



ATA Airlines: A Portrait of Diversity

For one ATA captain sitting reserve in September, it was a relatively normal day: in one 24-hour period he was contacted by Scheduling almost a dozen times and received various conflicting orders to fly—Oakland, Calif.; Hilo, Hawaii; Chicago Midway; Washington National; and Honolulu. Where did he wind up flying to? Oakland.

While that kind of uncertainty could give some pilots fits, it's all part of the routine at ATA, the airline that at various times has been a vacation-charter/scheduled-service/military-charter/codeshare-feeder airline, often simultaneously.

While ATA once advertised itself as an "Honestly Different" airline, the sacrifices its 589 pilots and flight engineers have made since 2003 are all too similar to those endured by other ALPA pilot groups that have gone through bankruptcy. About half of ATA's flightcrew members have been furloughed, and those who remain have traded salary, work rules, and quality of life to help keep their airline afloat.

But heading into 2007, the airline is out of Chapter 11, making money again and regaining stability. The ATAMEC, after enduring some instability of its own, is working to-

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gether to prepare for 2007-2008 contract negotiations it hopes will bring back furloughees and once again produce an industry-standard contract.

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Steve Staples. "Our challenge is to define what kind of airline we're going to be in the future, get our furloughees back, and regain the pay and work rules we gave up to help ATA survive."

Almost as important is regaining the autonomy these independent-minded crewmembers once had; for example, ATA pilots used to be able to write company checks to fix problems on the spot. This empowerment of the front-line employee has been replaced, pilots say, with sloppy management and inefficient scheduling that hurts the airline's bottom line when it is fighting to compete with better-funded low-cost airlines, like JetBlue and AirTran.

Starting out as a single-airplane charter operation in 1973, the airline formerly known as American Trans Air began scheduled service in 1986 and was the 10th-largest U.S. airline by 2000. Still one of the largest U.S. military-to-



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ATA flightcrew members gather at the Federal Courthouse in Indianapolis, Ind., in August 2005 during a break in the bankruptcy court hearings.

charter operators, ATA flies an eclectic fleet ranging from the venerable (L-1011s, B-737-300s) to the cutting edge (B-737-800NGs, complete with HUDs).

The flying is diverse as well: over a period of just a few months an ATA pilot could be flying tourists on vacation, WWE wrestlers headed to their next match, servicemen on R&R, or shackled INS detainees being deported back to their home countries.

"We fly the world and go to any place that has a runway," says Flight Engineer Tim Griesa, the MEC treasurer. "Most of the time, the crews are who make the mission a success."

Cockpit crewmembers are also an unusual community, with members who have flown for nearly "every airline that has ever existed," says ATA Capt. Steve Smith, a former MEC chairman. He was part of the group that convinced pilots and flight engineers to break away from the International Brotherhood of Teamsters and join ALPA in 1999.

"In my opinion, we have the most diverse, highly skilled pilot group flying," Smith says. "And we routinely do more diverse flying than any other group."

At the same time that ATA crews were joining ALPA, the airline began a major expansion, buying a new fleet of Boeing 737s and 757s and dramatically increasing its scheduled service operation. During this dynamic period, ATA crewmembers surprised observers by standing together and negotiating, in a post-9/11 environment, a contract that finally brought the group up to mainline airline pay and work rules.

"We achieved a landmark agreement based on the projections and plans for a pre-9/11 industry, in spite of an aircraft financing deal that was, in my opinion, the collaboration of gangsters in suits and senior management that was AWOL," says Capt. Kevin Friel, a former MEC chairman and newly elected ALPA executive vice-president who headed the MEC that negotiated the 2002 collective bargaining agreement.

The problems that plagued the airline industry, coupled with ineffective management, meant that ATA was in serious financial trouble by 2004, even as its military charter

operation was booming because of the war in Iraq. Despite major financial concessions by cockpit crewmembers that summer, ATA filed for Chapter 11 protection in October 2004. The airline was investigating a merger with America West or a buyout by AirTran before Southwest Airlines outmaneuvered those carriers and provided bankruptcy financing, as well as entering ATA into its first-ever codesharing agreement.

ATA spent 16 months in bankruptcy even as it pried millions of dollars of financial relief from the flightcrew group. Despite crewmember sacrifices, management went to bankruptcy court to void the 2002 contract. Crewmembers responded by taking a strike vote that brought management back to the bargaining table.

The airline survived—but the crewmembers' industry-standard contract was replaced with a long-term relief agreement that cut wages by as much as 60 percent. While flight crews will regain some of that lost money in 2007 and 2008, ATA crews will have sacrificed more than \$140 million in concessions by the time the long-term agreement becomes amendable 2 years from now.

"The prevailing industry wisdom is that Southwest saved ATA," Staples says. "But we flightcrew members actually gave the airline more financial support than Southwest ever did."

Employee concessions, revenue from the Southwest codeshare, and strong military charter sales helped ATA come out of bankruptcy on Feb. 28, 2006. But the South-

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west deal still raises questions for flight crews, including whether the codeshare is a true partnership or just a temporary marriage of convenience for an airline more than 10 times ATA's size.

"The better deal would have been merging with America West," Griesa believes. "Southwest and the codeshare helped the company to a point, but it also hurt us, as we stopped flying every place that Southwest was going into or starting."

