

**Remarks by Capt. Randy Helling, ALPA Vice-President—Finance/Treasurer
43rd Regular Board of Directors Meeting
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My fellow pilots, good morning and welcome. I would like to begin my report today by talking about balance. There are a number of definitions for “balance” and they are applicable to us as airline pilots and as ALPA representatives in so many ways.

Balance — defined as “the equal distribution of weight” — is a critical component in aircraft design and an important factor in flight planning and our pilots’ pre-flight checks.

Balance — alternately defined as “mental steadiness, the habit of calm judgment” — is also an essential attribute to help us make the split-second decisions that ensure the safety of our passengers, cargo, and fellow crewmembers.

A third definition of balance is “a state of equilibrium.” Certainly, that applies in the Association’s approach to our two core functions:

- Promoting our profession by protecting and enhancing our careers, and
- Advancing ALPA’s leadership role as *the* voice for airline pilots in the areas of air safety, cargo, jumpseat, pilot assistance, and security.

And, in striking a balance between these two strategic objectives, we achieve a unity of purpose expressed in our theme: “one goal, one vision, one union.”

I’d like to focus on the latter objective first by highlighting some recent examples of ALPA’s role in making our industry—both on the ground and in the air—the safe and secure mode of transportation that it is today.

- ASAP and FOQA are two programs that are being widely implemented throughout our industry. ALPA has focused on expanding the use of these programs while at the same time continuing to ensure that they are used appropriately.

Through our efforts, we succeeded in getting legislative language that enhances the protections against misuse, while resisting the pressure to make these programs mandatory. Additionally, ALPA led the way in promoting the sharing of de-identified information among users. You may have heard recently that this “sharing” has been expanded to the international level with the recent Memorandum of Understanding signed between ICAO and IATA. ALPA was there, through our affiliation with the International Federation of Air Line Pilots’ Associations.

- Turning to another of our top initiatives, NextGen, ALPA remains heavily involved in efforts to increase the capacity and efficiency of the National Airspace System while improving its safety simultaneously. As the representative for all airline pilots on the new NextGen Advisory Committee, ALPA will continue to provide the pilot perspective to

the FAA and DOT on where, when, and how NextGen will be implemented in the United States, just as we have been doing for many years in similar groups.

ALPA is also actively engaged in the development of training, operation, and design standards for pilots and aircraft for Unmanned Aerial Systems before they enter the national airspace system.

- ALPA's National Jumpseat Committee has launched a campaign, "No Pilot Left Behind," to ensure that every pilot who needs a seat on the aircraft gets one, whenever possible. Through this initiative, ALPA promotes pilot-in-command authority and educates our members and all pilots about the responsibilities related to the use of flight deck jumpseats.
- ALPA has long promoted a "one level of safety and security" approach to airline operations. This philosophy has been the driving force behind our support for secondary cockpit barriers on *every* airliner—both passenger and all-cargo.

ALPA representatives continue to promote the Association's positions on the government/industry group that is establishing performance standards for cockpit secondary barriers. Through our participation, we continue to seek the same security provisions for our cargo flight crewmembers as *other* pilots currently enjoy.

- Also in keeping with this philosophy, we continue to push hard on the issue of transporting hazardous materials, specifically the need for stricter regulations regarding shipments by air of lithium batteries or the electronics that contain them. Recently, ALPA sent a letter to Secretary of Transportation Ray LaHood urging the DOT to publish and fully implement appropriate regulations that help ensure that these devices are recognized as dangerous goods and packaged, marked, and transported accordingly.

In a Safety Alert for Operators (SAFO), issued on October 8, the FAA summarized recent research which shows that both lithium metal and lithium-ion batteries are highly flammable and capable of igniting during air transport under certain circumstances. The research also indicates that Halon 1301 – the suppression agent found in Class C cargo compartments – is ineffective in suppressing lithium metal battery fires.

The SAFO also lays out additional recommended procedures that air carriers can institute when transporting lithium batteries. While the SAFO is a step in the right direction, ALPA continues to push for tighter restrictions with regard to the transportation of lithium batteries by air. Stay tuned.

- As we all know, the Colgan Flight 3407 accident was the catalyst for focusing more sharply on pilot hiring, licensing standards, qualifications, and professional standards.

Under the auspices of ALPA's Pilot Assistance Committee, the Association has been front and center with our professional standards program which has become a model for the industry.

- Also, I'm pleased to report that representatives from ALPA's Professional Development Group will serve on the new Flight Crewmember Mentoring, Leadership, and Professional Development Aviation Rulemaking Committee, or ARC.

The FAA created this ARC as a result of language written into the 15th extension of the FAA reauthorization bill. The bill mandates, among other things, that the FAA issue a notice of proposed rulemaking based on the ARC's recommendations by July 31, 2011, and a final rule by July 31, 2013.

