Testimony of Bryan Bedford
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Before the

House Committee on Transportation and Infrastructure Subcommittee on Aviation

Hearing on Air Service to Small and Rural Communities

April 30, 2014

Good morning, Chairman LoBiondo, ranking member Larsen and members of the Subcommittee. Thank you for inviting me to testify on the topic of Air Service to Small and Rural Communities. I sincerely appreciate the opportunity to address the committee today and to speak to some of the challenges affecting small and rural community air service.

My name is Bryan Bedford, and I am Chairman, President, and Chief Executive Officer of Republic Airways. I am here representing Republic Airways ("Republic") but will also speak from my experience as Chairman of the Regional Airline Association's Pilot Supply Task Force, an industry-working group that is steering our Association through the pilot shortage facing the nation.

Republic Airways is a large regional carrier headquartered in Indianapolis, IN. We operate three airlines – Republic Airlines, Chautauqua Airlines, and Shuttle America. We have approximately 6,300 employees; with 1,600 employees working in Indianapolis, Indiana; 1,000 employees working in Columbus, Ohio; 600 employees working in Pittsburgh, Pennsylvania; 300 employees working in each of Kansas City, Missouri; and Louisville, Kentucky; and the remainder of our almost 2,500 employees spread nationwide. Additionally, our company provides employment for thousands of additional individuals who live in other states who are our primary service suppliers. This includes Rolls Royce's facility in Indianapolis, as well as General Electric and United Technologies facilities located nationwide. Just to name a few.

Aside from being one of the largest regional carriers in the United States, we are also one of the oldest. We operated our first commercial flight from our home in Jamestown, New York to Pittsburgh, Pennsylvania on August 1, 1974. Over those nearly 40 years of service, our number one priority has been the safety of our employees and passengers. My co-workers and I are extremely proud of our safety tradition and believe our unblemished aviation safety record speaks for itself.

I joined the company in July 1999 as our 5th CEO. Over my nearly 15 years with the company, we have undergone extraordinary change. When I joined the company, we operated a fleet of 28 turbo propeller aircraft; with seating capacity to accommodate between 19 and 34 passengers. We had approximately 600 employees. We flew almost 1.0 million passengers in 1999 and our total revenues were about $85 million. Today, our fleet includes more than 250 regional jet and large turbo prop aircraft; we generate almost $1.4 billion in revenue, operate more than 1,300 flights per day to approximately 100 cities in 38 states, Canada, and the Bahamas. In 2013 alone, Republic safely flew 21.5 million passengers to their destinations.

Over my 15 year association with Republic, we have managed through extraordinary challenges: starting with Y2K and the recession of 1999. We survived the unthinkable tragedy of 9/11, even though we ended up permanently grounding our entire fleet of small turbo prop aircraft. Republic has been faced with other

global challenges, including the SARs outbreak that began in 2002, the Asian currency crisis, and the bankruptcy and financial restructuring of all our major airline partners in recent years. We have managed through unprecedented consolidation and finally we have weathered the greatest recession since the great depression. Yet, I cannot think of a single greater challenge to air service to small and rural communities than the very real and significant pilot shortage facing U.S. regional airlines, and ultimately the flying public. While we are working hard to preserve air service to small and even medium-sized communities, the pilot shortage is real, and it is already starting to take a toll on air service to several communities. And I assure you if we don't act now, the social and economic impact will only get worse and threatens to destroy the fabric of small community service throughout the United States.

The good news is that this Committee is willing to hold this hearing today, before it is too late. By fostering this discussion and exchange as this dilemma unfolds, hopefully we will be able to effect meaningful changes that can stave off a growing air service challenge in small-town America. And while we are here today to talk about service to small communities, the crisis extends well beyond simply the smallest communities.

As you know, U.S. commercial aviation contributes over $1 trillion annually to the nation's economy. Our nation's air transportation network provides more than 10.9 million direct U.S. jobs and serves over 750 million passengers annually. Regional airlines, which operate 50 percent of the nation's flights, play an irreplaceable role in driving these results. In other words, it is not just regional airlines and the smallest markets they serve that face a pilot shortage crisis; the pilot shortage is a threat to air carriers large and small and to our nation's economy overall.

Of course, for smaller communities, service by Republic and other regional airlines like us represents a veritable economic lifeline. In fact, most U.S. airports rely heavily on regional airlines for air service; regional airlines provide the exclusive source of scheduled air service at 70 percent of our nation's airports and the majority of air service at 86 percent of our nation's airports. The fact that many small and rural non-hub airports fall into the "mostly-regional" category will not surprise this Committee, but some may be surprised to learn that many larger hubs are also served mostly by regional airlines. For example, 66 percent of Chicago's O'Hare's flights are operated by regional airlines.

