

Building a 21st Century Infrastructure for America:
Air Transportation in the United States in the 21st Century
Hearing of the House Committee on Transportation and Infrastructure
Subcommittee on Aviation

Wednesday, March 8, 2017
2167 Rayburn House Office Building

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Good morning, Chairman LoBiondo, Ranking Member Larsen, Chairman Shuster, Ranking Member DeFazio, and distinguished members of the Subcommittee. I am Chip Childs, the President and CEO of SkyWest Incorporated (“SkyWest Inc.”) which is the world’s largest regional airline. SkyWest Inc. owns and operates two regional airlines: SkyWest Airlines and ExpressJet. Combined, we complete more than 3,000 flights a day and carry 53 million passengers a year. This includes service to more than 250 cities in North America, including Canada, Mexico and the Caribbean. On behalf of SkyWest Airlines, ExpressJet Airlines and more than 18,000 employees, I appreciate the opportunity to be here today and offer testimony about the importance of the regional airline industry.

Regional Airline Safety

Regional airlines operate under 14 CFR Parts 121 and 135 and generally utilize aircraft with fewer than 100 passenger seats in partnership with major airlines. As such, we are held to the

same safety standards as mainline carriers. This is as it should be. We treat federal safety regulations as the floor, not the ceiling, and take pride in meeting and exceeding these standards. We believe in one level of safety for all passenger carriers and our Safety Culture drives everything at SkyWest and ExpressJet. To that end, we utilize advanced technology and innovative safety programs. Our flight crews and mechanics are some of the most experienced and thoroughly trained in the entire airline industry, with training programs that are lauded by the FAA. We are focused on remaining at the forefront of aviation safety, including implementation of Safety Management Systems with ASAP¹ reporting programs and FOQA² data collection and analysis. Continued transparency and collaboration with DOT and FAA is essential to enhanced safety and the next generation of aviation.

Regional Airline Business Model

SkyWest and ExpressJet fly as Delta Connection, American Eagle, United Express, and in partnership with Alaska Airlines. We share their codes and have their names, color schemes and logos painted on our aircraft. The vast majority of regional flying happens under Capacity Purchase Agreements (CPA's), which are long-term fixed-fee arrangements where the major airlines assign routes to their regional partners. The marketing, pricing and scheduling of these flights is entirely controlled by the major airlines. Regionals are not paid based on ticket revenue but are compensated on a flat hourly rate for completing flights. If the CPA rate increases over the term of the contract, it is normally only by two percent each year. Although the margins are slim, these contracts are beneficial because regionals are sheltered from the risk of fluctuation in fuel price, passenger loads and ticket sales. However, it also means that regionals do not benefit

¹ Aviation Safety Action Program

² Flight Operational Quality Assurance

from the upward trends in ticket prices, ancillary fees (such as baggage or change fees) and passenger enplanement. Because regionals do not have the ability to increase fees to drive revenue under these CPA's, we must focus on cost control to remain profitable. Even with this pressure, regional airlines have raised new-hire pilot pay more than 100 percent over the past three years to attract and retain an ever-shrinking supply of pilots.

The smallest portion of regional flying occurs under pro-rate agreements, where regionals are compensated by ticket revenues and take on a larger role in marketing and setting ticket prices. These pro-rate flights often provide commercial service to small communities under the U.S. Essential Air Service (EAS) program. There are 113 communities in the lower 48 states and Hawaii and 61 in Alaska that rely on this vital program to connect their cities to the National Air System ("NAS").

Regional Airlines Keep America Connected

The regional airline industry is by no means "small." In 2015, regional airlines operated 44 percent of the nation's departures and safely carried 157 million passengers on nearly 4 million departures—about 11,000 departures a day. We play a critical role in the aviation industry by connecting communities large and small to the global air transportation network.

Regional airlines create jobs. Regional airlines employ more than 59,000 employees. Among these employees are approximately 20,000 pilots, 15,000 flight attendants, 10,000 support staff, 8,000 mechanics, 5,000 customer service professionals and 1,000 flight control employees. Each of these individuals plays a key role in keeping the industry strong. Just as modernizing our infrastructure is a critical investment in the physical systems supporting the industry, building a

safe and stable aviation network in the 21st Century also depends on investment in the employee workforce that constitutes the backbone of this industry.

