

The Boy Scouts Were Right

By Capt. Duane Woerth, ALPA President

People can deal with nasty weather in one of two



ways. First are those who, when they hear about a blizzard in tomorrow's forecast, head out to the grocery store, fill the gas tank, get out the snow shovel, bring in wood for the fireplace, and prepare to spend the day safely indoors if necessary.

Others pay no attention to the forecast, leave the refrigerator empty, go to bed happy—and wake up shocked.

They then drive out into the worst of the storm and end up in a ditch. Sometimes you see them on the local news saying things like, "Gosh, I didn't think it would be this bad."

Unfortunately, over the past five years most airline managements fell into the second category. ALPA was then forced to deal with the devastating consequences of these management failures; but because we were prepared, we were able to keep ALPA financially secure. The contrast between your union's disaster preparedness plan and airline managements' is quite stark indeed.

In the wake of Sept. 11, 2001, the financial community came to what now seems like an obvious conclusion: the airline industry faced major economic challenges. The drop-off in traffic, the loss of pricing control, the increase in the cost of fuel, the troubles with pensions, and the general slowdown in the economy lined up like night approaches into O'Hare.

Every management team had tough decisions to make. Some made them—getting out the shovel, buying groceries, and topping off the gas tank. Others did not—waiting until they were in the ditch by the side of the road, declaring bankruptcy, and starting to whack at labor costs. They kept saying, "We didn't think it would be this bad."

Your union leaders—at all levels—faced precisely the same challenges in managing the business of our Association. We saw the same forecasts and analyzed what they might mean to ALPA's financial resources. That's why we launched our reengineering effort so early, ahead of concessionary pilot agreements.

Our goals were simple: provide first-rate service to ALPA members, preserve the financial viability of the union, eliminate as many noncore functions as prudent, and maintain a talented and motivated professional staff. Nothing about the last few years was pretty, but without our reengineering process, we would have been unable to support our pilot groups as they fought battle after battle after battle.

We cut costs through new policies governing flight-pay loss, computer purchases, conference facilities, and print-



ing and mailing. We reduced expenditures in nearly all categories, including travel, rent, consultants, governing bodies meetings, and national committees. We restructured departments and eliminated nonessential capital expenditures (including closing ALPA's print shop).

Since 2003, we have cut 64 employee positions, almost

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all by eliminating positions opened through retirement and resignation, a reduction of 14 percent, while avoiding involuntary furloughs. Total employee costs declined from \$49.8 million in 2003 to \$44.0 million in 2005. Because of this effort and despite a 25 percent reduction in dues income (\$35 million annually) that would have put most organizations into bankruptcy, ALPA remains in the black, with the staff and resources to continue to provide the full range of support needed by pilot groups of airlines still climbing out of the ditch.

Elsewhere in this magazine, you can read about the fights at Delta, Gemini, Mesaba, Northwest, and others. In each case, ALPA has the resources to support pilots in their confrontations with management and the bankruptcy process, and we do pledge to throw all we have into defending pilot interests.

Just as importantly, by preserving and even increasing our financial reserves (our operating liquidity has increased 300 percent since 2000—not including Major Contingency Fund liquidity, which also grew from \$68 million to \$84 million), we are extremely well prepared to take advantage of improved airline profits.

Now that the airline industry is in the early stages of its long-awaited turnaround, we are ready to take advantage of it. The best evidence of the coming turnaround is the significantly increased airline unit revenues so far this year. ALPA is financially prepared to fight for a brighter future because we were prepared to ride out the storm.