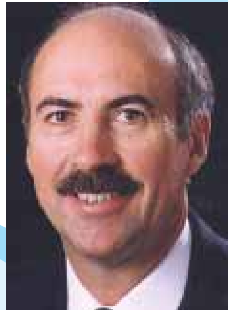
'Pay to Play' Costs Too Much

By Capt. Duane Woerth, ALPA President



In 2003, Air Wisconsin pilots thought they had made it through the downturn in the airline industry when they agreed to concessions, which were contingent upon the carrier securing a new and fully effective United Airlines code-share agreement that the bankruptcy court approved. That's why they were so surprised when they found out, well after the fact, that the new code-share agreement had not been assumed by United. In a bid to re-secure the flying for United, Air Wisconsin management suggested further concessions to finance United's hard-line financial conditions.

Given the overall health of the airline industry and the uncertain future that the Air Wisconsin pilots would face without the United flying, their caving in would have been easy to understand. But they did not. They told management that they would not entertain any further concessions.

Faced with the real potential of losing the United code-share, Air Wisconsin management used an investment-arm subsidiary to invest in US Airways in exchange for the right to fly seventy 50-seat jets. Pilots had defended their contract, and the airline had found a home in the reshuffled world of mainline-small jet partnerships.

This story lays bare a fresh challenge facing the airline industry today. The days of guaranteed fee-for-departure profits—even as the mainline carriers hemorrhaged cash—are over. Mainline carriers are using their brand power to leverage one small-jet carrier against another in a new system I call "Pay to Play." And small-jet carrier managements are only too willing to play the game.

Here's how it works: In bankruptcy, a mainline carrier finally gets to renegotiate its affiliated carrier contracts. Tired of guaranteeing profits to capacity providers, mainline management makes a proposal to as many of them as possible to fly for the lowest cost possible. To win the bid, some "pay to play" when their managements agree to terms below their current costs. In the construction business, if a contractor bids for work below his costs, the contractor eats the losses. However, this is the airline business.

Instead, the "pay to play" management emerges from the corporate suite with a plan: Turn to the pilots and asks them to finance the deal by granting concessions, while dangling a carrot like future 70-seat flying. The ball is then in management's court, and pilots have a choice to make. Pilots can transfer their hard-fought gains to shareholders, or they can hold firm and require their management to manage competently, by refusing to bid below their costs.

If pilots decide to subsidize the "pay to play" game, the bar shifts lower for all of us.

On the other hand, if pilots refuse to play, management has to find a new way to finance its decisions. Both management and pilots suffer pain in the short term. But in the longer term, other pilots will strengthen their resolve, and management will understand that underbidding to capture flying is an irrational strategy.

We're seeing the "pay to play" phenomenon across our union. Atlantic Southeast, Comair, Mesa, Mesaba, Pinnacle, and several others are either in the crosshairs or getting close. That's why ALPA called a meeting in Herndon, Va., recently to gather several MEC leaders with our Representation, Legal, Economic and Financial Analysis, and Communications Departments to build a strategy to bolster pilot groups as they stand up to the pressure ["The Big Squeeze," page 14].

> No pilot group can guarantee its future standing alone. Only by standing together and holding up a collective banner that says, "We Refuse to Subsidize Management's Decisions," can we preserve this profession, stabilize the wage and benefit bar, and begin to exert our own leverage upward.

Make no mistake—this is no easy task. The loss of capacity we are witnessing will ratchet up the pressure everywhere to capture flying.

But no pilot group can guarantee its future by standing alone. Only by standing together and holding up a collective banner that says, "We Refuse to Subsidize Management's Decisions," can we preserve this profession, stabilize the wage and benefit bar, and begin to exert our own leverage upward.

For those of you on the mainline carriers who might either be gratified that someone else is being hurt or feel this is not your fight, I have one word: Wrong. This is your fight too, because as soon as managements are able to lower the small-jet bar, they'll sharpen their knives and come back to you to "close the gap" yet again.