

EMPTY COCKPITS **Less Can Mean More** **At the** **Bargaining Table**

By Susan Burke, Contributing Writer



While not yet as scarce as DC-3s, airline pilots are becoming a hot commodity in North America and worldwide. The shortage of qualified pilots is serious, is increasing, and, along with other positive changes in the bargaining environment, will add emphasis and support to ALPA's campaign to make the piloting profession whole again.

After 9/11, the U.S. airline industry spiraled downward, with bankruptcies and cutbacks gutting pilots' pay and pensions, skewing work rules, and furloughing pilots. But now airlines have emerged from bankruptcy, and better-than-expected

You Get What You Pay For

First Officer Jason Rice, Editor of the Mesa Air Group (MAG) *Coast to Coast*: “One of the reasons that Mesa has had to lower its hiring minimums is that it has destroyed the best source of pilots: recommendations from within their own ranks. Mesa pilots have collectively refused to help management attract qualified applicants and instead send them to airlines such as SkyWest, Republic, and ExpressJet.

“When I got hired, Mesa was about it for someone with 1,500 hours total and 200 multi. SkyWest, ExpressJet, and Chautauqua wouldn’t touch you without 2,500 total and 500 multi unless you came strongly recommended from someone on the inside. My treatment since I was hired at Mesa has done nothing but deteriorate right along with the experience level of the pilot applicants.

“The question is, why aren’t the airlines providing a work environment that attracts pilots? If the airlines want to grow, then they’re obviously forgetting to buy pilots with their airplanes, because I’m still pretty sure that pilots aren’t standard equipment when you buy an airplane.”

John Dean, SFO Contract Administrator: “MAG has simply failed to address quality-of-life/wages/working conditions to allow the company to effectively compete for pilots with its rivals—Comair, Republic, SkyWest, etc.

“In the aftermath of 9/11, with wholly owned regionals in ruins, MAG got away with low wages, etc.—pilots had no options. The tables gradually turned over the past two years, and MAG management simply failed to adapt. The MAG wages/working conditions are significantly below those of many other regional airlines that are competing for the same limited number of pilots.”

profits at some have found their way into the executives’ pockets with no mention of giving back what the pilots and other employees sacrificed to save their companies.

ALPA’s president, Capt. John Prater, says, “The time has come for all airline pilots to benefit from the upswing in the cycle. Airlines must return pay, benefits, and work rules to halt the rising loss of experienced pilots who are choosing to leave the profession.” He believes the growing shortage provides ALPA with some powerful ammunition.

Pilots who were furloughed after 9/11 and are now finally being recalled aren’t coming back to their airlines as they did in previous times, either because they’re flying for another company or because they’re doing something else entirely. There’s a huge lack of pilot training starts, both in the general aviation world and in the military, says ALPA’s first vice-president, Capt. Paul Rice.

As major U.S. airlines recover and grow, they can no longer depend on the military supply that used to staff their cockpits. “The military is not releasing a lot of their pilots—obviously there’s a war going on—and not many pilots coming out of

the military are going into the airline piloting profession,” Rice says.

“Have we had pilot shortages in the past?” he asks rhetorically. “We had them in the 1960s, not really in the 1970s and 1980s, then had them in theory in the 1990s. Companies found ways to get through ‘pilot shortages,’ and at times the piloting profession has benefited from it—better contracts, for example.

“I don’t think we’ll ever get to the point where nobody’s standing in line to apply for work,” he said, “but some of our express airlines try to hire 20 guys per week and six or seven will show up. One airline has offered a hiring bonus for pilots, a couple of airlines offered bonuses to incumbent pilots for finding new hires, and at least two airlines I know of have finally started to pay something for training and for the hotel while the pilots are in training.”