Regional airlines are very agile and adaptable, but we are not immune to economic and competitive challenges. In 2009, Republic began flying under the Midwest brand from Milwaukee. Using small regional jets we provided non-stop service from Milwaukee, Wisconsin to 18 different destinations, including Appleton, Wisconsin; Wausau, Wisconsin; Des Moines, Iowa; Green Bay, Wisconsin; Grand Rapids, Michigan; Indianapolis, Indiana; Madison, Wisconsin; Omaha, Nebraska; Pittsburgh, Pennsylvania; Rhinelander, Wisconsin; and Louisville, Kentucky to name a few. However, Midwest was subjected to a competitive assault from Air Tran and

Southwest. Today, Southwest and Air Tran are one company. Midwest is no more and the Milwaukee community no longer enjoys non-stop service to these markets. Milwaukee went from being a community that enjoyed convenient non-stop service to dozens of destinations with some of the lowest airfares in the country, to a community with few non-stop options and some of the highest airfares in the country.

That is just one anecdote demonstrating the competitive dynamics of this industry. But I must say that the pilot shortage will, in my opinion, have a significantly much worse effect on small and medium sized communities across this country. As this Committee knows well, businesses in all communities, but particularly in rural, small and even medium-sized communities, greatly depend on scheduled air service. This air service provides a key economic driver, by providing direct and indirect jobs for Americans as well as ensuring the connectivity that businesses need to remain competitive. Frankly, this connectivity, and those jobs, are at risk.

Fewer Pilots Available as More Are Needed

Over the next eight years, the largest network carriers are expected to retire approximately half their global pilot workforce.[1] An estimated 54,000 pilots will "age out" of the part 121 commercial airline profession over the next decade[2] and the overall demand for commercial airline pilots over the next 20 years is expected to equal 498,000 new pilots.[3] In the meantime, the FAA's new pilot rest rule, which our industry has embraced, has increased pilot staffing needs further by 3,000 – 6,000 pilots in the U.S. alone.[4]

At the same time, our country's mainline carriers, looking to replenish their pilot contingent, will continue to find the most qualified, professional aviators at the regional airlines. In fact, the four largest U.S. airlines *alone* are expected to retire 18,000 pilots in the next eight years; yet, there are fewer than 18,000 pilots in the entire regional airline workforce today.[5]

Unfortunately, compared with the 1990's, the U.S. is producing 60 percent fewer pilots yearly [6] and experts predict that only about half of those pilots intend to fly for a U.S. commercial airline.[7]

This is not hyperbole; these are facts and we ignore them at our own peril.

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[1] Flightpath Economics/Dan Akins & Matt Barton, Feb 26, 2014
[2] UAA, AAB International, *An Investigation of the US Airline Pilot Labor Supply*, 2013
[3] Boeing: Pilot & Technical Outlook 2013
[4] Flightpath Economics/Dan Akins & Matt Barton, Feb 26, 2014
[5] Flightpath Economics/Dan Akins & Matt Barton, Feb 26, 2014
[6] Flightpath Economics/Dan Akins & Matt Barton, Feb 26, 2014
[7] UAA, AAB International, *An Investigation of the US Airline Pilot Labor Supply*, 2013

FAA's 1,500 Hour FOQ Rule has Sparked a Pilot Shortage Without Improving Flight Safety

On every day and on every flight, our highest priority is safety. We share with this Committee the overarching and most important objective in protecting the world's safest commercial airline system. And we know you held that objective in mind when you passed the Airline Safety and FAA Extension Act of 2010.

As you know, part of that law directed the FAA to require all commercial airline pilots to hold an air transport pilot certificate (ATP), which for the first time required first officers to possess at least 1,500 hours of flight experience.

We cautioned lawmakers and regulators, throughout the lawmaking and regulatory process, that including a largely inflexible and arbitrary flight-hour experience requirement as part of the final mandate would not only fail to improve safety, it would hasten the growing pilot shortage and imperil air service at communities across the country.

The aviation industry is constantly learning and evolving, in continuous pursuit of the world's safest aviation system. Like our regulatory and lawmaking partners, our industry trade association studied Flight 3407, the tragic air accident that took place in Clarence, New York, in February 2009, in order to gain insight into critical safety improvements aimed at preventing future accidents.

