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J.P. Morgan Aviation, Transportation & Defense Conference  
New York, NY  
March 9, 2010

I'm honored to be here today to provide the views of nearly 53,000 airline pilots at 38 airlines in the United States and Canada. As president of the Air Line Pilots Association, International, I would like to express my appreciation to Jamie Baker, Mark Streeter, and all at JPMorgan for the invitation.

The airline industry is different from any other in the tension that exists between its two diverging goals. On the one hand, airlines are considered public utilities that are expected to provide safe, secure, low-cost transportation to the general public. On the other, the airlines are supposed to be for-profit companies that are expected to make money and a return for investors.

Balancing these diverging interests is complicated. Our industry today creates an extremely competitive climate for the airlines. The established airlines compete vigorously, which has resulted in an astounding 27 percent reduction in inflation-adjusted domestic fares since 2000 alone. Clearly, additional government actions to enhance competition are unnecessary.

I would like to take a few minutes today to lay out the government policy ALPA pilots believe is necessary to make our industry healthy and stable in the future—to the benefit of employees, our customers, and our economy.

We need to first take a step back and take a look at the current state of our industry. We know that, cumulatively, the U.S. airline industry has failed to make money over its entire history. In the years since 9/11, the industry has endured many airline bankruptcies and shutdowns, staggering employee concessions, brutal pension terminations, widespread job losses, and eroding infrastructure. In addition, our industry faces safety and security concerns today that, while they have long been on ALPA's radar, have only recently attracted the national spotlight.

These factors frame a serious scenario. Challenges lie ahead and point to the dire need for our country to establish a blueprint for the future success of the airline industry. Together, we must position our industry to deliver on its potential to help build our economy, provide good jobs, and set the standard for aviation safety and security across the globe.

The blueprint for the future success of the U.S. airline industry must be set on a five-point foundation. We need to:

- Create a national-level aviation policy that is part of a U.S. transportation policy;
- Establish a single, high level of safety and security for all passenger and cargo airlines;
- Develop and maintain the best trained, most competent pilot workforce in the world;
- Modernize the National Airspace System and build the Next Generation Air Transportation System; and
- Forge a U.S. international aviation policy that provides an effective balance among economic, security, airline, consumer, and worker interests.

The past decade has demonstrated what we already know from history: the U.S. airline industry is extremely financially volatile. The benefits of reining in this volatility are myriad for workers, airlines, and the traveling and shipping public alike.

The first point of the five-point foundation is ensuring that our national policies promote opportunities for U.S. airlines and jobs for U.S. workers and allow our businesses to compete effectively and profitably with foreign airlines. Identifying the policies, or lack of policies, that form barriers to stability and profitability is the first step.

Let me give you one example of an opportunity to make a policy decision to promote a stable and viable U.S. airline industry. I have made known ALPA's support of a request from Delta Air Lines and US Airways to allow the two airlines to transfer slots at Washington's National and New York's LaGuardia airports, along with terminal facilities and international route authority.

The proposal would give both airlines the opportunity to strengthen their networks, add nonstop service between two top business markets, and provide new service to small and medium-sized communities across the United States. The proposal would make both airlines more financially viable.

The Obama administration has taken many actions to promote the viability of numerous U.S. industries to preserve and create high-quality, well-paying jobs for U.S. citizens. The airline industry is no less deserving of its support.

Other national policies must also be scrutinized and remedied if they do not advance the goal of stabilization. One example is the current taxation structure. Incredibly, airline tickets are taxed at least as heavily as tobacco and liquor in this country. This is outrageous and should be corrected.

As everyone in this room knows, fuel is often the largest, and certainly the most volatile, expense for the airline industry. Rampant speculation sent oil to almost \$150 per barrel in 2008. Its volatility continues to affect airline finances. Dramatic price swings and high prices add significant stress to the industry and make long-term planning almost impossible, so this, too, must be rectified.

Another concern is that the combination of relatively low barriers to entry into the airline industry, more widely available capital, and greater ability to reach and sell products to consumers via the Internet has made it much easier for start-up airlines to come into the airline industry.

Unfortunately, such facility has led to the start-up of new airlines that are often under-capitalized and ill-prepared to execute a long-term business plan. As these airlines enter the market, they have a dramatic effect on pricing and force their established competitors to price irrationally in order to compete.

Over time, when new entrants, as they often do, file for bankruptcy and go out of business, the established airlines have absorbed huge losses. The industry as a whole suffers from these poorly performing new-entrant airlines, which clearly works against the long-term goal of a stable industry. We need higher standards for new-entrant airlines that consider their competitive impact and balance that with the need for a financially viable airline industry.

