NEW HIRE
INTRODUCTION SECTION

Airline Operations, The Career, And You

How Airlines Operate

The Challenge

The very first thing that today's new airline pilot needs to understand is this: the industry has changed dramatically, and so has the job of being an airline pilot. Before the terrorist attacks of September 11, 2001, the airline industry was enjoying an unprecedented level of growth. At the largest carriers, called legacy carriers, senior Captains were earning over $200,000 per year. In many cases, First Officers at these carriers were also doing well, a significant amount of them making over $100,000. Pilots were hard to find, and the airlines needed to make it worthwhile to attract a pilot. However, this would all end in 2001.

A devastating blow to the airline industry by the September 11th attacks, followed by a short lived health epidemic (SARS) in 2003, and the rise of gas prices in 2004 combined to cause the airlines tremendous challenges in not only providing profit, but also in their very survival. The price-conscious traveler has also led the airlines to require a strategy to save money. The "Wal-Mart conception" of getting quality goods at low prices has permeated the American consumer to the point that the high-end carriers were finding it difficult, if not impossible, to compete with low-cost carriers. However, lowering ticket costs was not enough to cure the problem. The traveler still expected meals, assigned seats, and jets to do the flying while still paying a fraction of the cost of tickets in the pre-September 11th days.

Fig. 1-1 Low-cost carriers and regional airlines have expanded greatly.

Regional jets, small 50 seat jets that were intended to replace the turboprops, were growing in the market to replace the larger jets that were not breaking even due to the lack of passengers flying. Increasing the fleets of regional jets seemed to be a good option because the airlines were flying again, and there were fewer empty seats. Additionally, the airline managements were able to take advantage of younger, less experienced pilots, who would fly for significantly less than their counterparts at the legacy carriers. This seemed to be the answer to the problem. But now the market is growing again, and regional airlines are flying more jets than they are props. This expansion of the regional jet seems to fix the problem of lower passenger loads, but now the economic feasibility of the 50-seat jet is being questioned. And rather than take the larger loads up again, many of the larger carriers are allowing their affiliate carriers to accept larger jets. Some carriers are simply increasing the number of flights. This is allowing the larger demand to be met while keeping the labor cost down, and this is leaving the legacy carriers with much competition (Fig. 1-2). So the inevitable has now occurred; low-cost carriers and regional airlines have expanded greatly. Meanwhile the legacy carriers are in deep trouble due to failure in keeping costs down. As a result, significant concessions are being demanded of the labor force. Some argue that this is the only way to survive; that labor, a major cost in operation, is being greedy.

Others argue that management has not done its share in giving concessions and that the short-lived career of an airline pilot requires the high salaries to provide a living and retirement.

Regional pilots can expect to be unpaid during the 8- 12-week training period yet still have to pay for their own food and lodging during training. A regional airline is considered generous if they pay a pilot at all, or if a hotel is provided during training. After training is completed, the first year pay will be typically under $19,000, and advance to around $22,000 to $27,500 the next year. The only hope for financial survival is to upgrade to Captain as soon as possible, which will usually take a number of years, or go to a major carrier. Should the pilot make a change to another airline, there is no credit for prior experience, and the pilot must start all over again at the bottom. Why would anyone want to do it? The answer can only be understood by a aviator…*pilots love flying*. And after all, the smaller airlines have traditionally been viewed as "entry-level" airlines. Regardless of whether jets or props are being used, the view remains the same.
However you decide to look at it, the airline industry has changed, and the days of $200,000 airline Captain jobs are pretty much over. It is likely that the success will now be at the regional and low-cost carriers. You need to make an informed choice on your career path, and the greatest challenge in this choice is seeing and accepting the industry as it will be *in the future*. The key to this is knowing how the industry operates and the relations between carriers. Once you see and understand the intricate gears that turn the whole industry, you can make an informed choice on which path is best for you.

Airline Relationships

Fig. 1-2 Former UAL Express carrier Atlantic Coast Airlines separated from United and became an independent low cost carrier called Independence Air.

