

Remarks by Capt. Randy Helling, ALPA VP-Finance
104th Regular Executive Board Meeting
"A Leaner, More Efficient Union"
April 28, 2009

My fellow pilots, good morning. As your Vice President of Finance, I too will discuss the successes we've seen since October. I'm proud to join the other national officers in reporting on your union's achievements—you know, since I'm the one who usually is the bearer of bad news, this is a welcomed change of pace.

Like everyone else in the world, your union is cutting back and stretching budgets to make ends meet at the end of the day. We're doing so at a time when furloughs are commonplace, cuts in capacity continue, and the financial outlook for airlines is—frankly—still up in the air.

However, we are not standing still, waiting around to react. As you've heard this morning, your union is evolving into a leaner, more efficient organization. Together, we've set initiatives in motion that will ensure the long-term viability of our union. We're advancing our profession while doing more with less because we've strategically selected a set of goals we can reasonably accomplish.

Take the safety and security resolutions the Board of Directors passed last October. By focusing our efforts on our members' top priorities, ALPA has made significant progress on these fronts. Captains Prater and Rice addressed our number one issue, Flight Time Duty Time regulations, and I'll update you on the next big priority on the checklist—and that is CrewPASS.

Just this past week, Capt. Prater and Capt. Robb Powers, the new ALPA Security Committee Chairman, met with Ms. Gale Rossides, the TSA's Acting Administrator on this, and other pertinent security issues. I'm happy to report

that the TSA has approved the next phase of the CrewPASS project—which is adding the biometric element—at all three current CrewPASS locations (that's BWI, PIT and Columbia). The TSA also plans to add one additional terminal at BWI for a total of four lanes.

Starting this Friday, the CrewPASS contractor, ARINC, will replace the ALPA-loaned laptops with new internet-capable devices that will provide both employment status confirmation and identity verification via fingerprint biometrics.

ARINC will begin enrolling pilots into the CrewPASS system soon, and ALPA will help the company spread the word on how, when, and where. Until then, flight crews can still use all four lanes without biometrics for an extended period of time.

Next steps for CrewPASS include the publication of program standards by the TSA, which would facilitate nationwide implementation, the inclusion of flight attendants in the program, and other measures.

ALPA also took positive steps toward our goal of installing secondary barriers in all of our airliners. ALPA representatives, in conjunction with industry and government, are participating on an RTCA Special Committee to develop technical and operational standards for this equipment.

The Federal Aviation Administration (FAA) will use the recommendations that come out of this Committee as the basis for policy going forward

This Special Committee plans an attack assessments exercise later this month to test its recommended procedures, moving us one step closer to making this goal a reality for our pilots. This item is critical to our profession, as our brothers and

sisters at CanJet know all too well as of late, because it will help flight crews around the world prevent another hijacking.

ALPA prides itself on advancing aviation safety and security efforts, and for the second year in a row—and the third time overall—the industry recognized your union's expertise with the prestigious Collier Trophy for our participation in the Commercial Aviation Safety Team (CAST).

CAST's tremendous collective effort began more than 10 years ago, with ALPA as a charter member, and has created a quantum leap in aviation safety. It's just one example of what you can accomplish when government, labor, and industry work together for the benefit all who rely on air transportation.

We're making significant strides in our safety initiatives on Capitol Hill as well ALPA stays incredibly active with Congressional testimony opportunities that allow the union to voice our pilots' concerns on a national stage, before those legislators who write the policy and laws that impact our pilots' lives each and every day they go to work.

In January, ALPA expressed our concerns, as well as our praise, on sections of the FAA Reauthorization bill, which we'll highlight again in additional testimony later this month.

We've insisted that our pilots deserve an updated National Airspace System. NextGen will put much-needed information at the fingertips of our pilots on the flight deck. It's been neglected by previous administrations because of its daunting price tag, but President Obama's transportation budget allocated \$800 million for NextGen to modernize the air traffic control system and develop more efficient routes through the nation's airspace.

Additionally, the FAA selected ALPA as the sole pilot union involved in several groups that will lead the industry to higher safety and security realms through the Advisory Rule-Making Committee on Safety Management Systems, the Runway Safety Council, and others.

I think it's safe to say that when it comes to our pilots' safety and security initiatives, ALPA's voice is being heard loud and clear, and we're seeing results. Of course, none of this would be possible without a viable financial structure in place, so let's look at our latest financial results.

For 2008, our net loss totaled \$37.25 million. This is an aggregate loss from across the Association, which includes MEC deficits, funds expended from the MCF and OCF, and losses in the A&S account. Of that loss,

- \$13.3 million was due to MEC deficits; however, after funding from the MCF and OCF, the adjusted MEC deficits were \$5.5 million

If you follow the stock markets, this shouldn't come as a surprise.