Regional airlines are also a critical part of the booming civil aviation industry, which generated \$1.6 trillion in economic activity and supported 10.6 million jobs in 2014. Civil aircraft manufacturing continues to be the top net exporter in the U.S. with a positive trade balance of \$59.9 billion.³ At a time when small town America is struggling for economic parity, small community air service drives at least \$121 billion in economic activity and supports over 1.1 million jobs.⁴ Often, regional airlines are the only airlines providing this service. In fact, at two-thirds of our nation's airports, regional airlines provide the only source of scheduled passenger air service.

NextGen Will Enhance Safety and Efficiency

With the amount of traffic detailed above, nothing could increase efficiency or safety more than implementing the Next Generation Air Transportation System (“NextGen”). We need NextGen now, without further delay. The NAS currently relies on outdated radar and radio technology to control aircraft, lagging twenty years behind the capabilities of the aircraft it serves. NextGen will replace radar and radio with a satellite-based system for aircraft positioning, communication and weather tracking. This GPS technology can be used to shorten routes, save time and fuel, reduce traffic delays, increase capacity and permit controllers to monitor and manage aircraft with greater safety margins. The tangle of seventeen different voice switching systems would be replaced by data exchange and automation – reducing the amount of information the air crew

³ [U.S. DOT FAA “The Economic Impact of Civil Aviation on the U.S. Economy” November 2016.](#)

⁴ InterVISTAS “Economic Impact of Small Community Airports and the Potential Threat to the Economies with the Loss of Air Service” January 2017

must process at one time. As a result of these changes, aircraft will be able to take more direct routes and avoid delays caused by airport “stacking” as we wait for an open runway. The improvements to our NAS safety and efficiency margins would be enormous. SkyWest and the regional industry urge this Committee to take every step possible to get NextGen implemented with all speed.

The Pilot Shortage

While SkyWest has been able to stay fully-staffed with qualified pilots, our industry has been hit by a growing pilot shortage. According to the Regional Airline Association (RAA), its member airlines attracted just 80 percent of their desired pilot complement in 2014, 71 percent in 2015, and only 64 percent of their desired pilot complement in 2016.⁵ During this time first year regional First Officer average total compensation rose over 105 percent⁶ with Captains averaging more than \$100,000 in 2015.⁷ Despite these investments and other recruiting efforts, the number of pilots qualified for hire has continued to shrink dramatically as airline industry demand for pilots continues to rise.

We are honored that the major airlines recruit heavily from the regional industry – but this honor comes with consequences. According to the University of North Dakota,⁸ major airlines will need to hire more than 18,000 pilots in the next three years. That is about the size of today’s active regional airline pilot workforce. Within a decade, cumulative demand for pilots is forecast to reach 50,000 pilots. Too few new pilots are entering the pipeline to keep pace with this demand. While a spike in new ATP certificates has accompanied new federal requirements for

⁵ Regional Airline Association Pilot Staffing Survey, January 2017

⁶ Based on publicly available information at www.airlinepilotcentral.com and RAA Member recruiting Pages

⁷ DOT Inspector General Letter to DeFazio and Larsen, March 2, 2017.

⁸ Pilot Supply Forecast 2016. Higgins, Bjerke, Lovelace, Leonard, University of North Dakota.

first officers, the total hireable pilot pool is getting dramatically smaller. Today, this pool is 20 percent smaller than it was in 2009⁹.

Overall, the shortfall of commercial airline pilots is forecast to reach 15,000 by 2026. Using an industry standard of roughly 10 pilots per aircraft, a shortfall of this magnitude would necessitate parking about 1,500 aircraft. For perspective, this number corresponds to roughly two-thirds the regional airline fleet in operation today.

Airlines also recruit from the military; however, the military pipeline is shrinking dramatically and the overall airline pilot shortage is attracting more active-duty pilots to the commercial sector, accelerating the exodus of pilots from the Department of Defense. The Air Force has called this a crisis and predicts the pilot shortage could impact combat operations, strategic mobility, and pilot training, including training pilots from NATO countries.¹⁰

Enhancing the Pathway to Pilot Safety and Proficiency

As this Committee knows, Congress passed the Airline Safety and Federal Aviation Administration Extension Act in 2010, which drove a number of important federal regulations improving aviation safety. One of the resulting regulations was FAA's 2013 FOQ rule requiring airline First Officers to possess an Airline Transport Pilot (ATP) certificate, which raised the prerequisite to 1,500 hours in flight. These hours in flight may be gained outside the scope of instruction in various flying environments.

SkyWest and ExpressJet supported and continue to support the FOQ rule, and as I said above, we fully support one level of safety for the industry. Although SkyWest has carried a surplus of top-

⁹ FAA Civil Airmen Statistics, Private, Commercial, ATC Certificates Age 20-59, Table 17.