Through industry introspection, with support and rigor from lawmakers and regulators, and thanks in large part to the tremendous, single-minded dedication and perseverance of family members who lost their loved ones in the accident, aviation stakeholders learned a great deal from that investigation. This has informed dozens of meaningful safety enhancements that will advance commercial aviation ever-closer to our goal of zero accidents.

Even before the NTSB's investigation was complete, airlines moved rapidly and voluntarily to address flight training and professional standards, implementing or further enhancing important safety programs that are now universal across the major regional airline sector. These include Safety Management Systems (SMS), Flight Operations Quality Assurance (FOQA), Advanced Qualification Programs (AQP), and the Aviation Safety Action Program (ASAP). Each is an example of the tremendous progress the industry has made in using tangible risk management strategies to assess the overall effectiveness of air carrier safety programs and to implement risk mitigation techniques to improve overall air safety. These programs are the fundamental reason the United States enjoys the safest air transportation system in the world.

Yet, one thing is clear. There was nothing in the NTSB's investigation of flight 3407 – and indeed there is no evidence anywhere – indicating that flight-hour experience contributes to accidents generally or contributed to that accident, specifically. In fact, both the pilot-in-command and first officer of that flight possessed substantially more than 1,500 hours of flight time. Unfortunately, a requirement for first officers to amass 1,500 flight hours before hiring eligibility would not have prevented the accident that spurred its implementation.

In fact, when questioned about flight time and related impact on accidents during a Senate Commerce Committee hearing on February 25, 2010, NTSB Chair Deborah Hersman rejected any connection, stating:

> *"We've investigated accidents where we've seen very high-time pilots, and we've also investigated accidents where we've seen low-time pilots… We don't have any recommendations about the appropriate number of hours for different categories…we don't have any data supporting the number of hours for a certificate, or its correlation with being involved in an accident."*

You see, while hiring a pilot with 1,500 hours of flight time may *seem* safer than hiring a pilot with only 500 hours of flight time, in fact this merely forces future aviators into a lengthy holding pattern. They are well-trained and ready to fly, but are forced to shelve their skills in favor of accumulating arbitrary flight-hours in environments that offer little professional enrichment. This all happens at great cost to future aviators and disrupts the transition between high-quality training environments and our commercial airlines' advanced training programs.

We believe Congress afforded FAA appropriate flexibility to grant credit-hour equivalencies for high-quality structured training programs, allowing the Agency to retain the safest path for professional aviators without creating a pilot shortage. That flexibility reflected an appropriate emphasis on the *quality*, and not just the *quantity*, of an airman's training.

After all, airline flight safety involves far more than accumulating an arbitrarily mandated number of flight hours. Rather, safety is ensured only when skilled pilots receive the *right training in the right training environments*. This is best achieved through structured training programs that are designed with a careful focus on the risks that airline pilots may encounter in the air and on the knowledge and skills that are required to mitigate those risks.

The FAA clearly voiced its agreement here, as Randy Babbitt, then-FAA Administrator, told this subcommittee on September 23, 2009: "The final rule will be consistent with the philosophy of enhancing the quality and effectiveness of training rather than focusing on traditional quantitative measures such as total flight time."

While Mr. Babbitt's successor, Administrator Michael Huerta, has worked tirelessly to uphold the highest levels of aviation safety, the FAA's final rule ultimately provided far too little credit for the kind of highly-structured training that has been shown to produce excellent pilots, and has been unnecessarily restrictive as to which training programs qualify for higher credit. As a result, the current provision does nothing to increase safety; yet it dramatically accelerates the pilot shortage problem facing our nation.

Because of the new 1,500 hour rule, pilots who are pursuing commercial aviation careers and have graduated from academic and other well-regarded, structured training programs must now spend an additional 12-18 months building extra flight hours in predominantly unstructured environments before airlines are permitted to hire and place them into their own structured training programs. As a result, aspiring pilots face even higher education costs, which discourages potential pilots from pursuing pilot careers altogether, and reduces incentive to pursue structured flight training programs over other paths to build flight hours. Companies like Republic are considering avenues that bridge this gap for inspiring pilots, but these solutions are limited, costly, and do not address the real pilot shortage facing the nation.

I can assure this committee that requiring new graduates to build flight time towing banners or dusting crops does nothing to develop the skills or proficiency to fly in the commercial setting.

Just as the industry was beginning to hire new, much-needed pilots, the FAA placed an additional obstacle between future aviators and their professional airline career. This approach does nothing to further the goal of increased flight safety but it certainly puts small community air service at risk.