Most long distance travel today will require two segments, called **legs**. One leg is usually performed on a larger aircraft such as an Airbus or some type of Boeing aircraft. The other leg is usually on a smaller aircraft such as a regional jet, or in some cases a turboprop. The public has a perceptible fear of these turboprops. Insiders call this “prop aversion” (Fig 1-3). Perhaps it is rooted in the false idea that propeller driven aircraft are “old”. Sometimes explaining that a turboprop is simply a jet engine with a propeller in front will calm the passenger’s fears. In fact, some of today’s turboprops, such as the Dash Q400, surpass the technology in many jet airliners. In any case, the fear of the propeller has caused a noticeable drop in passenger willingness to fly an airline whose name includes the word “express” in it. And the relationship of the major airline and its affiliate, the airline whose name contains “express”, is crucial to the passenger’s willingness to fly on this particular airline.

The regional jet, also called “RJ”, has helped to bring back most of these flyers. And even though the typical two-leg journey contains two airplanes (each from a different airline), the passenger will think that they are actually flying on *one* airline. The ability for the traveler to keep this mindset is what the airlines call “seamless service”. The ability to understand this concept is the entire foundation of the airline partnership.

Airline Categories

Traditionally, there have been two types of airlines: major airlines and commuter airlines. The traditional goal was to be a pilot for a major airline. The majors had the good pay, the days off, the retirement plan and the prestige of being in one of the more noble of professions. Pilots at major airlines were well respected and had a very enviable job and lifestyle. Being a commuter airline pilot was a purgatory that was endured until a major airline picked you up. You flew old, noisy airplanes. You flew *in* bad weather, not above it like the major airline pilots did. Passengers hated your plane, and nobody ever made a good living at a commuter. Pilots who were “old-timers” at commuters were viewed as pilots who could not get a job at a major airline, and overall the job was lousy.

Today the airline industry contains a far more complex structure. Airlines are divided up as legacy, major, low-cost, national, regional, and commuter airlines. The primary difference is actually defined by several factors, annual revenue being the most significant. But to the traveling public, the old model of commuter and major still exists in their mind. Big airplane equals major, and little airplane equals commuter. They do not realize the fact that some smaller airlines fly larger aircraft, such as the Airbus 320 yet are smaller than many regional carriers who flies regional jets. To the traveler, if you have a big airplane, you are a major airline.

But as a pilot seeking a career, you need a much better understanding of the airline classifications (Fig. 1-4). Here is a basic and easy to understand set of examples:

Legacy airlines are carriers with a rich long-lasting history. These are major airlines and historically have the high-end cost structure. Examples are Delta, Northwest and United. They fly large equipment, Airbus and Boeing most notably although they may own their affiliate "express" carriers who fly small planes.

Major airlines are carriers that meet revenue criteria to be classified as a major carrier, but do not have the tremendous size and history of the legacy carriers. They command a higher cost structure than smaller carriers but do not meet the high-end cost of legacy carriers. They can compete with lower cost airlines. America West is an example of this.

Low-cost airlines are carriers that make their living on operating at low cost while providing the major airline style. Sometimes classified as major airlines, they are viewed differently for their no-frills profile. Southwest, Jet Blue and new-entrant Independence Air are examples.

Fig. 1-3 With the advent of the regional jet, many airlines are scaling back their turboprop fleets. Photo courtesy of CA. James Heideman.

National airlines are carriers that usually utilize jet equipment but do not meet the criteria of a major airline. They provide high quality service in a small-airline atmosphere (no meals, etc). Most often these airlines are either owned by a major airline, or carry a major airline's passengers for a portion of the journey. SkyWest and ExpressJet are examples.

Regional airlines are essentially the same as national airlines, but do not have the revenue and capacity as a national airline. Allegheny and PSA fit in this category.

Commuter airlines are carriers that may or may not be affiliated with another airline to provide travel. Usually these airlines' fleets are comprised mostly of turboprop aircraft. Most often they are governed under the same rules as larger airlines, but operate on a much smaller scale. CommutAir and Colgan Air are examples.

Affiliations

The foundation of these operations is what is called a **code share**. The airlines involved carry the passengers under the name of one airline even though two airlines are being utilized. An example is a passenger traveling from Los

Angeles, CA to Richmond, VA. From Los Angeles the major carrier, in this case United Airlines will fly to a larger city nearby, such as Washington Dulles. The flight to Richmond will then be on the affiliate airline, such as Trans States, which operates as United Express. The passenger thinks the whole flight is United Airlines, and the affiliate gets a portion of the ticket price.

Fig. 1-4 The regional airline industry has changed significantly. Regional jets are increasing in size and in numbers. With the opportunities for growth in today's market, regional airlines are now beginning to be viewed as careers rather than stepping-stones.