- ALPA, through our Executive Air Safety and Pilot Assistance Committees, has also been extremely active on two other ARCs recently formed by the FAA — one focusing on airline safety and professional standards, and the other on minimum qualifications for second in command pilots in FAR Part 121 airlines.
- Through our Aeromedical Office, ALPA is committed to promoting pilot health issues, and we are working to focus more government attention on these issues by advocating for the creation of an agency office dedicated to pilot health.
- A number of high-profile security incidents in the past year, such as Northwest Flight 253, have presented opportunities for ALPA to bring increased visibility to the Association's support for trust-based screening and threatened air space management.

ALPA's strong advocacy for this security approach resulted in the government consciously reaching out to communicate to flight crews in the air when there are potential security threats.

- Finally, in August we hosted the Air Safety Forum, which brings together pilots, government officials, and representatives from across our industry to discuss top issues and priorities related to safety, security, cargo, jumpseat, and pilot assistance.

Recognized as one of the premier events in the aviation community worldwide — we realize how vital the Forum is to carrying on our important work with our government and industry partners in those five areas. So, this year we held the Safety Forum in conjunction with the fall Executive Board meeting, broadening the participation to include our MEC leaders.

The Safety Forum is a great example of how ALPA balances our support for the Association's ongoing strategic initiatives, with rigorous, disciplined oversight and management of our union's finances and *your* pilots' money.

As the national officer who is responsible for the Association's budget, it's that accounting definition of balance that really comes into play when, as a union, we must deal with the pressing demands of today *and* plan for our financial future to ensure that we can meet the unknown challenges of tomorrow.

A brief review of the Association's financial history over the last four years puts this in perspective. Keep in mind that during this time, we experienced airline bankruptcies and shutdowns that resulted in concessionary bargaining and pilot furloughs.

Skyrocketing fuel prices and an economic recession not seen since the Great Depression have taken a heavy toll on our industry and on our members. And now, airline consolidation is once again making many of us uncertain about our professional futures.

In 2006, we experienced a modest deficit after seeing a modest surplus the year before. Unfortunately, that deficit widened in 2007 as airlines came out of bankruptcy and restructured their operations, leaving many pilots furloughed and some of our pilot groups working under draconian concessionary agreements.

The year 2008 was simply devastating: with the loss of several pilot groups and the Wall Street market meltdown, ALPA was forced to retrench and restructure, resulting in a significant reduction in force across all departments.

Then came the Mansfield litigation and subsequent settlement. Now, while the settlement in this case makes clear that there was no determination of any wrongdoing by ALPA, we realize that we can, and that we absolutely *must*, do more to minimize our legal exposure in the future. In September, the Executive Board endorsed changes to the *ALPA Administrative Manual* that are based on the risk management program framework recommended by the Executive Council. A report on the risk management policy will be given in Delegate Committee 6 this week.

By taking these actions—amending policy, engaging in strategic planning, and making changes to the way we all—local councils, MECs, ALPA departments, and National committees—do our business, we are achieving and maintaining a balance between our union's financial viability and fulfilling our commitment to our members.

How do we do that? Well, just as making sure that our aircraft has enough fuel is a key component of our pre-flight planning, so too is making sure that we have the financial resources — the “fuel” that powers the Association — necessary to continue to provide the high level of service for our members.

With that in mind, let's look at our finances and our budget for 2011. I can assure you that we have applied another definition of balance, that of “considering all aspects,” in our rigorous approach to financial planning.

Slide #1: “2010 Net Income Profile”

For 2010, current results through August 31st, show ALPA with a \$1.95 million surplus, but a consolidated net loss of \$2.15 million, primarily due to outflows from the Major Contingency Fund that have exceeded investment returns. I'll talk more about the MCF in a minute.

Slide #2: “6-Year Consolidated Net Income”

As you can see, a look at our consolidated net income since 2005 shows that, although we did take a hard hit in 2008, our collective efforts and the market rebound have resulted in the stabilization of the Association's finances.

Slide #3: "ALPA Actual & Projected Dues"

As of the end of August, we are tracking nearly \$2 million above our projected dues income. This is due in part to the increased crew utilization at FedEx, expansion of flying at Delta, and contract improvements at several of our airlines.

Dues for 2010 are forecasted to be \$2.96 million above the 2010 budget.

Slide #4: "6-Year MCF"

This chart shows the funding levels of the MCF since 2005. While the balance has declined since its peak of \$86.4 million in 2006, it has proved to be an important asset in defending the Association and advancing our pilots' livelihoods through achievement of negotiated agreements in this post-bankruptcy era.

In May, the Executive Board approved several policy changes proposed by the MCF Review Committee which established new MCF allocation and spending procedures. As a result, the manner in which MCF grants are given and the timeline upon which they are spent have been standardized.