The pathway to becoming a professional aviator worked best when it allowed for a seamless transition between top-notch professional aviation programs and the structured advanced training programs offered at regional airlines like Republic. These structured training programs embody the most modern tools and processes learning science has to offer. In many cases, our program exceeds the programs offered by much larger airlines. Formerly, this seamless transition allowed aviators to keep their skills sharp and advancing. Now aspiring pilots are forced to take lengthy, unpaid, hours-building sabbaticals before they encounter our training programs. This extended period increases the risk of loss knowledge, development of non-transferrable flying skills, and in many cases burnout on behalf of new aviators faced with an expensive and lengthy 1,500 hour flight requirement.

To be clear: our high-quality commercial airline training programs can keep pace with demand, but with the new 1,500 hour flight-time requirement in place, there are far too few pilots available to enroll in these programs.

GAO Aviation Workforce Report

On February 28, the U.S. Government Accountability Office released its anticipated "Aviation Workforce" report, focusing on the current and future availability of commercial airline pilots.

This was an important report, and reflects considerable, expert analysis into the pilot supply challenge and successfully articulates many important factors influencing pilot supply, identifying elements influencing the supply and concluding that a continued pilot shortage could mean an additional curtailment of services and industry contraction. The report identifies numerous service curtailments that have already taken place, especially in smaller markets.

Although the GAO report confirmed that regional airlines are experiencing difficulty hiring pilots and airline pilots have experienced a low unemployment rate, both strong indicators of a labor shortage, GAO nonetheless characterized its findings on a pilot shortage as "mixed." In reaching this particular conclusion, GAO relied heavily on two problematic data sets.

First, while GAO reported that airline pilots have experienced a low unemployment rate, and called an unemployment rate "the most direct measure of a labor shortage," GAO also reported that pilot wages have decreased since 2000, which it interpreted as a possible indication that demand for pilots may not outstrip supply. While GAO acknowledged "other factors can account for a decline or lack of growth in earnings during a period of labor shortage," it did not provide any meaningful context for this particular situation.

Most notably, the report does not account for the deep industry shockwaves experienced in the wake of 9/11, which sparked a watershed of airline bankruptcies, liquidations and subsequent mergers, during which significant reductions in pilot compensation and pension benefits were obtained through bankruptcy contract negotiations; all of which occurred during the study period of the GAO analysis.

Although pilot wages have increased sharply from their low point in the mid-decade, they remain below their peak prior to 9/11. The GAO's omission in accounting for 9/11 and its broad impact on airline economics makes this data element a particularly unreliable indicator of pilot supply.

Second, GAO indicated that the number of pilots under age 65 and holding private pilot certificates has decreased 24 percent since 2000, and, significantly, the number of *new pilot certificates issued* was 39 percent lower in 2012 vs. 2000. By contrast, GAO described the number of commercial and ATP certificate pools as “steady.” In reality, many if not most of these ATP holders are no longer a part of the available pilot pool.

Unfortunately, some industry stakeholders have been overly optimistic in this regard. For example, my colleagues at the Air Line Pilots Association, International (ALPA) recently claimed "thousands of pilots having U.S. citizenship are opting to fly for foreign airlines because the stability, pay and benefits are so much greater than those offered by U.S. carriers,"[8] implying that these pilots might return for better pay stateside. Although this makes for a great sound bite, in reality, there are fewer than 1,000 U.S. citizen pilots domiciled overseas.[9] Of this small number, fewer still would be willing to forgo the salary and living wage benefits paid by foreign carriers in order to return to the U.S., where they would be relegated to a junior number in a seniority-based pilot union system.

Similarly, ALPA's assertion that "many airline pilots have been furloughed and would like to return to flying" is dubious at best.[10] Many of these formerly furloughed pilots are already flying for other airlines. Others have moved on to other sectors of the economy. In fact, all commercial airlines have publicly stated that they no longer have pilots on any active furlough list and are now seeking new pilots "off the street."

A Word About Pilot Compensation

During any discussion of a pilot shortage, we encounter criticism that, were the regional airline industry to pay its pilots higher salaries, it would have no problem hiring qualified pilots. This is simply not true.