“Pilots are motivated, ambitious, and smart,” says Bruce York, director of ALPA’s Representation Department, “and these days they wonder whether the professional pilot still

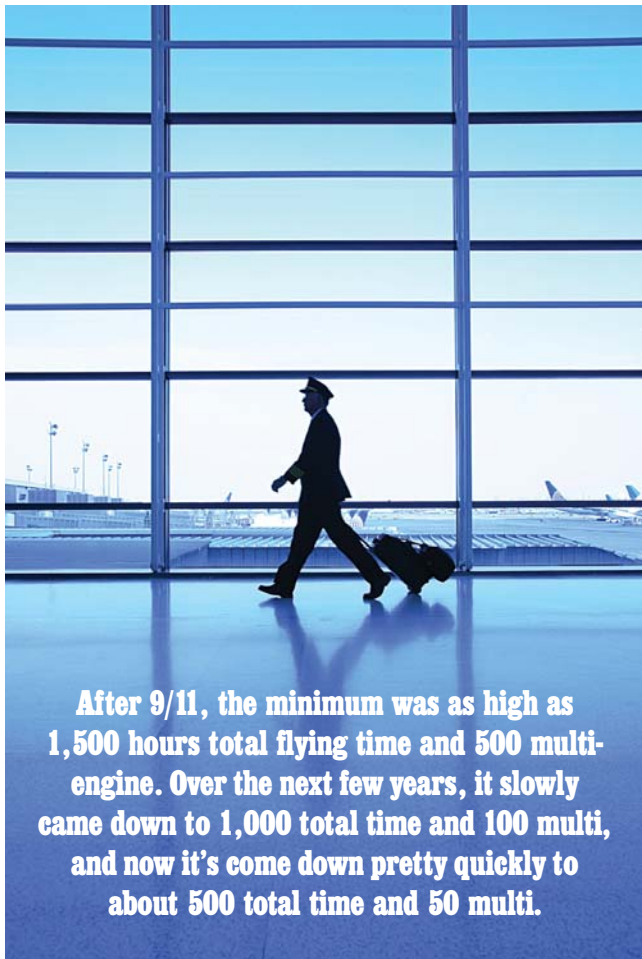
has opportunities to be respected and rewarded. I think existing pilots are less willing to continue to fly without changes that make the profession attractive.”

And most importantly, York points out, “The law of supply and demand works. When there’s less fuel, it’s more expensive. Airplanes are more expensive when fewer airplanes are available. And pilots are more expensive when fewer are available. Suppliers have more bargaining power when supplies are short and less bargaining power when supplies are heavy. Along with other economic improvements and the order of pilot negotiations in the next bargaining cycle, the decreasing supply of pilots improves the negotiating environment that we’re entering.”

Short on supply

Capt. Dan Adamus, president of ALPA’s Canada Board, says flatly, “We’re short on pilots,” and he offers several examples of Canadian airlines that are feeling the pinch.

“Let’s start with one of our smallest airlines, Bearskin. It’s having one heck of a time getting pilots—as fast as Bearskin



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is hiring, it's losing pilots to the bigger airlines."

Bearskin flies Metros across Ontario and Manitoba and needs experienced pilots to fly into rough, remote areas. Until about a year ago, Adamus said, Bearskin required 3,500 hours to make captain, but now it's looking at hiring pilots with 500 hours and may be forced to put them in the left seat after a year with maybe 1,200 hours. "I was talking to Bearskin's owner at an ATAC [Air Transport Association of Canada] conference, and he's quite concerned."

Adamus says that CanJet, a B-737 operator, needs eight pilots but has only a few resumes on file. "We're still trying to negotiate a first collective agreement with CanJet, and we've had some troubles. The MEC has been telling management for the last six months that if they don't get something in place at the bargaining table, they're not going to be able to hire anybody."

Adamus says that ALPA has agreed to participate in a study initiated by ATAC on the human resources issues in the airline piloting profession. The study group, which will seek the support of Human Resources and Skills Development Canada, will also include airlines, aviation training schools, and colleges.

Kit Darby, a retired United B-757/767 captain, is president of Aviation Information Resources, Inc. (AIR, Inc.), which connects pilots on an airline pilot career track with job information resources. He says the evidence of a shortage is clear.