However, as the industry changes, we are beginning to see segments taken over completely by the major airline's affiliate. Regional jets are being utilized to the point that the major airline is dying a slow death, as the regional partner takes more and more of the flying. Atlanta, GA to Denver, CO is an example of such a route. The majority of flights on this route are currently served by regional airlines. This type of regional airline growth is making it difficult for the major partner to take the routes back once they become profitable because the regional jets are becoming bigger in size. This is not what the regional jet was intended for. And as the regional jet increases in size, the major airline shrinks due to the same job being performed at a lower cost.

To prevent total invasion, many major airlines have what is called a **scope clause**. This is an agreement that the regional airline either has a limited amount of growth permitted, which is based upon growth of the affiliated major, or that the seat numbers of aircraft that regional airlines operate is limited. An example is that of Independence Air. Formerly called Atlantic Coast Airlines (ACA) operating as United Express and Delta Connection, Independence was dropped by Delta once Independence became an independent carrier and made an order for Airbus 320 aircraft. The scope clause with Delta was predicated on regional jets with fewer than 50 seats. The Airbus 320, which seats well over 100, was in violation of the scope and Delta dropped the code share. Independence Air now operates as an independent low-cost carrier and seems to have much promise.

Wholly Owned airlines are smaller carriers that are owned by the major affiliate. Delta and Comair are examples. In this agreement/ownership, the major carrier may exercise what is called a **flow-through** with its smaller carrier. Flow-through is an arrangement in which a certain proportion of the majors' pilots must be hired from their regional affiliate.

This sounds like an ideal arrangement, but just like a tracer bullet, it works both ways. In bad times, the major will furlough (temporarily fire) pilots to cut cost and the regional must accept the "flow-back" of pilots from the major. These pilots are often assigned a Captain position, which of course will displace a Captain from the regional pilots ranks. The displaced Captain must now move backward to a First Officer position and take one very significant pay cut. The First Officer behind the former Captain now loses seniority and it continues until the lowest rank pilots are furloughed at the regional. Many argue that this is unfair, but nobody cries "foul" in good times. It simply is the nature of the beast.

So Which Way To Go?

With these changes in the dynamics of how airlines operate, there may be more questions and considerations in which way to go in your career. The best way to make this choice is to know well what you want, and then make your choice based upon what the airline you are considering has to offer. You may want to make the assessment based upon the following:

?? Pay (hourly, deadhead, per diem, cancellation)
?? Benefits (health plan, sick time)
?? Upgrade time
?? Lifestyle issues (days off per month, domicile, commuter policy)
?? Retirement Plan
?? Intangibles (trip types, profit share)

Let's take a look at what these factors mean and how they affect your decision.

Pay

Salary. How many times have you seen the hourly pay for a pilot and thought that it was quite high compared to other jobs? Twenty-one dollars per hour sounds like about $40,000 per year. But there's something you need to know. That $21 per hour is per credit hour. The term **credit hour** means the number of hours for which you are credited to be paid. Most often this is flight time, but can also be paid for deadhead transportation, which is where the company flies you as a passenger from your domicile (place of work) to another place. Some airlines only pay for a portion of the time spent in **deadhead** transportation. When weather or mechanical problems become severe, a flight may be cancelled. Not all airlines will pay for weather and mechanical cancellations, leaving a pilot who came to work unpaid.

Fig. 1-5 Many pilots try to move into larger jets, such as this Avro Bae146/RJ-85 to make higher hourly pay.

FAA regulations limit flight time to 100 hours per month, not to exceed 1000 hours per year. So even though you may spend as much as 350 hours at work in any given month, you only get paid for the credit time of which is usually anywhere from 70 to 100 hours.

***Per Diem**.* This is an hourly stipend you are paid from check-in to checkout on each duty period. At the typical airline it is from $1.40 to $2.50 per hour (although it is as low as $1.10 at some airlines) for time away from base (TAFB). You get per diem pay from the minute you show up for your trip to the moment you leave to go home from that trip. It is nontaxable on overnight trips. This can add up significantly over the course of a month; a typical month with 300 hours of TAFB will be in the range of $450, tax-free. Many pilots like to drop **day trips**, (or **out-and-backs** as they are sometimes called), to get overnight trips to make better money.