To begin with, the median annual wage for U.S. airline pilots was $114,200 in May 2012, compared to the median income for all U.S. occupations, which is $34,750. (The median wage is the wage at which half the workers in an occupation earned more than that amount and half earned less.) To put this into further perspective, 90 percent of all U.S. commercial airline pilots earned $66,970 or higher, and 10 percent earned more than $187,200.[11]

While salaries at regional airlines are, for a number of necessary reasons, lower than at mainline airlines, these salaries have recently increased and continue to increase. New programs are in place to provide substantial hiring bonuses and other incentives; yet, the pilot supply problem persists. Unfortunately, even if regional airlines were able to raise salaries further without pricing flights to smaller communities out of existence, the grim reality of pilot supply, as detailed above, would remain unchanged. In fact, according to the RAA, almost all of its members, including those with the highest starting wages, have been challenged in filling new pilot positions. There are simply far too few pilots available right now, when we need them, to continue to fly all or even most of our current routes in the near and

[8] ALPA Press Release "GAO Report on Pilot Availability Confirms It's All About the Money," February 28, 2014
[9] Flightpath Economics/Dan Akins & Matt Barton, Feb 26, 2014
[10] "Is the Pilot Shortage Real?" MSN Money / Bruce Kennedy, Nov 12, 2012
[11] U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2012

medium-term future.

Nevertheless, immediately following the release of GAO's Aviation Workforce Report, our colleagues at the Air Line Pilots Association, International (ALPA) issued several press releases recasting the pilot shortage as a wages problem, citing low first-year pay at regional airlines. In fact, influences on pilot pay are complex, and include the revenue potential of the aircraft and market, passenger price sensitivity, structured fee-for-departure agreements with major airline partners, and other external constraints.

Additionally, at most U.S. regional airlines, pilot pay is governed by collective bargaining agreements. Unions ratify these agreements on behalf of all their members, including first officers. As noted, while the average salary of a U.S. regional airline captain is more than $70,000, collective bargaining agreements determine how existing salary resources are allocated among senior and entry-level pilots, often favoring higher pay for captains at the expense of lower pay for first officers.

> *"…A fundamental component of [the pilot shortage] is the seniority system, which permeates nearly all aspects of the U.S. airline industry. For instance, the low starting wages for pilots at U.S. airlines are shaped by collective bargaining agreements that trade low pay rates for starting pilots in exchange for high pay granted to senior pilots. This results in massive pay disparities across the pilot profession….this isn't just about pay: junior members of the workforce get the last opportunity to select time off, are required to work the shifts nobody else wants, and are furloughed first when or if the employer needs to downsize. It's important to remember that seniority is not something imposed by management. It's a belief system and structure that labor groups insist upon. The problem is that seniority as it is currently structured isn't optimal for most of the employees. It creates a rigid caste system in which date of hire is more important than merit, initiative, or aptitude. It isn't transferable (usually) from one airline to another. If an airline ceases to operate, the employees in a seniority-based system must start from scratch at another operation -- and many simply elect to leave the profession altogether… In effect, the seniority system is a principle cause of this pilot supply crunch. It isn't a market-based system, which is why the solution to the pilot supply crisis won't be market-based either."* – Matt Barton, Flightpath Economics, March 13, 2014 in an email to *Newsweek,* quoted with permission

In addition to compensation and other benefits, which include medical and vision benefits, 401k benefits, travel benefits, and considerable time off, regional airlines make other significant investments in pilots. Regional airlines provide pilots with safety-based training that combines rigorous classroom study with systems and flight training.

Airlines like Republic apply advanced technical training and evaluation, incorporate adult learning best practices, and employ state-of-the-art flight simulators. This training in commercial airline systems comes at a significant expense, ranging between $25,000 and 35,000 for each new hire pilot, and represents an investment in a pilot's long-term career.

These costs are ongoing as pilots complete recurring training and a significant training investment when they upgrade from first officer to captain. Of important note, is the portability of such training, as it will serve the pilot throughout his or her career in commercial aviation, no matter how long he or she remains with the regional carrier who provided it.

Ultimately, a career as a commercial airline pilot is among the more financially rewarding U.S. careers. Yet, despite these safety programs and investments, the new rule requiring first officers to amass 1,500 hours of flight-time prior to employment is making it significantly harder for aspiring pilots to justify the cost of pursuing an airline career. Although the regional airline industry has redoubled its recruiting efforts, offered substantial signing bonuses, and implemented and strengthened existing pipeline programs with the country's best universities, this fact remains: the number of pilots available for hire has shrunken dramatically, while airline industry demand for pilots continues to rise.

Service Cuts Are the New Reality Under the 1,500-Hour Rule

Regional airlines typically partner with major airlines, and those major airlines determine regional airline routes. To do this, major airlines balance supply and demand. The equation here is simple. With too few pilots available, airlines are forced to cancel or reduce air service. Mainline carriers often base air service reduction and cancelation decisions on profitability as well as the number of displaced passengers. This means flight cancellations fall disproportionately on smaller communities, which offer fewer passengers and marginal profits.

