

**Statement of
Captain Lee Moak, President
Air Line Pilots Association, International
Before the
Subcommittee on Aviation
Transportation & Infrastructure Committee
U.S. House of Representatives
On
“Air Service to Small and Rural Communities”
April 30, 2014**

Chairman LoBiondo, Ranking Member Larsen, and members of the Subcommittee, I am Captain Lee Moak, President of the Air Line Pilots Association, International (ALPA). It is a pleasure and an honor for me to be here today to testify on behalf of more than 51,000 pilots who fly for 32 airlines in the U.S. and Canada. ALPA is the largest pilots’ union in the world, and we also operate the largest nongovernmental aviation safety and security organization in the world.

Industry Economics and Recent History of Small Community Service

One of the unfortunate effects of airline deregulation in 1978 was the certitude that some smaller cities and towns would lose scheduled air service. To mitigate that outcome, the Essential Air Service (EAS) program was enacted that same year to guarantee that small communities that had been served by certificated air carriers before deregulation would maintain a minimum level of scheduled air service for the next 10 years. Under the program, air carriers were approved to receive a federal subsidy in exchange for guaranteeing a certain level of service on specified routes serving identified small communities.

However, Congress determined that the EAS program should continue past its initial 10-year life, and wrote it into law in 1987 effectively expanding and extending it for an additional 10 years. The program continues today and governing law was amended as recently as 2012 in the FAA Modernization and Reform Act. The Department of Transportation (DOT) reports that there are now about 163 EAS communities, and the total amount of annual subsidies to EAS-participant airlines has grown to \$249 million in 2014. EAS airlines typically operate 2-4 roundtrips each day flying 19-seat aircraft between a major hub airport and an EAS community.

ALPA members have a vested interest in the EAS program; they live in all corners of the U.S., including in and around many of the EAS communities and rely on air

transportation to and from those airports. Further, some of our airlines are EAS participants so some of our members operate flights to and from EAS communities. For these reasons, we have a strong connection with smaller cities and towns and an interest in ensuring that they have safe and efficient access to the National Airspace System.

According to a 2013 Massachusetts Institute of Technology (MIT) report,¹ the past several years have been challenging for passengers as the amount of domestic airline service in the U.S. has decreased. Airlines have increasingly used capacity discipline, rather than capacity expansion, as a business model to drive down costs and increase revenues. As a result, the airlines are obtaining higher yields and load factors, but the amount of scheduled service to smaller communities has shrunk. Between 2007-2012, the 29 largest US airports lost 8.8 percent of their domestic flights, but smaller airports lost more than twice as much, with a 21.3 percent decrease in the number of domestic flights.

Smaller communities are less likely to receive service from a “mainline” carrier than in the past, as those airlines have increasingly outsourced small community flying to small, regional carriers that are compensated, as the lowest-bidder, on the basis of a flat fee for capacity provided over a route. The regional airline business model is dependent, therefore, on driving costs down to the lowest possible extent. And given that so many costs are fixed, the labor cost variable is the one on which regional airline operators leverage the greatest amount of downward pressure. This pressure has manifested itself in near poverty-level wages for new first officers at some regional airlines, and typically poor compensation for all frontline employees.

Another noteworthy change in the airline industry that affects service to small communities is airline consolidation. According to DOT, the number of major airlines—both passenger and all-cargo—in the U.S. is now down to 19; but with the completion of the American Airlines merger, there will be just four “legacy” passenger carriers that will compete against each other in most markets across the country. The regional airline industry is also consolidating; mergers, acquisitions and shutdowns have been a significant part of the industry’s landscape over the past several years, and it is a trend that we believe will continue into the foreseeable future. Service to small communities is also challenged by the ongoing effects of the recession, historically high fuel prices, and lower demand for airline transportation in lieu of surface transportation over certain distances, among other factors.

¹ *Trends and Market Forces Shaping Small Community Air Service in the United States* (Report No. ICAT-2013-02), MIT Small Community Air Service White Paper No. 1, May 2013, Wittman and Swelbar

In response to these challenges, the airline fleet composition used to serve small communities is changing; the 50-seat regional jet that became popular in the 1990's has largely fallen out of favor with regional airlines due to the high price of fuel and the fuel inefficiency of those aircraft on a seat-mile basis. Regional airlines are endeavoring to use more fuel efficient and right-sized aircraft on some routes to mitigate the impacts of high fuel costs, their single largest expense.