Moreover, mainline airlines' relatively recent practice of shifting their domestic flying to regional partners has left many passengers unaware of which airline they are actually flying until they board the aircraft. Efforts to go beyond the bare minimum safety standards are expensive. Relentless bidding among regional partners in an attempt to continually drive down costs means the public may have expected one level of service and safety when they purchased the ticket, only to find when they board the airplane that they are flying another airline entirely.

Our passengers and our industry require and deserve transparency. In ALPA's view, the mainline airlines should be accountable and responsible for the safety and security of the flights they sell to the public.

The second point of our foundation is ensuring that the airline pilot workforce continues to be the best trained, most competent in the world, and that pilots uphold and maintain the highest standards of professionalism. Given the concessions and the "race to the bottom" pattern in the regional segment of the industry that I mentioned earlier, we also must position our industry to attract and retain the highest-caliber candidates, enhance motivation to achieve and maintain the highest professional standards, and provide pilots job security. I am here to tell you that paying a first officer on a 70-seat jet \$17,000—25,000 a year is clearly inadequate.

Now, to the third of our five points needed to build the foundation for a stable and successful U.S. airline industry. We need to ensure a single, high level of safety and security for all airlines, regardless of whether they carry passengers or cargo or what type or size of equipment they fly. A key element of this single level of safety must be science-based flight-time and duty-time limits and minimum rest requirements that apply to the pilots for all types of flying. We also need to continue efforts to enhance passenger screening by shifting to a trust-based security system that focuses on intent, not on

objects. ALPA will continue to press these issues before Congress and with the FAA and TSA. Improving security, while reducing the hassle factor, is a requirement.

I met with Senator Reid two weeks ago, and he committed to bring the FAA reauthorization bill to the floor, but it is being held up. Efforts by a handful of senators to delay the many improvements in safety initiatives in the FAA reauthorization bill are a disservice to the traveling public.

Fourth, we must modernize the National Airspace System into the Next Generation Air Transportation System. NextGen is critical to the economic health of the United States. The Administration and Congress need to accelerate the FAA's NextGen plan to modernize the air traffic control system. More investment in infrastructure is required to address shortcomings at our busiest airports and to improve operational efficiency. Sustained, adequate funding is essential. I am pleased to report that, through our work with the FAA and the DOT, we know they share this view and are moving full speed ahead to modernize the ATC system.

Finally, the fifth point. Our country needs to establish and maintain a U.S. international aviation policy that provides an effective balance among economic, security, airlines', consumer, and workers' interests.

ALPA stands in solid support of current foreign ownership and control rules. We urge their full enforcement. These rules are rooted in basic national security considerations, especially the need to ensure that U.S. aircraft are available in times of national emergency.

The current rules also address an important concern of U.S. airline workers—that U.S. airlines receive a fair share of international flying opportunities, so the best-paying jobs aren't outsourced to other countries' airlines.

There's also no question that we need aviation policies that protect U.S. aviation jobs when U.S. airlines are granted antitrust immunity so that workers and investors can benefit from international joint ventures.

Because U.S. carriers can now receive joint-venture revenue without conducting flight operations of their own on the relevant routes, a joint venture can lead to U.S. airline employees' performing only a small portion, or even none, of the international flying. In addition to the impact on U.S. workers, this job "outsourcing" has the potential to significantly affect the U.S. airline industry's long-term viability and competitiveness.

Let me give you an example. A recent United Airlines and Aer Lingus joint-venture agreement will allow United Airlines to operate flights between Washington, D.C., and Madrid, Spain, using only Aer Lingus equipment and pilots. United will place its moniker on Aer Lingus tickets and is expected to share in the revenue, but without doing any of the flying.

Under such circumstances, little incentive exists for the airline to provide crews or airplanes for the flights. U.S. jobs are in jeopardy as a result. In fact, United is laying off 60 flight attendants, while Aer Lingus is hiring new attendants to staff these flights. United has laid off 1,500 of their pilots, so I have taken great issue with United management on this planned joint venture.

We believe that there should be a strong correlation between the *portion* of revenue a U.S. airline receives from a revenue-sharing arrangement and the amount of actual flying the airline engages in. To ensure this, we believe that all revenue-sharing arrangements between U.S. and foreign airlines must be reviewed by the Department of Transportation before they are implemented to determine whether U.S. job-protection provisions should be required. We are pleased that a bill introduced in the U.S. House of Representatives today will direct the DOT to do just that.