Unfortunately, the pilot shortage has already sparked air service cuts and reductions in communities across the nation. Recently, two regional airlines were forced to cancel service to eleven airports due to a lack of pilots. Additionally, United Airlines was forced to close its Cleveland hub, citing the pilot shortage at its regional partners, and resulting in a 37 percent decrease in departures.

More broadly, analysis of departure data also shows a trend of reductions in airline departures. While this trend is sharply felt at smaller communities, even medium-sized cities are losing a large portion of their departures because of the pilot shortage. Losses at smaller communities like Erie, Pennsylvania; Lawton, Oklahoma; Dickenson, North Dakota; Grand Forks, North Dakota; Columbus, Georgia; Valparaiso, Indiana; Flint, Michigan; Jackson, Mississippi; and Ithaca, New York stand out as being particularly painful, with these airports losing upwards of 15

percent and as high as 28 percent of their departures. We expect this trend of declining departures to continue and worsen as the pilot shortage crisis continues to build.

In addition to declining departures, many cities are losing other important measures of connectivity. Even airports that have retained flights to major hubs, and therefore may not look greatly diminished on paper, have suffered. For example, passengers in Burlington, Vermont formerly enjoyed service to Boston, Massachusetts; White Plains, New York; Binghamton, New York; Poughkeepsie, New York; Plattsburgh, New York; Albany, New York; and Portland, Maine. While Burlington has retained its departures to the big hubs and still enjoys adequate destinations suitable for vacation or leisure travel, those regional destinations, so important for local businesses in ensuring meaningful connectivity, have disappeared over the years due in large part to regulatory changes.

We expect, as the pilot shortage persists, to see a further weakening of intra-regional routes like this, to the detriment of local businesses. While Burlington's crisis is just one example, it is a pattern we can expect to see repeated across the country unless we act now.

Bad News for the American Economy

In addition to the economic consequences at small communities, where air service has already been cut, the pilot shortage facing America's airlines threatens our nation's economic vitality more broadly. Analysts have identified 239 airports considered "at risk" for losing or seeing sharply reduced air service across the country.[12] Collectively, these at-risk airports account for $2.1 billion in domestic airline revenues, and are located in communities comprising over 10 percent of the U.S. population and 7 percent of the U.S. GDP. [13]

When air service is cut or reduced, businesses large and small, which rely on that air service for connectivity, relocate or close. This translates to job losses and reduced tax revenue in state and local communities across the nation. As one example: in 2008, AT&T moved its headquarters to Dallas from San Antonio, citing air service as a factor in its decision.[14] Of course, communities with diminished air service will likewise face difficulty in attracting new businesses, making recovery even more difficult.

Even in my own company the challenges we face finding qualified candidates has left us with the difficult choice to ground aircraft. Republic recently announced our intent to park 27 small jet aircraft due to insufficient pilot candidates. Had we been

[12] Flightpath Economics/Dan Akins & Matt Barton, Feb 26, 2014
[13] Flightpath Economics/Dan Akins & Matt Barton, Feb 26, 2014
[14] Flightpath Economics Dan Akins, citing AT&T Press release dated June 27, 2008 entitled "AT&T Corporate Headquarters to Move to Dallas"

able to keep those aircraft flying, we would need nearly 800 more employees. Those are good jobs at a period in our economic recovery where we need more job creation.

Within the next few years, U.S. airlines are projected to suffer a shortfall of between 4,000 and 10,000 pilots, or 5 to 13 percent of their pilot workforce. This translates to industry-wide annual revenue losses approaching $10 to $26 billion, and eliminates as much as $50 to $130 billion in economic activity. [15]

This is why this hearing today is important not just to the smallest communities that are already feeling this pain, but ultimately, for this country more broadly. We can ignore the facts of a very real and present airline pilot shortage only at our great economic peril.

ESSENTIAL AIR SERVICE

While much of my discussion today centers on the pilot shortage and how it is harming small and medium-sized communities generally, we also wanted to discuss a program that has long been a shared priority for my trade association (RAA) and for this Committee: the Essential Air Service program.

While Republic does not currently provide Essential Air Service, many of my regional airline colleagues do. The RAA has asked me to convey its continuing appreciation of this Committee's support for EAS over the years, and for leading the effort to preserve and strengthen the program in the face of numerous attempts to dismantle it.

More than three decades have passed since the Program's inception, yet, small and rural communities continue to rely on the connectivity ensured by EAS. Eliminating EAS would deal a deathblow to over 100 EAS airports, where air service is not economically viable without support from the program.