Indianapolis-based ATA has abandoned almost all of its domestic route structure and sold off every gate but one at its former hub at Chicago's Midway Airport. ATA's diminished scheduled-service operation now serves just a handful of cities and primarily feeds Southwest codeshare passengers to overseas locales like Mexico and Hawaii while the charter operation still flies worldwide.

Before bankruptcy, ATA was really two airlines with one seniority list, with scheduled service as the visible side of the contract and charter as the invisible side. This offered crewmembers the ability to choose between the predictability of



Newly elected Group B1 EVP Capt. Kevin Friel.

scheduled flying or the ad hoc nature of long-haul charters.

But as ATA shed pilots, airplanes, and stations, the lines between its “two airlines” became increasingly blurred. ATA is currently seeking worldwide certification for its bread-and-butter scheduled-service airplanes, the B-737-800s, so that its fleet of a dozen B-737 NGs can fly overseas charters.

For Griesa, the hardest part has been watching all the furloughed people leave. “ATA was not just a job for most of the people, it was a family, and as in most families, it took only a few to destroy it,” he says.

While Southwest still plays a dominant role in ATA’s operations, it no longer owns the 27 percent minority share of the airline it acquired in late 2004. Just before ATA left bankruptcy in February, Southwest sold its interest in ATA to investment firm MatlinPatterson LLP. The “New ATA” is privately held by MatlinPatterson, which also acquired bankrupt Brazilian carrier Varig Airlines earlier this year.

“M-P’s business model is to buy a struggling company, turn it around until it’s worth four to five times what M-P paid for it, and then sell it,” Staples says. “The turnaround period is over for ATA, and our mission is to ensure that our crewmembers share in any future profits, regardless of who owns the airline five or six years from now.”

With that in mind, the MEC has begun strategic planning sessions to lay the groundwork for Section 6 negotiations in late 2007. The long-term relief agreement becomes amendable on Oct. 1, 2008. The first step is to complete rewriting of the original 2002 contract to incorporate the terms of the long-term relief agreement and more than 40 other LOAs and MOUs ratified during the past 4 years.

The contract rewrite is important for a number of reasons, including making it easier for the MEC and individual crewmembers to defend the agreement and avoid erosion of their scheduling and work rules.

“We have a number of new schedulers and other em-

ployees at headquarters who either don’t know the contract or are continually trying to work around it because management has understaffed the airline. Management furloughed too many people, and it is paying for that now, so enforcing our contract is crucial,” Staples says.

Another priority is creating a second-officer program so that furloughed first officers can be recalled if the airline acquires more three-crew airliners. ATA’s four Lockheed L-1011s are aging, and the fleet plan calls for six new replacement widebodies by mid-2008, and new narrow-bodies each year as well, through the end of the decade.

“We know the airline is going to bring people back; the questions are when and how many,” Staples says. “Not only do we want our furlonghees recalled, but we also

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—Capt. Steve Staples, ATA MEC chairman

want to move as many of our displaced captains back into the left seat as possible.”

ATA’s pilots and flight engineers would also like much more transparency in their airline’s dealings with Southwest. The codeshare agreement expires in 2009, but ATA’s business plan calls for the airline to rebound to its pre-bankruptcy fleet of 60 airplanes by 2011, primarily through expansion into new markets in Canada and the Caribbean. Analysts also believe that the airline has not ruled out transatlantic flying in the future.

“I believe we bring as much value to Southwest as it brings to us,” Staples says. “Its success has come from sticking to its business model, which is a completely different type of flying than what we do now. Having us as a partner allows Southwest to stay within its proven comfort zone with our added international reach to keep it competitive with network airlines.”

But the MEC is taking a “trust, but verify” approach when dealing with its codeshare partner, understanding that Southwest could choose to take over ATA’s flying at any time and leave ATA with no domestic destinations of its own to feed its overseas routes. The MEC is working with ALPA’s Legal Department to determine whether ATA’s decision to abandon most of its domestic route structure in 2004 and 2005 violates the union contract’s scope-and-fragmentation clause, and the issue of scope protections is likely to feature prominently in next year’s Section 6 talks as well.

“Uncertainty is fine when all it means is that you’re not sure what interesting new place you might be flying to next—our pilots are immensely competent and thrive on that kind of thing,” Staples says. “But we want to improve our situation so that an ATA pilot doesn’t have to wonder whether he’ll have a job next week, and so that we won’t have to hang our entire future on what happens at Southwest.”

ATA Pilot Group At a Glance

Number of pilots—589 active, 500+ on furlough

Operations—nonstop service from Chicago Midway to La Guardia, N.Y., Dallas/Ft. Worth, Tex., National, D.C., and Guadalajara and Cancun, Mexico; between Houston Hobby and La Guardia, and from the West Coast to Honolulu, Maui, and Hilo; plus one of the largest U.S. charter operators, serving 250 airports worldwide for the U.S. military, tour operators, sports teams, corporations, etc.

Fleet—3 B-737-300s, 12 B-737-800s, 6 B-757-200s, 4 B-757-300s, 4 L-1011s

Headquarters—Indianapolis, Ind.

Domiciles—MDW; IND, JFK; and LAX, OAK