The Executive Board acknowledged what the MCF Review Committee concluded in its report — that our current utilization of the MCF, where outflows exceed investment income, required further revisions to spending procedures to compensate for the lack of capitalization and higher investment returns.

With a current balance of \$56.6 million, recapitalization of the fund has become an issue — a point the committee underscored in its analysis of projected funding. This issue remains a priority as we recognize that the MCF fuels so many of our endeavors.

Slide #5: "2010 MCF Users"

As you all know, collective bargaining for a number of pilot groups has taken center stage this year.

From Spirit and Jazz to AirTran and TSA, ALPA pilot groups have relied on their MCF grants to build unity among their pilots and to promote their messages as they fight to secure contracts that meet their needs and recognize their value to their airlines.

And, the unwavering support across company lines from our National SPSC Go Teams also sends a powerful message to airline management that ALPA stands with its members to the end.

For the fourth quarter of 2010, we expect MCF funds to be used by a number of pilot groups, including AirTran, Continental, TSA, and United.

Slide #6: "6-Year OCF"

Here, we can see that the Operating Contingency Fund balance has been increasing slightly since 2009 after a significant drop in 2008. While we have a long way to go to reach the OCF balance of 2005, our cost-cutting efforts have reversed that downward trend.

- ▶ Grants and loans allocated from the OCF to assist MECs totaled \$6.9 million and \$5.9 million for 2008 and 2009, respectively.
- ▶ In 2010, the total allocation on a year-to-date basis is \$3.9 million, and for 2011, \$3.5 million.

Slide #7: "6-Year SMRA"

Looking at the Special MEC Reserve Account, or SMRA, balances over the last six years, you can see a stable consistency since 2008. This is a prime example of pilot group leaders heeding our call to live within your budget. Keeping and building SMRA provides MECs with the additional resources for the increased spending anticipated when a pilot group enters the negotiating cycle, which is, frankly, the reason the SMRA exists in the first place. This stable consistency year to year has carried over month to month in 2010. Since January, there has been a less-than-3-percent change in the SMRA balance from month to month.

Slide #8: "2011 Budget"

I am pleased to report that, in August, the Executive Council approved the 2011 budget, which goes into effect on January 1 of next year. The 2011 budget reflects \$5 million more in dues income over last year's budget, and \$2.3 million over the forecast for calendar year 2010.

Our revenue forecast is based on raises in existing ALPA contracts, modest airline growth, and, for the first time in a while, profit-sharing payouts. And, we continue to take \$500,000 off the top of dues income to cover the loan payments on the Mansfield settlement.

Of this budget, \$36.7 million is allocated to the MECs, and \$60.6 million is allocated to the Administrative & Support account.

Now keep in mind that the A&S account provides funding for:

- Local council budgets,
- ALPA national committees, BOD and Presidential Committees, and governing bodies, and
- The broad range of benefits and services utilized by MECs from the ALPA toolbox.

It's important to note that your union provides these services at no additional cost to your MECs.

As we look to the future, we must stay focused on maintaining balance. It may be difficult at times, but we can, *and we must*, achieve it. We have an ongoing duty to look critically at the resources and services that we provide, to determine if we can become more efficient and productive. ALPA is committed to maintaining and improving the confidence, trust, and transparency for our members.

One of the steps the Association has taken to facilitate this process is to appoint a Special Committee for Finance, Structure, and Services or, as it is more affectionately known—“SCFSS.” This committee is composed of myself and nine other pilots from across the Association. Our mission: to conduct a comprehensive review of both the allocation of ALPA’s resources and the services we provide to our members.

The committee’s work centers on balance—that is, we are “carefully considering all aspects” of our union’s finances and structure. This includes:

- the spending limit process,
- the OCF,
- MEC income, expenditures and activities,
- the recommendations of the MCF Review Committee,
- representation structures and local council funding,
- the feasibility and need to re-capitalize Kitty Hawk,
- the A&S account,
- income levels, and
- the dues rate.

We have begun our work, gathering data, compiling and reviewing input from a number of subject matter experts and council reps, and exploring ideas and options, which we will outline in our report to Delegate Committee 4 this week.

We plan to submit our policy recommendations to the Executive Council for review in January, and present our final recommendations at the spring 2011 Executive Board meeting.

Balance. For us as pilots, it’s important in loading the aircraft. For you, the members of ALPA’s Board of Directors, it’s important to effectively serve your pilots. As the representatives for 38 pilot groups, you must balance the specific needs and objectives of your pilots with the financial resources available to support those needs.

Finally, for all of us as ALPA leaders, working together as one union, balance is important to achieve our unity of purpose: one goal, one vision.

And I’m proud to say that your efforts and your discipline over the years have helped us maintain the balance that is so vital to ALPA, to our profession, and, most importantly, to our pilots and their families.

Thank you.