Small Community Air Service Workforce

Some of the lowest-paid airline workers in the airline industry, including but not limited to pilots, work for airlines that serve EAS communities. According to the Government Accountability Office (GAO)², pilot pay has gone down since 2000 even as some airlines have complained of a pilot shortage. Bureau of Labor Statistics (BLS) data from 2000-2012 show that the median weekly earnings in the pilot occupation decreased by 9.5 percent over the period (adjusted for inflation), or by an average of 0.8 percent per year.

We believe that Congress should take a hard look at the federal government's relationship with those regional airlines that accept millions of dollars in government subsidies for providing EAS while offering such poor wages and benefits that they cannot fill their pilot seats. Two airlines publicly complained a few months ago about a "pilot shortage;" one accepted tens of millions of dollars in EAS subsidies last year while paying its new-hire first officers \$16,500 per year. The other carrier also accepted tens of millions in EAS funds while only paying its first-year pilots \$20,770. These carriers publicized their decisions to abandon certain small communities on the basis of a "pilot shortage," but what is not as well known is that they have returned to serve those communities, or other carriers have entered those markets.

We would propose that Congress work with DOT to examine the EAS rules that are presently in effect to determine whether they are meeting today's needs. In our view, the primary goal of the EAS program should be to provide safe, scheduled air service; all other considerations, including number of seats and frequency of operations, are secondary. Safety of flight begins with professional airline pilots who are compensated with a living wage that permits them to focus on their jobs, not worry about how they will support themselves and their families, or get the rest that they need to be safe in the cockpit while working an extra job or two, etc. The regional airline industry as a whole

² *Aviation Workforce: Current and Future Availability of Airline Pilots* (GAO-14-232), Government Accountability Office, February 2014

is failing to provide adequate pay and benefits for its pilots—according to our figures, the average starting salary for a regional first officer is \$22,400—and ALPA is working hard to improve them for its members.

However, we believe that the government has an obligation to ensure that government-subsidized airlines are not engaging in race-to-the-bottom pay, benefits, and working conditions for EAS-participant airline pilots, which because of unfair competitive advantages, may ultimately put downward pressure on the wages and benefits at all regional airlines.

Small Community Air Service Safety History

In the early 1990's, ALPA initiated its One Level of Safety (OLS) campaign aimed, in part, at bringing the regional airline industry's safety up to the same standards as those of the majors. A significant accomplishment in this regard was realized when the FAA instituted rulemaking that required scheduled airline operations using aircraft with greater than nine (9) seats to comply with 14 CFR Part 121. The OLS initiative is still a work in progress, however, as the safety record of some regional carriers demonstrates:

1. In May 1997, Great Lakes Aviation suspended all flights following the FAA's expressed concerns about the adequacy of maintenance at the feeder airline. The FAA reported that airline personnel were not being properly trained. At the time, Great Lakes was operating 500 flights per day and carrying nearly a million passengers annually. The carrier suspended its flights voluntarily, but only after the FAA had notified the airline that it planned to suspend its operating authority. Although not related to the shutdown, a Great Lakes turboprop aircraft was involved in a runway collision at Quincy, Illinois, in 1996 that killed 14 people.
2. The Colgan accident at Buffalo, N.Y., on February 12, 2009, killed a total of 50 people; in the ensuing investigation, the National Transportation Safety Board (NTSB) identified a number of systemic failures at the company and within the industry at large. The results of that investigation generated a public outcry for numerous improvements to airline safety; and to its credit, this Subcommittee was responsible for writing legislation that addressed many of those outstanding deficiencies. Since then, the FAA has enacted new first officer qualifications and training requirements that increased the amount of education, training, and flight experience of pilots who are hired by Part 121 airlines, among other significant improvements. ALPA is a strong proponent of these new rules, and other complementary regulations that have been adopted, or proposed by Aviation Rulemaking Committees (ARCs), as an outcome of what was learned following the Colgan accident.

The history of regional airline operations underscores the need to make safety the first and foremost consideration for service to small airline communities.