"When an airline changes its hiring minimums, that indicates to me that it is not getting enough of what it

wants, and we see a large number of the regional and national airlines changing their minimums, in some cases every couple of months. After 9/11, the minimum was as high as, say, 1,500 total flying time and 500 multi-engine. Over the next few years, it slowly came down to 1,000 total time and 100 multi, and now it's come down pretty quickly to about 500 total time and 50 multi.

"The airlines' recruiting departments are telling us they're just not able to find the volume of pilots they need. The bigger nationals in particular, the RJ operators, are looking for 50, 60, 70 pilots a month, and they're not getting them. But by lowering the minimums, they create a problem in that their systems previously were set to handle pilots at a certain experience level."

Mesa Air Group, for example, is losing pilots at an average rate of 65–75 per month, from 1,800+ a year ago to about 1,600+ today. In that year, it has reduced minimum requirements for first officers from 1,000 total time to 500, with 100 multi, and the company is offering \$5,000 signing bonuses to pilots with experience flying for any United Express airline, such as Chautauqua, Republic, and SkyWest—which Mesa pilots see as an attempt to poach those pilots in retaliation for their similar snatching of Mesa pilots.

The convergence of several factors has created the short supply of pilots. First, the overall U.S. labor supply is dwindling, says Phil Comstock, the president of The Wilson Center for Public Research. The baby boomers are retiring and not being replaced in volume.

"Seventy-seven million baby boomers were born between 1946 and 1964," Comstock says. "Only about 38 million people were born in the generation behind them—Generation X.

"The baby boomers are now approaching normal retirement age, and each year the differential between the number of people leaving the workforce and the number of replacement workers for them grows wider.

"Now let's talk about pilots," says Comstock, whose Wilson Center has polled ALPA members for many years and since 9/11 alone has conducted hundreds of surveys of airline pilots, both ALPA and non-ALPA.

"Pilots are extraordinarily talented, highly skilled, and very, very capable at succeeding at a number of different occupations or income-producing activities in addition to flying airplanes," Comstock says. "So as the wages and benefits and conditions of employment have eroded in the post-9/11 period, an increasing number of pilots are saying, 'You know, I think I want to do something else.'"

Another factor, he said, is that the Gen X pilots, age 35 and younger, "do not exhibit the same love of flying that is typical of older pilots. While they enjoy it, many of them tell us

they did it because they were good at it, and they thought it was a high-status job with rapid career advancement.”

But many in the group hired in 1996 and thereafter are walking away from the profession well before retirement age, saying, “I don’t have a lot invested in my seniority, I’m not seeing the rapid career advancement, the quality of life is not good, and quite frankly, I can do something else.”

Switching to the top end of the seniority and age stratum, Comstock says, “The deterioration of income, benefits, quality of life, and working conditions, and increased levels of fatigue have had the effect of causing even more pilots to consider alternatives.”

In the recent poll the Wilson Center conducted on the Age 60 rule (see “A New Chapter in a Long History,” page 20), thousands of pilots were asked whether they would fly to age 65 if the rule changes.

“And we find that very, very few want to stick around to 65,” Comstock says. “Many more are saying, well, maybe 62, that’s about it. So on the issue of pilot shortage, if the trump card was that if the rule changes, you’d have a huge surge of pilot supply, flying to age 65 to make up for lost benefits, etc.—it’s not going to happen.”