We've talked a great deal about the economic necessity of air service today, and it is hard to imagine jobs-providing businesses starting up or relocating to a community where the closest commercial air service is located over two, four, six, or even eight hours away. The loss of commercial air service at these communities would crush existing businesses and could also force a migration of doctors and other skilled professionals – already in short supply in rural communities – to less isolated places.

Eliminating Essential Air Service would take a program that is funded from aviation-specific sources and shift the burden to state and local taxpayers, who would experience the economic fallout of significant, local job losses in the face of lost air

[15] Flightpath Economics/Dan Akins & Matt Barton, Feb 26, 2014

service. These job losses would include the direct displacement of airline and airport employees, as well as the displacement of employees of local businesses that relocate or close due to inadequate air service. For example, RAA estimates that each community associated with the program translates to approximately five pilots. These are jobs that would not be available without the program.

Unfortunately, like all small community air service, Essential Air Service has been greatly challenged by the pilot supply crisis. This pilot shortage may very well jeopardize the reliability of the program – a key element to the program's success – by disrupting air service due to crew shortages. This translates to fewer enplanements, an important measure for airport funding. This same lack of reliability is painful for EAS carriers. Not only does this disruption of reliability undermine the service, it is directly linked to a carrier's bottom line. Essential Air Service carriers are only paid for departures performed; if a flight does not take off due to a crew shortage, the carrier receives no payment.

Over the years, RAA has supported and will continue to embrace meaningful reform of the EAS program, aimed at making common-sense reforms that strengthen and streamline the program. We believe that success of the program and fiscal prudence are not contradictory goals. We nonetheless urge the Committee to continue to reject calls to eliminate or substantially reduce funding for the program. Such reductions do not save Americans money, they simply shift the cost burden to local communities.

Conclusion and Recommendations

Regional airlines have embraced countless voluntary and regulatory safety enhancements and will continue to do so. We share this Committee's goal of protecting and enhancing the safest air transportation system in the world.

Safety is our number one priority. Safety is good business. My company takes enormous pride in our safety culture and our commitment to preserving and continuously improving this nation's excellent aviation safety record.

Unfortunately, an arbitrary flight-hour requirement does nothing constructive to get us closer to an end-goal of zero accidents, yet produces tremendous unintended consequences. Complying with the rule has already forced substantial air service cuts and reductions, and the situation will worsen unless action is quickly taken.

While the pilot shortage has been cast as a regional airline problem, and as such, the harm to small and medium-sized communities is disproportionate and stands to worsen, reducing the volume of air travel from smaller communities will ultimately have negative economic consequences beyond those smallest communities, to the detriment of the entire nation.