Unfortunately, there are some within the airline industry who have indicated that they are ready to roll back the safety gains that were realized on August 1, 2013, when the new first officer qualifications requirements went into effect. ALPA is a staunch defender of the new regulations, however, because we know firsthand that they are needed in today's demanding operating environment.

New First Officer Rules and the "Pilot Shortage"

Finally, we would like to address the outrageous claims of some regional airline operators regarding a putative pilot shortage that they say has required them to cancel flights and park airplanes. To put it very simply, there is currently *no shortage* of qualified pilots. There is, however, a shortage of qualified pilots who are willing to fly for substandard wages, working conditions, and benefits.

Although some within the airline industry blame this Subcommittee's legislation and the resultant FAA airline pilot qualifications and training regulations for a pilot shortage, the airline industry actually helped craft those rules and supported their passage. We believe that they did so, just as ALPA did, because of a genuine concern for aviation safety. Several accidents over a number of years, the most recent and arguably the most troubling of which was the aforementioned Colgan Airways accident in Buffalo, N.Y., in 2009 caused a justifiable groundswell of support for the new and safer increase in minimum qualifications for pilots to be hired by the airlines, the scope of which goes well beyond just the number of hours that a first officer must have in order to enter the Part 121 industry.

It should be noted that some in the regional airline industry did not adequately prepare for today's pilot hiring needs, which have been predictably compounded in the near term by pilot age-limited retirements and increased qualification requirements. This Subcommittee introduced legislation on first officer qualifications about five (5) years ago, and the industry was well represented on and agreed to the recommendations made by the FAA aviation rulemaking committee that created the new pilot qualifications and training rules. Further, the future impacts of the age 65 retirements that began in 2012 were well understood more than six (6) years ago. To reduce the potential for impacts on the pilot pool, Congress gave FAA the ability to grant flight-hour credit for specific academic training against the 1,500 hour requirement for the air transport pilot certificate (ATP). FAA did exactly that, to the benefit of the regional

airlines, by establishing the “Restricted ATP” that an individual could qualify for with as few as 750 flight hours.

A few airlines have understood for some time the need to create career pathways that will incentivize individuals to seek employment as airline pilots. More airlines are presently seeing this need and have created, or are in the process of creating, pathways that connect one or more accredited aviation universities or colleges with a regional airline and a legacy airline so that there is a clear and defined progression on which to create a career. As part of these pathways, some legacy airlines have “flow-through” agreements with their regional code-share partners that guarantee regional airline pilots an interview with the mainline carriers upon achieving certain career milestones. ALPA is a strong supporter of these and similar programs that help establish a larger and more qualified pool of pilot candidates to safely operate airline equipment. Thousands of young adults learn to fly each year with the hopes of becoming airline pilots. Their total investment may exceed \$150,000 for their college aviation education and flight training, but that outlay is made on the basis of potentially earning several million dollars over the course of a 40-year or longer career. These future aviators need to see evidence that their investment will be rewarded, otherwise—over the long term—we will see a genuine shortage of qualified workers in our aviation industry.

One impact on the availability of qualified pilots also serves as commentary on the present state of the U.S. airline industry. Thousands of experienced airline pilots with U.S. citizenship are opting to fly for foreign airlines instead of U.S. carriers because the stability, pay, and benefits are so much greater than those offered by U.S. carriers. As just one example, at U.S. legacy airlines, a first officer may have a starting salary of \$61,000/year plus benefits, while a foreign airline may pay \$80,000/year, plus provide housing allowances and other extraordinary benefits, such as personal chauffeured transportation to and from work, and tuition assistance for the pilot’s children.

