtrak **cancellations** year-over-year increased by 400 percent



Amid the outbreak, Amtrak **suspended service for a number of its train routes**, including some Northeast corridor and NYC-Philadelphia trains

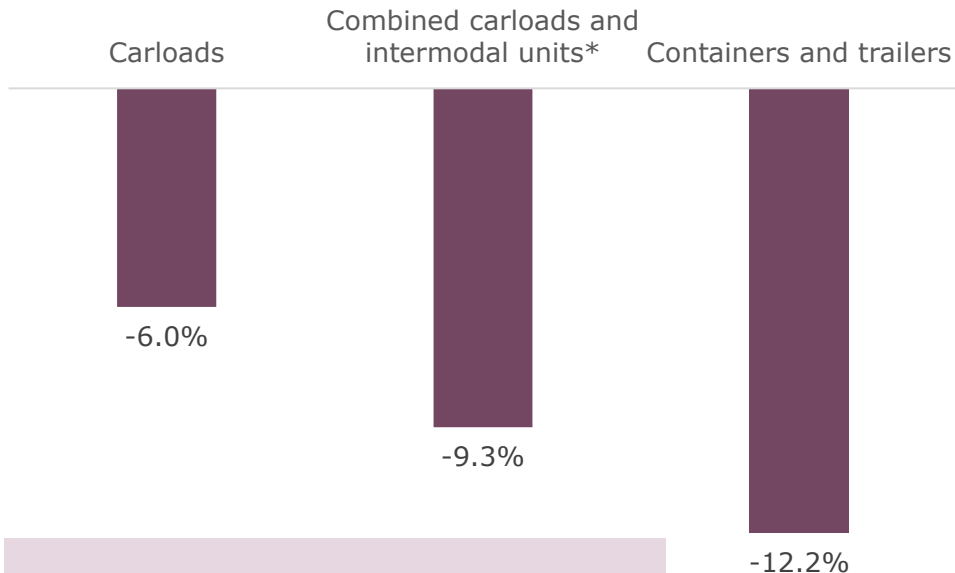


Congress' third coronavirus stimulus package included **billions in federal assistance** to transit organizations such as Amtrak

Sources: Progressive Railroading, Boston Globe, Politico, The Washington Post, Mass Transit Magazine, The New York Times, Railway Track & Structures, WTOP News.

The Federal Railroad Administration (FRA) provided regulatory relief to lessen the burden of COVID-19 on rail companies

Year-over-year change in US, March 2019-March 2020



Overview

- Rail companies have **cut costs** in response to the COVID-19 pandemic by furloughing employees, creating more efficient routes, and running longer trains
- **Increased demand once social distancing eases** could lead to a surge in Class I rail volume

In March 2020, the FRA granted waiver relief for the following regulatory measures



Certain requirements for track inspections



Employee inspections and operational tests



Utility employee restrictions (though each yard or train crew can have no more than one utility employee attached)



Certification period requirements for conductors and engineers



Deadline for review board petition responses



Requirements related to train engineer territorial qualifications

*Intermodal rail is the transportation of shipping containers and truck trailers by rail

Sources: Progressive Railroading, CNBC, Politico, The Wall Street Journal, Association of American Railroads, Freight Waves.

Congress' phase 3 COVID-19 response bill included billions in assistance to public transit and passenger rail agencies

Rail-related provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act



Public transportation

- **\$25 billion** allocated to public transportation agencies such as commuter rail
- The **Federal Transit Administration** was tasked with distributing funds through four kinds of grants



Amtrak funding


- **\$1 billion** in grants for Amtrak's response to the COVID-19 outbreak:
 - **\$492 million** for Northeast corridor grants
 - **\$526 million** for national network grants
 - **\$239 million** for state assistance in meeting payments



Other rail spending

- **\$31.3 million** for the Transportation Department's preparation for and response to the COVID-19 outbreak
- This spending in part goes towards the **Federal Transit Administration** and **Federal Railroad Administration**

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Cruise line revenue has decreased dramatically in 2020 due to the coronavirus pandemic

Overview of the impact of COVID-19 on cruise lines and potential policy responses



COVID-19 cases on cruise ships

- Since they house large gatherings of individuals in a confined area, cruise ships are particularly vulnerable to outbreaks of infectious illnesses
- By the end of March 2020, at least 13 cruises had confirmed or suspected COVID-19 cases



Cruise lines are facing financial hardship

- By April 2020, cruise company revenue had declined to nearly zero with restrictions on international travel
- Some companies have already cancelled trips scheduled for late 2020



Cruises were excluded from the CARES Act

- The loans in Congress' third COVID-19 response legislation only apply to companies "organized in the United States," and cruise companies are largely incorporated in other countries
- President Trump has suggested that future legislation could assist the cruise industry



Concerns from environmental groups

- Some environmental organizations and Democratic members of Congress may not support assistance to cruise lines due to the impact of cruises on water and air quality, public health, and plastic waste