¹⁰ "Air Force Chief Seeks to Lower Commercial Flight Hour Requirement" Stars and Stripes 7 February 2017.

notch pilots, we recognize the rule has impacted the pilot supply by reducing, and postponing, the pool of hireable pilots. Pilots who have not actively used their aeronautical knowledge nor consistently exercised relevant flying skills in the period before hire have been less successful in regional airline initial training.

Thanks to the leadership of this Committee, Congress gave FAA tools to address these concerns. Recognizing the high value of structured training, Congress authorized FAA to approve alternate pathways for First Officer qualification, allowing specific academic training courses to be credited toward a portion of total flight hours, where the Administrator determines that these academic training courses will enhance safety more than requiring the pilot to fully comply with the flight hours. Pilots following these approved pathways hold restricted privileges ATP certificates (R-ATP) and may serve as part 121 airline First Officers. These R-ATP pathways create a much higher level of safety and are well supported by data. In 2015, a study by several independent, prestigious aviation universities¹¹ examined the training records of every pilot hired since the FAA's FOQ rule went into effect to determine the effect of PL111-216 on regional airline pilot hiring and training. Researchers found no positive correlation between higher hours in flight and proficiency in initial airline training and found that pilots hired after the rule (16.4 percent) were actually failing to complete training more than pilots hired before the rule (6.6 percent). However, the study supported the value of the rule's R-ATP pathways. Specific findings included:

- Pilots hired after the rule required more extra training and failed to complete training more often than pilots hired before;

¹¹ Smith, Bjerke, et. al. "Pilot Source Study 2015: US Regional Airline Pilot Hiring Background Characteristic Changes Consequent to Public Law 111-216 and the FAA First Officer Qualifications Rule."

- Pilots with higher hours in flight did not perform as well as lower time counterparts in initial training;
- Longer time between training and hiring corresponded with decreased initial training performance;
- Pilots who followed R-ATP pathways had the best outcomes – they successfully completed initial training more often and did not require as much extra training as other categories had.

Although Congress gave FAA the authority to approve R-ATP pathways, the Agency has taken a narrow view of its authority to grant additional pathways outside of military and degree-program institutions. RAA urges Congress to prompt FAA to use its existing authority to authorize additional, R-ATP training pathways. This prompt does not require a change to today's important safety regulations and is essential for ensuring the proficiency of the pilot workforce needed to provide safe, reliable air service to U.S. communities.

Aspiring Pilots Need Financial Support

One of the single greatest deterrents facing new pilots is cost. Aspiring pilots can spend as much as \$150,000 on a flight training path to the commercial airlines. Aviation training institutions are seeking ways to reduce costs and some regional airlines are offering tuition reimbursements and other incentives designed to help pilots overcome financial challenges associated with training. Last year, my colleagues and I on the RAA Board of Directors approved the establishment of a charitable foundation to help grow the Association's existing scholarship fund.

While these and other private investments will continue, lawmakers can play a key role in helping to support pilot training. Given the expense of training today, many aspiring pilots from working class families find it impossible to pursue their dream of flight. To help, Congress might consider:

- Declaring pilots a high need field;
- Federal and state grant opportunities for students planning to enter the airline industry, similar to those provided by the federal TEACH grant;
- Greater flexibility and more coverage by federal student loans that encompass flight training costs, which are additional to tuition ;
- Loan forgiveness programs for borrowers who enter the airline industry, similar to those provided by the Teacher Loan Forgiveness Program and other federal/state career-specific loan forgiveness programs;
- Expanded flight training benefits under GI Bill, Montgomery GI Bill, or REAP, and ensuring those important benefits in place today are not curtailed.

Regional Airlines Urge Swift Implementation of a Comprehensive Pilot Records Database

Before I close, I want to applaud this Committee's work in driving improvements to aviation safety. With the full support of industry, FAA has made good progress in enacting most of these improvements as well as many other voluntary safety enhancements. In particular, I want to voice my strong support of Section 203 of the Airline Safety and FAA Extension Act of 2010 (Pub.L. 111-216), which directs the FAA to establish a comprehensive pilot records database (PRD).

SkyWest and other regional airlines see this as one of the single-most important steps the FAA can take to help assure an even higher level of safety throughout the entire airline industry. We understand the FAA has been working on this, but the time for creation of this database is now. We urge the Committee to compel FAA to move safely and swiftly to devise and implement this critical safety tool.

Conclusion

Mr. Chairman, and ranking members, it has been a pleasure be here today. I look forward to taking your questions at the conclusion of the panel.