GAO’s Findings

If there was ever any doubt about the true nature of the shortage that exists, the aforementioned GAO report on the aviation workforce has removed it. That report supports the points that ALPA has made for several years concerning whether there is, or will be, a genuine shortage of airline pilots. Following are a few of the comments contained in the GAO report that buttress ALPA’s long-held view that there is no near-term shortage of qualified pilots but simply a shortage of qualified pilots who are willing to be employed by some U.S. airlines in light of their poor wages, working conditions, and benefits:

- Available data indicate that a large pool of qualified pilots exists relative to the projected demand, but whether such pilots are willing or available to work at wages being offered is unknown.
- Data on wage earnings and employment growth are not consistent with the existence of a shortage in the airline pilot occupation.
- Employment for professional pilots has actually decreased by 12 percent from 2000-2012, which is not consistent with a shortage.
- While there were 72,000 airline pilot jobs in 2012, FAA data show that as of January 2014, a total of 137,658 currently active pilots under age 65 hold ATP certificates and a first-class medical certificate. Another 105,000 pilots hold instrument ratings and commercial certificates and are in the pipeline to potentially obtain ATPs.
- GAO estimates that a range of roughly 1,900 to 4,500 new pilots will be needed to be hired annually over the next 10 years. In 2012, the FAA certificated 6,396 new ATPs, and that number is trending upwards. Additionally, about 2,400 pilots separate from the military service branches each year. Note: this total of nearly 9,000 additional pilots becoming available annually, who could potentially fly for the airlines, is approximately double the maximum of what GAO says is needed by the airlines each year.
- Two out of three studies reviewed by GAO on pilot supply trends suggest that a prolonged pilot shortage is unlikely to develop. One study noted that a shortage of entry-level first officers may temporarily emerge, but would likely be addressed within a few years.
- Avoiding a pilot shortage hinges on the ability to incentivize lower-certificated pilots to seek a higher certification, and pilots currently working abroad or elsewhere to seek U.S. airline jobs, should a genuine shortage arise. Analyses reviewed state or imply that airlines may need to provide financial incentives—for example, higher wages, benefits, or bonuses—to bring new pilots into the industry.
- Eleven of the 12 regional airlines interviewed by GAO have been unable to meet hiring targets for training classes formed since early 2013. Regional airlines currently pay on average about \$24 per flight hour (approximately \$24,000 annually) for new-hire first officers.
- The mainline airlines interviewed by GAO report that they are not experiencing any difficulty in attracting qualified and desirable pilot candidates. These carriers currently pay on average about \$48 per flight hour (approximately \$48,000 annually) for new-hire first officers.

In support of our contention that there is a quantifiable shortage of pay and benefits for pilots in the regional airline industry, we would compare the average starting salary for

new first officers in the regional airline industry (about \$24,000 according to GAO) to the starting salaries of other fields for which university aviation program graduates are qualified to enter. These include test engineer (\$52,500), operations manager (\$55,000), and second lieutenant in the Air Force, the entry level for most military pilots (\$53,616 in salary and allowances). It is worth noting that the average starting salary for elementary school teachers (\$35,529)—which is widely viewed as an underpaid profession—is substantially more than that of regional airline first officers.

The recent increases in experience and education required to enter the airline pilot profession, which were crafted with input from industry, labor, and government, were made to ensure that the U.S. airline industry remains the safest in the world. ALPA stands behind them and is unwilling to sacrifice safety to enable any airline to hire a cheap work force.

Recommendations

- Congress should examine with DOT the federal government’s relationship with those regional airlines that accept millions of dollars in government subsidies for providing EAS while offering such poor wages and benefits that they cannot fill their pilot seats. EAS rules should focus on safety first, which includes professional pilots whose focus on their job is not distracted or impaired by the pressure of near poverty level wages and benefits.
- It is well known that the U.S. airline industry is besieged with excessive taxation and red tape that the airlines of many other nations do not face. ALPA is a strong proponent for leveling the playing field to reduce this burden on airlines so that they can grow and thrive. One important benefit of such needed changes will be greater levels of service to small communities, as more financially secure airlines will be able to increase capacity to them without the need for a government subsidy. Another benefit, as relates to the GAO report, will be an industry that can offer jobs that are attractive to those who are interested in a career as an airline pilot. Congress can and should play a critical role by removing the current financial and regulatory barriers facing U.S. airlines to make it easier for them to generate sustained levels of profitability and thus be able to pay good wages and benefits and, consequently, for aspiring pilots to more confidently invest in professional pilot education and training.
- Congress can assist by restoring loan guarantees for college and university students that are undergoing flight training as part of their degree curriculum. Congress should work with the airlines to create innovative means for them to

offset pilots' flight training expenses and thereby help create a more reliable pool of new first officer candidates.

Thank you. I would be pleased to address any questions that you may have.

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