Long on demand

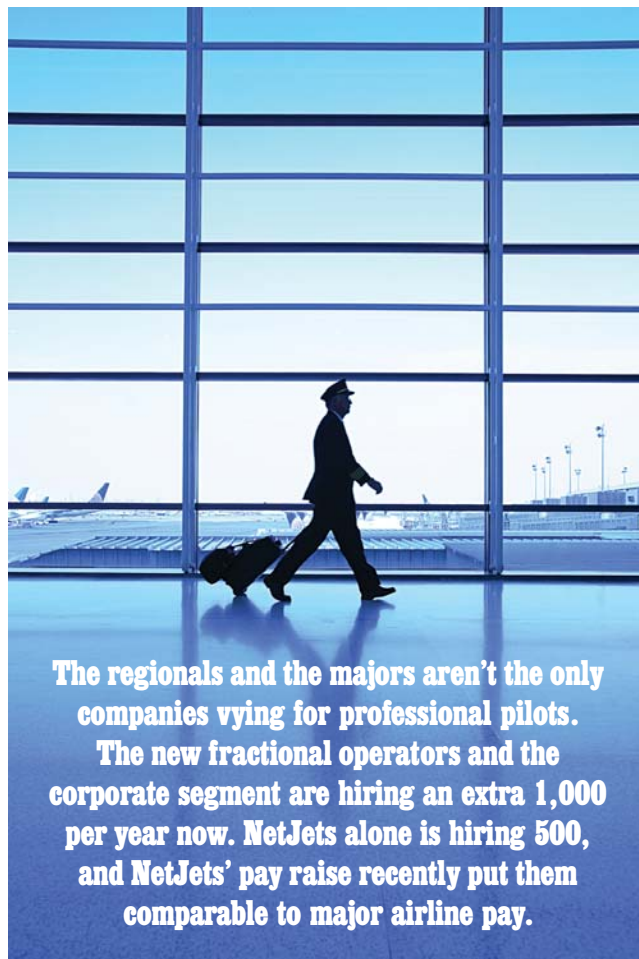
One cause of the burgeoning demand is expansion of the industry through the use of small jets. “Comair was the first airline to have a regional jet, and it was a huge experiment,” Darby says. “But it worked.”

The 50-seat regional jets filled a market for smaller airplanes flying more often than the bigger jets, in and out of more cities, which is more convenient for passengers who want to catch an airplane in the morning and fly home in the afternoon after their business is completed. The demand exploded as this new-sized tool was implemented industrywide. That phenomenon required more pilots to fly the same number of passengers.

“More recently, though, and this is not uncommon,” Darby says, “as better times returned, the growth rate of the smaller airlines—regional and national carriers—has slowed tremendously. They’re still growing, but it’s very modest. As their growth slowed, the attrition to the bigger airlines began. But as the big airlines began to hire again, where did they get their pilots? Last year, they hired 2,276, half from the regionals and nationals, and we’re forecasting 3,000-plus in 2007.”

When airlines make a profit, they typically reinvest—add airplanes, do more flying with the airplanes they have—activities that need more pilots.

“The last time Delta or United made a billion dollars a year, before 9/11,” Darby says, “they each hired 1,000 pilots in a year. Now the forecast is for maybe half of the majors,



The regionals and the majors aren’t the only companies vying for professional pilots. The new fractional operators and the corporate segment are hiring an extra 1,000 per year now. NetJets alone is hiring 500, and NetJets’ pay raise recently put them comparable to major airline pay.

six or seven airlines, to be making a billion dollars a year in the coming two or three years. If that holds, they’re going to hire 5,000 major airline pilots in a single year.”

But the regionals and the majors aren’t the only companies vying for professional pilots. The new fractional operators and the corporate segment are hiring an extra 1,000 per year now. “NetJets alone is hiring 250 in 2007, it hired 441 in 2006, and NetJets’ pay raise recently put them comparable to major airline pay,” Darby says.

Another drain on the U.S. supply of pilots is foreign demand, especially through crew leasing companies that match pilots with foreign airlines. “Some individual companies tell us they need 1,000 pilots a year,” Darby says, “and typically they’re looking for captains—they hope to use copilots from their own country. And they’re paying well, \$10,000 to \$12,000 per month, and it can be tax-free with the airline paying local taxes.”

Rice says that the biggest shortage worldwide is in China and India, which are sucking up a tremendous number of pilots who have historically worked all over the world.

“Internationally,” Darby says, “airplanes are being parked for lack of pilots—the same thing I’m predicting might happen here. Right now we are seeing airlines—any time there’s bad weather, anytime it’s the end of the month and all the reserves have been used up—starting to cancel some flights. So some airlines may be forced to limit their operation, which could mean not growing as fast or even parking 10 to 15 percent of their fleet so they can staff them properly.”