- \$9.7 million was from investment losses in the MCF
- \$9.4 million was from losses in the A&S Account, which included \$3.9 million under performance on financial returns vs. the budget and unfortunately \$2.6 million in employee severance

Those of you who were here a year ago recall the contingency plan that we approved to address the \$15 million revenue shortfall that was due to lost airlines and member furloughs. Much of the loss in the A&S Account in 2008 reflects the cost to reduce the size of our organizational footprint and fit our new revenue reality.

Further changes were implemented in a revised budget approved by the Executive Council last December. Expenses have been cut across the National

Account. National Committee budgets were cut to the bone. And, most critically, we have 60 fewer staff members than a year ago.

As you know, the Board's resolution required national officers, national committees, MECs, and ALPA departments to become even more efficient while maintaining quality services, retaining a motivated professional staff, and keeping our budget balanced. As we move through 2009, we are operating on a balanced budget of \$92 million, which represents an \$18 million cut from the previous year.

We built the 2009 budget for a flat revenue environment, which means we have to keep costs constant. The MEC Allocation is \$33.5 million, with the SMRA account allocated at \$16.5 million and the MEC account at \$17 million.

One of our strategic planning initiatives is to secure company-paid flight pay loss. MECs that have been successful in securing sizable company commitments to cover ALPA flight pay loss – such as ASA, ALA, ACJ and DAL – have mitigated some of the budget pressure all MECs are dealing with in this challenging economic environment.

MECs need to work within their budgeted income. We cannot—and will not—continue to rely on the MCF to fill up the OCF to fund MECs. The OCF must and will become self-sustaining again, which means less money is available in supplementary funding. MECs that continue to spend beyond their budgeted income may be subject to loans from the OCF.

No financial report is complete without the eye-chart test. And this presentation is no different. However, the most important number is the bottom

right hand corner -- \$12 million. That means that our 2009 revised A&S budget is \$12 million less than 2008.

Pursuant to ALPA's Constitution and Bylaws, when the cash balance of the MCF falls below \$69 million, the VP-Finance is required to notify the Executive Council, which then reviews the funding. Following that review, I am required to give a monthly report to the Board of Directors, and a quarterly report to the membership.

Due to market volatility, the MCF has experienced a fair market value loss on investments totaling \$1.22 million through March 31, 2009. This loss is offset by \$377, 107 in interest and dividend income, and \$4,767 in other income.

Let's take a closer look:

Eights MECs used \$678, 556 in the first quarter of 2009, including some carriers that will enter negotiations soon, such as United Airlines. ALPA spent \$1.6 million on project expenditures in the first quarter. These projects include Kitty Hawk litigation, our successful organizing efforts, and sending out SPSC Go Teams.

We expect that Pinnacle, Astar, United, TSA, Continental and Spirit will use further MCF funding through 2009 to reach their goal of securing a better contract. We'll also pay Kitty Hawk an actual premium from the MCF, totaling just under \$1.5 million, coming up at the end of June.

You can see improvements in the **Operating Contingency Fund**, though, up to \$1, 156,165 in 2009, from just \$749, 412 at the end of 2008. We will see a dramatic depletion of this \$5.5 million surplus in the next two years.

The SMRA, however, fell approximately \$3 million in 2009 to \$14.17 million. This is attributable primarily to the expenses of the Delta/Northwest merger, as well as negotiations at United and Continental.

Kitty Hawk is ALPA's wholly-owned insurance provider. We carry four lines of re-insurance to cover our fiduciary liability, employment practices, professional services, and duty of fair representation.

Here's how it works: ALPA retains \$4 million in risk, including defense costs. Kitty Hawk then assumes an additional \$16 million, and the re-insurance program provides for coverage in excess of \$20 million.

The bottom line is budget discipline, budget discipline, budget discipline. Your union continues to pay for those changes that enabled us to quickly adapt to a shaky economic environment. Now, every dollar, every policy, and every procedure is under scrutiny. We are working with us to find creative ways—such as expense reimbursements for negotiations and concessionary bargaining—to provide a stable financial platform for your MEC while maintaining the quality services that your members expect.

We, as a union, vowed to follow a path that leads us into building a stronger, leaner organization. And, frankly, we must tackle this major effort head on.

We must live within our budget by smartly managing our members' money to maintain the services that they want and need. We must operate in this manner to maintain our pilots' trust—the trust that we're managing their money prudently. If we lose that trust, we don't have a union. It is as simple as that.

We must eliminate nonessential activities and communicate with our members how we're using the limited resources available to focus on our core priorities—propelling this union forward, and pushing their strategic plan to success.

After all, we're already seeing the results: wins in the halls of Congress, with the new administration, at the bargaining table, and in organizing new members into ALPA. All that serves as proof positive that we will not only survive, but we will prosper. Together, We Are ALPA and together We Will Succeed!