On a related issue, ALPA is also concerned about the fragmented state of European labor laws. Fundamental labor rights are addressed not by a single national law, as is the case in the United States, but by 27 diverse national labor laws. The lack of a common legal framework for labor relations holds the potential to have an adverse effect on airline workers. The United and Aer Lingus agreement is instructive on this point. From the other side of the Atlantic, the British Airways alter-ego creation, called Open Skies Airline, constitutes exactly the same shell game of forming a new airline using none of their pilots or flight attendants. In this case, the U.S. industry has truly exported a seriously flawed business philosophy that the only way to succeed is to rid yourself of your unions and their employee contracts.

As we've heard today, the U.S. and global economies are showing some signs of growth and recovery. Revenue improvements and stronger demand are expected to continue throughout 2010. While fuel and issues outside of the industry such as SARS and H1N1 still loom as potential threats, one thing is clear: the health of our industry corresponds and contributes to the health of our economy. We must do all we can to foster it with federal initiatives that protect and provide for the health of the industry.

Another reason for optimism for us is the new Administration. We are now working with a U.S. government that engages union leaders when searching for solutions. Whether the topics are high-profile events such as acts of terrorism, accidents or incidents, and health-care costs, or longer-term issues on which ALPA has been working for years like modernizing flight-time and duty-time limits for pilots, the Obama administration has set a new tone.

We have been very pleased with the open and consensual relations when working with the Department of Transportation and the FAA. Likewise, DHS and TSA are actively considering our suggestions to improve security. We are fully engaged with Secretary Solis and the Labor Department and have been consulted in preparation for a meeting with the G20 labor ministers in April. At too many airlines, managements had grown accustomed to stalling regulations, dragging out negotiations, eviscerating our contracts, and getting their way in bankruptcy courts. They are now beginning to have to think

twice, especially in areas like contract negotiations.

Negotiating and enforcing contracts under the Railway Labor Act, or RLA, only works when both bargaining parties are treated fairly and equally. Because both parties are uncertain about what action the National Mediation Board may take in the process, bargaining is enhanced. This uncertainty has been absent under past Administrations, but after meeting with the NMB this year, I believe all three Board members are committed to efficiently concluding negotiations by ensuring that both parties bargain in good faith. The Board has demonstrated that under the RLA, bargaining parties that fail to act responsibly should be met with consequences.

Due in part to this change in tenor, we have seen significant progress at the bargaining table and in reaching agreement on contracts that position airlines for future success.

At Hawaiian, for example, pilots ratified a new contract in January that includes pay improvements and increases the company contribution to the pilots' retirement plans. It also provides Hawaiian management with more flexibility in pilot training and scheduling and allows the airline to acquire or code share with feeder airlines, provided the feeder does not compete with Hawaiian's existing interisland operations. This contract was a win-win for pilots and for the long-term financial health of the airline.

Last May, ALPA pilots at Alaska Airlines approved a new four-year contract. It contained substantial pay increases for pilots, which helped to partially make up for the concessions made in 2005 when a concessionary arbitration cut pilot pay by as much as 35 percent. ALPA's Alaska pilots view this new contract as a positive step toward achieving a company culture in which company stakeholders succeed and prosper together.

Why is this important to investors? More than half of ALPA's 38 pilot groups are currently in negotiations. They include Trans States, AirTran, and Spirit, as well as United and Continental. Even in the face of what has been a very deep recession, I am optimistic about these negotiations, and the contracts they will produce. When you review the successful merger that created a new single Delta/Northwest pilot contract and the positive outcomes I just mentioned, I think you will see that this NMB has sent a message that it means to find the path to conclude bargaining on outstanding contract negotiations.

On a similar note regarding the Obama Administration, ALPA applauds Secretary of Transportation Ray LaHood for his pledge to establish a Federal Advisory Commission on Aviation and Aerospace.

The creation of this Commission will be an extremely promising step—critical acknowledgment that this industry cannot be overlooked or underrated as a cornerstone of this country's economy, and its recovery. We will work with the Commission to act swiftly to establish the five-point policy foundation I am outlining here.

There's little doubt that the U.S. airline industry faces significant challenges, and even significant changes, in the years ahead. At ALPA, we remain encouraged by a cautiously positive economic outlook, an Administration that is committed to listening to labor's view, and, with the foundation I mentioned, the opportunity to put into place a national aviation and transportation policy that will bring stability and success to our industry, our airlines, and our workers.

Thank you again for the opportunity to be here today. I will take any questions you may have.