ALPA's response

As Prater puts it, "The airlines are in recovery mode now, but if they don't stop operating out of the bankruptcy-era contracts, it will be short-lived. Pilots aren't going to tolerate seeing profits going to management while our members, who have sacrificed so much to support this recovery, go wanting. We have an obvious solution—increase our pay, our benefits, our work rules. This profession must be restored to the level it has always deserved.

"We will not beg," Prater adds. "We *are* taking it back. This is obvious from the groundswell of pilot activism and collective support for each other to bring a fair balance to the bargaining table."

York says the natural leverage from the pilot shortage helps to fuel his expectation that the next bargaining cycle will be much more positive than in the last 5 years "when the wage and benefit pattern for the cycle was set by our financially weakest airlines being dragged into bankruptcy and bargaining first. Just as damaging, the bankruptcy court controlled the bargaining time line. But now we have the opportunity to exert control again."

"This cycle's completely different," York says. "It starts with US Airways, Hawaiian, and Alaska and follows with Continental, American, Delta, and United. Fewer pilots available to work, an improving economic environment, fuel prices that are stable, capacity restraint, and improving revenue all set the stage for a progressive pattern.

"These are financially strong airlines, and pilot leaders are

spending a lot of time coordinating to ensure that the outcome in this cycle is different. A tightening labor supply can only help," York says.

Shift in training

The bargaining advantages from a pilot shortage aside, a healthy, sufficient pilot population that is well compensated is the ideal from ALPA's viewpoint. And, as noted, the shortage is a worldwide condition, and the world, under ICAO, has created a solution for itself: the multicrew pilot license (MPL), a program for training pilots to fly a two-pilot airliner and which requires approximately 250 hours of flying experience, along with a heavy reliance on simulator and classroom training. It's a way to quickly fill the cockpits—a year or so of training and experience rather than 3 to 5 years.

The FAA has shown little interest in adopting the program, but Darby thinks that's a mistake. He believes that spot cancellation of flights, even systematic canceling, is a real possibility in this country, and "that will limit our economy. Here in the United States, aviation is a huge part of the formula for how we do business. To me, it's a national crisis."

Adamus reports that Air Canada Jazz management just signed a deal with five aviation colleges in Canada to interview four of the top students from each—a total of 20 pilots—with hopes of hiring 8 of them. "This is quite interesting because it falls into this new ICAO initiative of having just the minimum of 250 hours of flying experience," he says. "We will no doubt be keeping a close eye on this one."

How does ALPA regard the MPL?

"We're not against it," Rice says, "but ALPA's concerned about what could develop from it. ALPA, IFALPA, everybody is interested in this process, we're all monitoring it, we're all engaged with the continuing development of the training syllabus.

"We recognize that it could be done effectively. We also recognize that it could be detrimental. The real question is, what will come from this? What kind of pilots are we going to have in 20 years?"

Next month: Air Line Pilot will explore these questions, and more, surrounding the MPL.

If McDonald's Has to Do It...

Capt. Dan Adamus, ALPA Canada Board President: "With the deterioration of the airline industry in the last six or seven years, kids coming out of universities are saying, 'Why would I want to become a pilot?' Look at northern Alberta, where they have found an absolute ton of oil in what they call the oil sands. Fort McMurray is absolutely booming right now.

"A McDonald's restaurant up there had to shut down because it couldn't hire anybody. McDonald's has a rule that it could pay only so much, but the restaurant could not attract anyone at that rate. It has since reopened, but I understand that it has had to match the going rate for wages in that environment. Even then, it was unable to obtain a full complement of staff so has been forced to close its doors whenever its current staff reaches their maximum hours.

"How does this relate to the airline industry? Well, one of these young kids coming out of school can get into one of the trades out there—electrician, plumber, pipe fitter—and easily make \$150,000 after a couple of years of apprenticeship. He can't do that as a pilot."