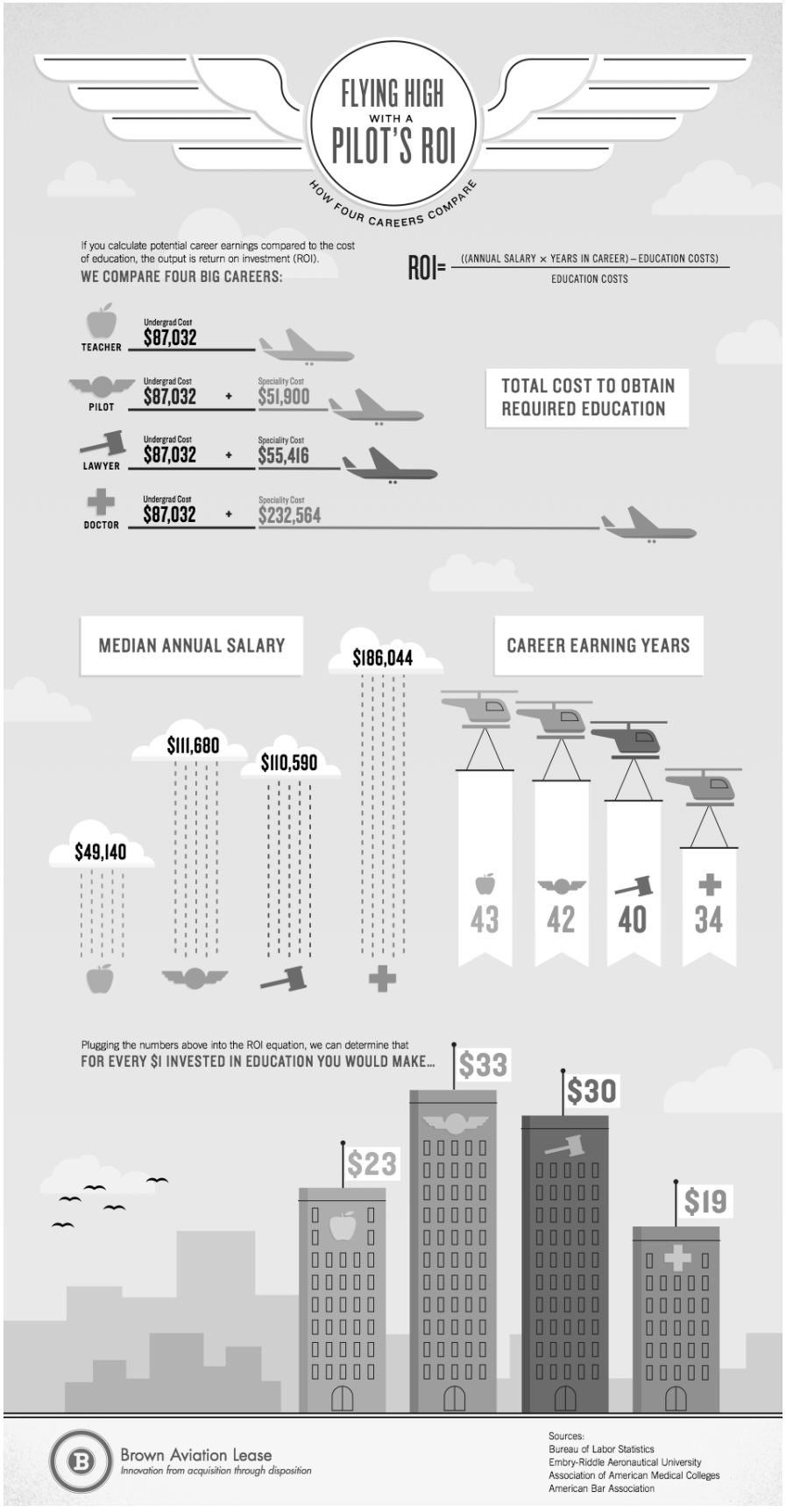
Regional airlines will continue to work hard to attract qualified pilots, and will continue to invest in each member of our pilot workforce. Nonetheless, unless Congress directs the FAA to act quickly, significant air service losses will continue. There will be simply too few regional airline pilots to continue to fly current routes.

While Congress considers alternative approaches, I urge this Committee to direct the FAA to use its flexibility to allow structured training credit for a greater number of the ATP's required 1,500 flight hours, returning the emphasis to quality of training over quantity of hours in flight. Additionally, the FAA should expedite the approval process for institutions seeking to provide credit for structured training, and not just a select few university degree programs, but for all structured training academies. Finally, RAA urges lawmakers to consider statutory improvements and work with the airline industry in attracting new pilots in the near and long-term future while providing critical funding support for the next generation of student aviators.

By emphasizing quality-of-training over an arbitrary flight time experience, instead of the reverse, we can pursue our goal of protecting the world's safest aviation system while preserving access to that system for communities large and small. At the same time, we will stimulate job creation throughout the entire aviation marketplace.

Closing

Thank you for the opportunity to be here and I look forward to answering your questions at the conclusion of the panel.


FLYING HIGH
WITH A
PILOT'S ROI
HOW FOUR CAREERS COMPARE
If you calculate potential career earnings compared to the cost of education, the output is return on investment (ROI).
WE COMPARE FOUR BIG CAREERS:
ROI= ((ANNUAL SALARY × YEARS IN CAREER) – EDUCATION COSTS) / EDUCATION COSTS
TEACHER
Undergrad Cost $87,032
PILOT
Undergrad Cost $87,032 + Speciality Cost $51,900
LAWYER
Undergrad Cost $87,032 + Speciality Cost $55,416
DOCTOR
Undergrad Cost $87,032 + Speciality Cost $232,564
TOTAL COST TO OBTAIN REQUIRED EDUCATION
MEDIAN ANNUAL SALARY
$49,140
$111,680
$110,590
$186,044
CAREER EARNING YEARS
43
42
40
34
Plugging the numbers above into the ROI equation, we can determine that
FOR EVERY $1 INVESTED IN EDUCATION YOU WOULD MAKE...
$23
$33
$30
$19
Brown Aviation Lease
Innovation from acquisition through disposition
Sources:
Bureau of Labor Statistics
Embry-Riddle Aeronautical University
Association of American Medical Colleges
American Bar Association