Eakinomics: Not-so-priority CARE(S) for the Airlines

The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated up to $25 billion in grants and $25 billion in loans to the airline industry. I thought making a priority of the airlines was the right call—still do—and have received a lot of “vigorous” feedback on the issue. In light of this, I was shocked to read this Politico article, the essence of which is: “The Treasury Department’s process for getting emergency loans out to small air carriers and others has been so shambolic that some have gone out of business, with others still awaiting relief money as they struggle to stay afloat. After initially applying for a loan program for air carriers and other eligible businesses, in July—more than three months after many companies had applied for relief—aviation applicants were informed that they needed first to apply to the Main Street lending program, a general loan fund aimed at providing support for small and mid-sized businesses.”

What the Treasury (WTT)?! It’s only priority aid if the airlines get it.

Since anything associated with the Main Street Lending Program has me crying already, we might as well peel this onion. The first thing to note is that the $25 billion in grants is a separate pot of money provided as “Pandemic Relief for Aviation Workers.” Let’s put that aside. Title IV of CARES provided the Treasury $500 billion for “loans, loan guarantees, and other investments in support of eligible businesses, States, and municipalities.” Of this amount, “[Not more than $25,000,000,000 shall be available to make loans and loan guarantees for passenger air carriers].” And finally, “[Not more than the sum of $454,000,000,000 and any amounts available under paragraphs (1) [air carriers], (2) [cargo carriers], and (3) [businesses critical to national security] that are not used as provided under those paragraphs shall be available to make loans and loan guarantees to, and other investments in, programs or facilities established by the Board of Governors of the Federal Reserve System [i.e, the Main Street Lending Program].” (Emphasis added.)

Here’s where it gets interesting. It could be the case that the limit of $25 billion in loans has been reached. There’s nothing in the popular coverage that suggests this is true, however. Even more frustrating, take a look at this Treasury “tracking” page that admits it is supposed to be updated within 72 hours, notes that it was last updated July 10, and suggests that there has been a single loan in the amount of $700 million. Intense Googling yielded nothing concrete. The bottom line: If you are Merely Mortal and Not Treasury (MMNT) you have no idea what it did with your $25 billion. That’s not right.

Alternatively, it could be the case that Treasury gave up on the hard work of actually doing what Congress intended and stopped making direct loans to airlines. (Politico quotes speculation that this is because the grant process isn’t even finished.) At that point, it might argue that the remaining funds had not been “used as provided under those paragraphs” and are thus made available to the Federal Reserve. And that is why the Treasury is directing airlines to the Main Street Lending Program. But we don’t know. The bottom line: if you are MMNT, you have no idea. That’s not right.

In any event, it is nearly September, four regional airlines have stopped flying, no loans are being made, and the
current “solution” is to send airlines to a Main Street Lending Program that has been nothing short of spectacularly unsuccessful. I am MMNT, but I do have an idea: That’s not right.